Annual Report of the Audit Committee

To the Board of Directors
Coca Cola FEMSA, S.A.B. de C.V. (the ¨Company¨):

Pursuant to Articles 42 and 43 of the Mexican Securities Law (Ley del Mercado de Valores) and the Charter of the Audit Committee, we submit to the Board of Directors our report on the activities performed during, 2016. We considered the recommendations established in the Code of Corporate Best Practices and, since the Company is a publicly-listed company in the New York Stock Exchange (¨NYSE¨), we also complied with the applicable provisions set forth in Sarbanes-Oxley Act. We met at least on a quarterly basis and, based on a work program, we carried out the activities described below:

RISK ASSESSMENT

We periodically evaluated the effectiveness of the Enterprise Risk Management Process, which is established to identify, measure, record, assess, and manage the Company´s risks, as well as for the implementation of follow-up measures to ensure its effective operation.

We reviewed with the Management and both External and Internal Auditors of the Company, the key risk factors that could adversely affect the Company´s operations and assets, and we determined that they have been appropriately identified, managed, and considered in both audit programs.

INTERNAL CONTROL

We verified the compliance by management of its responsibilities regarding internal control, and the establishment of general guidelines and the procedures necessary for their application and compliance. This process included presentations to the Audit Committee by the area responsible of the most important subsidiaries. Additionally, we followed the comments and remarks made in this regard by External Auditors as a result of their findings.

We verified the actions taken by the Company in order to comply with section 404 of Sarbanes-Oxley Act regarding the self-assessment of internal controls. During this process, a follow up on main preventive and corrective actions implemented concerning internal control issues that require improvement, and the submission to the authorities of the requested information.

EXTERNAL AUDIT

We recommended to the Board of Directors the appointment of the external auditors (who have been the same for the past seven years) for the Company and its subsidiaries for fiscal year 2016. For this purpose, we verified their independence and their compliance with the requirements established by applicable laws and regulations. We analyzed their approach, work program as well as their coordination with Internal Audit.

We were in permanent and direct communication with them to be timely informed of their progress and their observations, and also to consider any comments that resulted from their review of the quarterly financial statements. We were timely informed of their conclusions and reports, regarding the annual financial statements and followed up on the actions implemented resulting from the findings and recommendations provided during the year.

We authorized the fees of the external auditors for their annual audit and other permitted services, and verified that such services would not compromise their Independence.

With the appropriate input from Management, we carried out an evaluation of their services for the previous year and initiated the evaluation process for fiscal year 2016.

INTERNAL AUDITING

In order to maintain its independence and objectivity, the Internal Audit area reports to the Audit Committee therefore:

We reviewed and approved the annual work program and budget, in order to comply with the requirements of Sarbanes-Oxley Act. For its preparation, the Internal Audit area participated in the risk assessment process and the validation of the internal control system.

We received periodic reports regarding the progress of the approved work program, any deviations and the causes thereof.

We followed up the implementation of the observations developed by Internal Audit.

We confirmed the existence and validated the implementation of an Annual Training program.

We reviewed and discuss with the responsible of the IA function the evaluations of the Internal Audit service performed by the responsible of each business unit and the Audit Committee.

FINANCIAL INFORMATION, ACCOUNTING POLICIES AND REPORTS TO THE THIRD PARTIES

We reviewed the quarterly and annual financial statements of the Company with the individuals responsible for its preparation and recommended to the Board of Directors, its approval and authorize its publication. As part of this process, we analyzed the comments of the external auditors and confirm the criteria, accounting policies and information used by Management to prepare financial information were adequate, sufficient, and consistently applied with the prior year. As a consequence, the information submitted by Management reasonably reflects the financial position of the Company, its operating results and cash flows for the fiscal year ending on December 31, 2016.

We also reviewed the quarterly reports prepared by Management and submitted to shareholders and the financial community, verifying that such information was prepared under International Financial Reporting Standards (IFRS) and the same accounting criteria for preparing the annual information. We also reviewed the existence of an integral process that provides a reasonable assurance of fairness in the information content. To conclude, we recommended to the Board of Directors to authorize the release of such information.

Our reviews also included reports and any other financial information required by Mexican and United States regulatory authorities.

We reviewed and approved the changes to the accounting standards used by the Company that became effective in 2016, recommending their approval to the Board of Directors.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS, LEGAL ISSUES AND CONTINGENCIES

We verified the existence and reliability of the Company-established controls to ensure compliance with the various legal provisions applicable to the Company. When required, we verified its appropriate disclosure in the financial reports.

We made periodic reviews of the various tax, legal and labor contingencies of the Company. We supervised the efficiency of the procedures established for their identification and follow-up, as well as their adequate disclosure and recording.

CODE OF CONDUCT

We reviewed the new version of the Business Code of Ethics of the Company which incorporates among other changes an update of its values, validating that it includes a compliance provision with the Anti-Money Laundering laws in the countries where we operate, as well as compliance with anti corruption laws (FCPA) recommending its approval to the Board of Directors.

With the support of Internal Audit, we verified the compliance of the Business Code of Ethics, the existence of adequate processes to update it and its communication to employees, as well as the application of sanctions in those cases where violations were detected.

We reviewed the complaints received in the Company´s Whistle-Blowing System and followed up on their correct and timely handling.

TRAINING

To comply with the training requirements of our charter, during the year, The Audit Committee members attended specific courses on topics as internal controls, risk management and auditing.

ADMINISTRATIVE ACTIVITIES

We held regular meetings with Management to be informed of any relevant or unusual activities and events. We also met individually with external and internal auditors to review their work, and observations.

In those cases where we deemed advisable, we requested the support and opinion from independent experts. We are not aware of any significant non-compliance with the operating policies, the internal control system or the accounting records of the Company.

We held executive meetings and when applicable reviewed with management our resolutions.

We submitted quarterly reports to the Board of Directors, on the activities performed by the Committee.

We reviewed the Audit Committee Charter and made the amendments that we deemed appropriate, submitting such changes for its approval by the Board of Directors.

We verified that the financial expert of the Committee meets the technical background and experience requirements to be considered as such, and that each Committee Member meets the independence requirements set forth in by the applicable laws and regulations.

Our activities were duly documented in the minutes prepared for each meeting. Such minutes were properly reviewed and approved by Committee members.

We made our annual performance self-assessment, and submitted the results to the Chairman of the Board of Directors.

Sincerely

José Manuel Canal Hernando
February 23, 2017

Independent Auditor's Report

The Board of Directors and Shareholders of Coca-Cola FEMSA, S.A.B. de C.V.

Opinion

We have audited the accompanying consolidated financial statements of Coca-Cola FEMSA, S.A.B. de C.V. and its subsidiaries (collectively the "Group"), which are comprised of the related consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2016, in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico according with the "Codigo de Etica Profesional del Instituto Mexicano de Contadores Publicos" ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters as of December 31, 2016

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the accompanying consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Investment in Coca Cola FEMSA Philippines and subsequent consolidation in 2017

Description of the key audit matter

As disclosed in Notes 9 and 19.6 to the consolidated financial statements, up to December 31, 2016, the Group accounts using the equity method for its 51% ownership in Coca Cola FEMSA Philippines ("CCFPI") and holds potential voting rights in CCFPI through a call option to acquire the remaining 49% of CCFPI from the Coca Cola Company ("TCCC") at any time through January 2020 and also has a put option to sell its 51% ownership back to TCCC at any time from January 2018 through January 2019.

The estimation of fair value of CCFPI performed by management is a key audit matter as it impacts the significant judgment applied to evaluate whether the call option to acquire the remaining 49% is substantive, which generally occurs when the call option is in-the-money, and consequently whether the potential voting rights are probable of being executed. The results of these evaluations would impact whether the Group should consolidate CCFPI rather than to apply the equity method of accounting. Further, the fair value of CCFPI is used also to assess whether the Company's investment in CCFPI is impaired; thus an additional key audit matter.

The complexity of this analysis and the fact that the related unobservable data (specifically management projections of future cash flows of CCFPI) requires a high degree of estimation uncertainty, resulted in specific focus during our audit.

On January 25. 2017, the Company obtained control without transfer of additional consideration over CCFPI and started consolidating such subsidiary. As the acquisition occurred before the issuance of the consolidated financial statements, pursuant to the requirements of IFRS 3 the Company has disclosed the purchase price allocation in Note 28 of the consolidated financial statements.

Based on the quantitative materiality of the acquisition and the significant degree of estimates required of management in determining the purchase price allocation, we have determined this to be a key audit matter.

How our oudit addressed the matter

We evaluated management assumptions related to compound annual growth rates, projected cost and expense savings among others key assumptions used in both an IFRS 13 Level 3 fair value and an IAS 36 value in use computation by 1) assessing the historical accuracy of the Group's budgetary estimates, 2) obtaining and analyzing the Group's business strategies supporting the future cash flow estimates, 3) evaluating the macroeconomic environment including comparisons to the performance of market participants for which publicly available data is available. We also tested the Group's procedures around the preparation of the budget, upon which the value-in-use model is based and management's assessment of the probability that the potential voting rights might be executed and whether they were substantive based on the aforementioned fair value estimates and the call option's written terms by reviewing 1) management's valuation model of the call option and analysis of whether the call option is in or out of the money, 2) management's assessment of the qualitative matters in regards to why the call option is not substantive in nature. We involved our internal specialists when performing these procedures. Finally, we evaluated the related disclosures made in the consolidated financial statements.

In regards to this acquisition, we assessed the identification of the acquired assets and assumed liabilities. We have compared this identification with our knowledge of the Group's business, business plans, and management's explanations on the rationale of the acquisition. We have tested management's fair values of assets and liabilities of these acquisitions based on commonly used valuation models with the assistance of our internal specialists. We further assessed the adequacy of the company's disclosures on these business combinations.

Impairment of distribution rights and goodwill

Description of the key audit matter

As disclosed in Note 11 to the consolidated financial statements, Distribution Rights and Goodwill were Ps. 118,920 million as of December 31, 2016. Given the materiality of distribution rights and goodwill in relation to the consolidated financial statements and the significant judgment and estimation required by management when evaluating these accounts for impairment, we focused our auditing efforts in this area in particular for the territories in Brazil due to recent acquisitions that resulted in significant additions to these accounts and Venezuela given the general deterioration of the country's macroeconomic environment.

How our audit addressed the matter

We evaluated management assumptions related to compound annual growth rates, projected cost and expense savings among others key assumptions used in the impairment testing by 1) assessing the historical accuracy of the Management's budgetary estimates, 2) obtaining and analyzing Management's business strategies supporting the future cash flow estimates, 3) evaluating the macroeconomic environment including comparisons to the performance of market participants for which publicly available data is available.

We also assessed management's sensitivity analyses focusing on the projected compound annual growth rates and projected cost savings, mainly. We involved our internal specialists when performing these procedures. In addition, we tested the Group's procedures around the preparation of the budget, upon which the value-in-use model is based.

Furthermore, we assessed the related disclosures made in the consolidated financial statements.

Venezuela operations

Description of the key audit matter

Venezuela is a challenging economic and political environment. Challenges of operating in Venezuela include, but are not limited to, the existence of multiple foreign currency exchange rates, lack of exchangeability across all exchange mechanisms, limited access to certain key raw materials, and periodic government intervention into operations including continually changing laws and regulations.

We focused on this area because of the following key judgments and sources of estimation uncertainty include:

1) Whether the Group continues to have control over relevant activities in its Venezuela operations under IFRS 10 given the foreign currency restrictions. as well as other operating challenges established by the economic and political environment in Venezuela.

2) The appropriate exchange rate to be used to translate foreign currency denominated liabilities, including the effect of security advances and consolidate foreign operations, due to the existence of multiple foreign exchange rates available.

3) The recoverability of long-lived assets related to the Group's Venezuela operations as described in the key audit matter "Impairment of distribution rights and goodwill." section above.

As disclosed in Note 3.3 of the consolidated financial statements, the Group has, over the past few years, accumulated significant amounts of accumulated other comprehensive loss in an amount of Ps. 20,230 million as of December 31, 2016. To the extent that the Group losses control of its Venezuela operations such amounts would be required to be recognized in the Group's income statement as a loss.

How our audit addressed the matter

We evaluated management's assessment of the relevant activities attributable to the Venezuela operations under IFRS 10. This included consideration of management's ability to control relevant activities such as budgeting, establishing sales strategies, pricing, financial decisions, cost infrastructure, among other matters and the analysis of the Group exposure to variable returns in their investment in Venezuela.

With regards to measurement of foreign liabilities in Venezuela we focused our audit efforts on assessing management's judgment applied in selecting the most appropriate exchange rate at which such foreign liabilities should be measured, including amounts payable to those vendors for which security advances have been provided and for these vendors we have also inspected the relevant documentation and performed confirmation of balances and terms and conditions; with the assistance of our internal specialists we analyzed the legal and other regulatory implications.

We also assessed the adequacy of the related disclosures made in the consolidated financial statements.

Recoverability of deferred tax assets

Description of the key audit matter

As disclosed on Note 23 to the consolidated financial statements, the Group had Ps. 24,791 million of net operating losses carrying forwards as of December 31, 2016; such amount relates to the Brazilian, Colombian and Mexican operations. Brazilian amounts are mainly attributable to deductions of goodwill amortization generated on recent business acquisitions while the amounts generated in Mexico related to tax losses generated in recent years.

Additionally as disclosed on Note 23, the Company recognized a deferred tax asset for tax credit for an amount Ps. 1,150 million, generated in Mexico as a result of dividends received from subsidiaries outside Mexico.

We focus on this area because the recognition of deferred tax assets relies on the significan! application of judgement by management in respect of assessing the probability and sufficiency of future taxable profits and ongoing tax planning strategies, therefore, dueto the size of the Group's deferred tax assets of Brazil and Mexico and the associated uncertainty surrounding recoverability, this is considered a key audit matter.

How our audit addressed the matter

Our audit procedures, among others, included the assessment of controls over the recognition and measurement of deferred tax assets and the evaluation of assumptions used in projecting the Group's future taxable profits in Mexico and Brazil. With the assistance of our internal tax specialists, we assessed the feasibility of the Group's future tax planning strategies that may enable realizability of the deferred tax asset in Mexico.

When applicable, our audit procedures also focused on the review of management's projections of future cash flows in relation to the likelihood of generating sufficient taxable profits based on forecasts of anticipated future cost savings, growth rates, discount rates, and other key assumptions. We involved our internal specialists when performing these procedures.

We also evaluated the related disclosures made in the Consolidated Financial Statements.

Vonpar acquisition

Description of the key audit matter

On December 6, 2016, the Group acquired Vonpar, S.A. for a total consideration of Ps. 20,992 million. For this acquisition, the Company made a preliminary purchase price allocation in which the consideration transferred was allocated to the preliminary fair values of the various assets and liabilities including significant contingencies of the acquired company. This is outlined in Note 4 of the consolidated financial statements. The preliminary purchase price allocation and the analysis of the accounting, and valuation of the consideration transferred as it involved embedded derivatives, are key audit matter.

How our audit addressed the matter

We audited the corresponding purchase agreements for the Vonpar acquisition and analyzed the propriety of the accounting of the consideration transferred including the identification of the embedded derivatives. We also tested with the assistance of our risk specialists the measurement of the fair values of the various embedded derivatives including the option to convert the promissory note into equity instruments of the Company as part of the consideration transferred. In regards to this acquisitions, we audit the identification of the acquired assets and assumed liabilities. We have assessed this identification with our knowledge of the Group's business, business plans, and management's explanations on the rationale of the acquisition and tested management's estimated fair values of assets and liabilities of this acquisition. We further assessed the adequacy of the company's disclosures of this business combination in the Consolidated Financial Statements.

Other information included in the Group's 2016 Annual Report

Other information consists of the information included in the Group's 2016 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and asses the risks of material misstatement of the consolidated financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's intimal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and, if such disclosures are inadequate to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion of the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Mancera, S.C.
A member practice of Ernst & Young Global

Adan Aranda Suarez
February 27, 2017
Mexico City, Mexico

Consolidated Statements of Financial Position

At December 31, 2016 and 2015
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

	Note	December 2016 (*)	December 2016	December 2015
ASSETS				
Current assets:				
Cash and cash equivalents	5	$ 508	Ps. 10,476	Ps. 15,989
Accounts receivable, net	6	728	15,005	9,647
Inventories	7	521	10,744	8,066
Recoverable taxes	23	212	4,373	4,220
Other current financial assets	8	73	1,511	1,227
Other current assets	8	163	3,344	3,083
Total current assets		2,205	45,453	42,232
Non-current assets:				
Investments in associates and joint ventures	9	1,084	22,357	17,873
Property, plant and equipment, net	10	3,167	65,288	50,532
Intangible assets, net	11	6,013	123,964	90,754
Deferred tax assets	23	290	5,981	4,098
Other non-current financial assets	12	230	4,733	2,395
Other non-current assets	12	557	11,480	2,365
Total non-current assets		11,341	233,803	168,017
TOTAL ASSETS		**$ 13,546**	**Ps. 279,256**	**Ps. 210,249**

(*) 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.

	Note	December 2016 (*)	December 2016	December 2015
LIABILITIES AND EQUITY				
Current liabilities:				
Bank loans and notes payable	17	$ 76	Ps. 1,573	Ps. 384
Current portion of non-current debt	17	72	1,479	3,086
Interest payable		25	520	411
Suppliers		1,043	21,489	15,470
Accounts payable		308	6,355	4,744
Taxes payable		367	7,560	5,274
Other current financial liabilities	24	44	892	1,111
Total current liabilities		1,935	39,868	30,480
Non-current liabilities:				
Bank loans and notes payable	17	4,164	85,857	63,260
Post-employment and other non-current employee benefits	15	113	2,319	2,261
Deferred tax liabilities	23	58	1,205	1,123
Other non-current financial liabilities	24	279	5,745	214
Provisions and other non-current liabilities	24	729	15,029	4,176
Total non-current liabilities		5,343	110,155	71,034
Total liabilities		7,278	150,023	101,514
Equity:				
Capital stock	21	99	2,048	2,048
Additional paid-in capital		2,013	41,490	41,490
Retained earnings		3,957	81,579	78,454
Other equity instruments		(24)	(485)	-
Cumulative other comprehensive loss		(121)	(2,495)	(17,243)
Equity attributable to equity holders of the parent		5,924	122,137	104,749
Non-controlling interest in consolidated subsidiaries	20	344	7,096	3,986
Total equity		6,268	129,233	108,735
TOTAL LIABILITIES AND EQUITY		**$ 13,546**	**Ps. 279,256**	**Ps. 210,249**

Consolidated Income Statements

For the years ended December 31, 2016, 2015 and 2014
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.) except per share amounts

	Note		2016 (*)		2016		2015		2014
Net sales		$	8,589	Ps.	177,082	Ps.	151,914	Ps.	146,948
Other operating revenues			31		636		446		350
Total revenues			8,620		177,718		152,360		147,298
Cost of goods sold			4,756		98,056		80,330		78,916
Gross profit			3,864		79,662		72,030		68,382
Administrative expenses			360		7,423		6,405		6,385
Selling expenses			2,330		48,039		41,879		40,465
Other income	18		62		1,281		620		1,001
Other expenses	18		247		5,093		2,368		1,159
Interest expense	17		362		7,471		6,337		5,546
Interest income			35		715		414		379
Foreign exchange loss, net			87		1,792		1,459		968
(Gain) loss on monetary position for subsidiaries in hyperinflationary economies			(117)		(2,417)		33		312
Market value gain on financial instruments	19		2		51		142		25
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method			694		14,308		14,725		14,952
Income taxes	23		191		3,928		4,551		3,861
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	9		7		147		155		(125)
Consolidated net income		**$**	**510**	**Ps.**	**10,527**	**Ps.**	**10,329**	**Ps.**	**10,966**
Attributable to:									
Equity holders of the parent		$	488	Ps.	10,070	Ps.	10,235	Ps.	10,542
Non-controlling interest			22		457		94		424
Consolidated net income		**$**	**510**	**Ps.**	**10,527**	**Ps.**	**10,329**	**Ps.**	**10,966**
Equity holders of the parent (U.S. dollars and Mexican pesos):									
Earnings per share									
Basic net controlling interest income	22	**$**	**0.24**	**Ps.**	**4.86**	**Ps.**	**4.94**	**Ps.**	**5.09**
Diluted net controlling interest income	22		**0.24**		**4.85**		**-**		**-**

(*) Convenience translation to U.S. dollars ($) – See Note 2.2.3
The accompanying notes are an integral part of these consolidated income statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016, 2015 and 2014
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

	Note	2016 (*)	2016	2015	2014
Consolidated net income		$ 510	Ps. 10,527	Ps. 10,329	Ps. 10,966
Other comprehensive income, net of taxes:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Valuation of the effective portion of derivative financial instruments, net of taxes	19	35	715	(27)	215
Exchange differences on the translation of foreign operations and associates		779	16,052	(5,407)	(11,994)
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		814	16,767	(5,434)	(11,779)
Items that will not be reclassified to profit or loss in subsequent periods:					
Remeasurements of the net defined benefit liability, net of taxes	15	(6)	(123)	138	(192)
Net other comprehensive income (loss) not being reclassified to profit or loss in subsequent periods		(6)	(123)	138	(192)
Total other comprehensive income (loss), net of tax		808	16,644	(5,296)	(11,971)
Consolidated comprehensive income (loss) for the year, net of tax		**$ 1,318**	**Ps. 27,171**	**Ps. 5,033**	**Ps. (1,005)**
Attributable to:					
Equity holders of the parent		$ 1,204	Ps. 24,818	Ps. 5,437	Ps. (1,382)
Non-controlling interest		114	2,353	(404)	377
Consolidated comprehensive income (loss) for the year, net of tax		**$ 1,318**	**Ps. 27,171**	**Ps. 5,033**	**Ps. (1,005)**

(*) 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.

Consolidated Statements of Changes In Equity

For the years ended December 31, 2016, 2015 and 2014
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		Other Equity Instruments
Balances at January 1, 2014	Ps.	2,048	Ps.	41,490	Ps.	70,094	Ps.	-
Net income		-		-		10,542		-
Other comprehensive income, net of tax		-		-		-		-
Total comprehensive income		-		-		10,542		-
Dividends declared		-		-		(6,012)		-
Balances at December 31, 2014		2,048		41,490		74,624		-
Net income		-		-		10,235		-
Other comprehensive income, net of tax		-		-		-		-
Total comprehensive income		-		-		10,235		-
Dividends declared		-		-		(6,405)		-
Balances at December 31, 2015		2,048		41,490		78,454		-
Net income		-		-		10,070		-
Other comprehensive income, net of tax		-		-		-		-
Total comprehensive income		-		-		10,070		-
Dividends declared		-		-		(6,945)		-
Increase in non-controlling interest		-		-		-		-
Acquisition of Vonpar (Note 4)		-		-		-		(485)
Balances at December 31, 2016	**Ps.**	**2,048**	**Ps.**	**41,490**	**Ps.**	**81,579**	**Ps.**	**(485)**

The accompanying notes are an integral part of these consolidated statements of changes in equity.

Valuation of the Effective Portion of Derivative Financial Instruments	Exchange Differences on Translation of Foreign Operations and Associates	Remeasurements of the Net Defined Benefit Liability	Equity Attributable To Equity Holders of the Parent	Non-Controlling Interest	Total Equity
Ps. (368)	Ps. 242	Ps. (395)	Ps. 113,111	Ps. 4,042	Ps. 117,153
-	-	-	10,542	424	10,966
220	(11,973)	(171)	(11,924)	(47)	(11,971)
220	(11,973)	(171)	(1,382)	377	(1,005)
-	-	-	(6,012)	(18)	(6,030)
(148)	(11,731)	(566)	105,717	4,401	110,118
-	-	-	10,235	94	10,329
(77)	(4,853)	132	(4,798)	(498)	(5,296)
(77)	(4,853)	132	5,437	(404)	5,033
-	-	-	(6,405)	(11)	(6,416)
(225)	(16,584)	(434)	104,749	3,986	108,735
-	-	-	10,070	457	10,527
664	14,207	(123)	14,748	1,896	16,644
664	14,207	(123)	24,818	2,353	27,171
-	-	-	(6,945)	(69)	(7,014)
-	-	-	-	826	826
-	-	-	(485)	-	(485)
Ps. 439	**Ps. (2,377)**	**Ps. (557)**	**Ps. 122,137**	**Ps. 7,096**	**Ps. 129,233**

Consolidated Statements of Cash Flows

For the years ended December 31, 2016, 2015 and 2014
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

	2016 (*)	2016	2015	2014
Cash flows from operating activities:				
Income before income taxes	$ 701	Ps. 14,455	Ps. 14,880	Ps. 14,827
Adjustments for:				
Non-cash operating expenses	113	2,329	1,435	438
Depreciation	368	7,579	6,310	6,072
Amortization	53	1,087	834	877
(Loss) Gain on disposal of long-lived assets	(1)	(22)	(217)	33
Write-off of long-lived assets	2	40	332	39
Share of the (profit) loss of associates and joint ventures accounted for using the equity method, net of taxes	(7)	(147)	(155)	125
Interest income	(35)	(715)	(414)	(379)
Interest expense	213	4,388	3,718	3,352
Foreign exchange loss, net	87	1,792	1,459	968
Non-cash movements in post-employment and other non-current employee benefits obligations	28	580	68	(27)
Monetary position (gain) loss, net	(117)	(2,417)	33	312
Market value loss on financial instruments	137	2,817	3,096	2,460
(Increase) decrease:				
Accounts receivable and other current assets	(132)	(2,727)	(1,010)	(777)
Other current financial assets	(172)	(3,552)	(2,849)	(2,156)
Inventories	(104)	(2,142)	(1,784)	(588)
Increase (decrease):				
Suppliers and other accounts payable	543	11,199	3,329	4,978
Other liabilities	45	931	249	(1,442)
Employee benefits paid	(13)	(258)	(193)	(235)
Income taxes paid	(135)	(2,771)	(5,919)	(4,471)
Net cash flows from operating activities	1,574	32,446	23,202	24,406
Investing activities:				
Partial payment of Vonpar, net of cash acquired (see Note 4)	(640)	(13,198)	-	-
Interest received	35	715	414	379
Acquisitions of long-lived assets	(500)	(10,308)	(10,545)	(10,862)
Proceeds from the sale of long-lived assets	15	324	233	147
Acquisition of intangible assets	(116)	(2,385)	(956)	(634)
Other non-current assets	-	-	(72)	(257)
Dividends received from investments in associates and joint ventures (Note 9)	-	5	13	148
Investment in shares	(99)	(2,068)	(32)	(58)
Net cash flows used in investing activities	(1,305)	(26,915)	(10,945)	(11,137)
Financing activities:				
Proceeds from borrowings	390	8,040	1,907	6,180
Repayment of borrowings	(240)	(4,948)	(9,076)	(6,490)
Interest paid	(200)	(4,122)	(3,568)	(3,182)
Dividends paid	(340)	(7,013)	(6,416)	(6,030)
Other financing activities	(122)	(2,517)	8,586	(1,828)
Increase in non-controlling interest	40	826	-	-
Net cash flows (used in) / from financing activities	(472)	(9,734)	(8,567)	(11,350)
Net increase (decrease) in cash and cash equivalents	(203)	(4,203)	3,690	1,919
Initial balance of cash and cash equivalents	776	15,989	12,958	15,306
Effects of exchange rate changes and inflation effects on cash and cash equivalents held in foreign currencies	(65)	(1,310)	(659)	(4,267)
Ending balance of cash and cash equivalents	**$ 508**	**Ps. 10,476**	**Ps. 15,989**	**Ps. 12,958**

(*) 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.

For the years endend December 31, 2016, 2015 and 2014
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") is a Mexican corporation, mainly engaged in acquiring, holding and transferring all types of bonds, 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% of Coca-Cola FEMSA's shares trade on the Bolsa Mexicana de Valores, S.A.B. de C.V. (BMV: KOF) and its American Depositary shares ("ADS") (equivalent to ten series "L" shares) 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 City 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, 2016 and 2015 the most significant subsidiaries which the Company controls are:

Company	Activity	Country	Ownership percentage 2016	Ownership percentage 2015
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%	96.06%
Distribuidora y Manufacturera del Valle de México, S. de R.L. de C.V.	Manufacturing and distribution	Mexico	100.00%	100.00%
Servicios Refresqueros del Golfo, S. de R.L. de C.V.	Manufacturing and distribution	Mexico	100.00%	100.00%
Coca-Cola FEMSA de Buenos Aires, S.A.	Manufacturing and distribution	Argentina	100.00%	100.00%
Embotelladora de la Sabana, S.A.S.	Manufacturing and distribution	Colombia	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 22, 2017 and subsequent events have been considered through that date (See Note 28). These consolidated financial statements and notes will be presented at the Company's Board of Directors meeting and Shareholders meeting on February 23, 2017 and March 14, 2017, respectively. The Company´s Board of Directors and Shareholders have the authority to approve or modify the Company's consolidated financial statements.

2.2 Basis of measurement and presentation

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments
- Trust assets of post-employment and other non-current employee benefit plans

The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values atrtributable to the risks that are being hedged in effective hedge relationship.

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.

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 of the Company.

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 statement of financial position as of December 31, 2016, the consolidated income statement, the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2016 were converted into U.S. dollars at the exchange rate of Ps. 20.62 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. As of February 27, 2017 (the issuance date of these financial statements) such exchange rate was Ps. 19.83 per U.S. dollar, a appreciation of 3.83% since December 31, 2016.

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.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements which have the most significant effects on the amounts recognized in the consolidated financial statements.

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 impairment tests annually or whenever indicators of impairment are present. Impairment exists when the carrying value of an asset or cash generating unit (CGU) 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. 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 a long-lived 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 11.

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, 10 and 11.

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 15.

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 bases 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 23.

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 24. 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. Management's judgment must be exercised to determine the likelihood of such a loss and an estimate of the amount, due to the subjective nature of the 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 19.

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 to and liabilities assumed by the Company from the former owners of the acquire, the amount of any non-controlling interest in 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 and measured 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.
- indemnifiable assets are recognized at the acquisition date on the same basis as the indemnifiable liability subject to any contractual limitations.

For each acquisition, management's judgment must be exercised to determine the fair value of the assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, applying estimates or judgments in techniques used, specially in forecasting CGU's cash flows, in the computation of WACC and estimation of inflation during the identification of intangible assets with indefinite live, mainly, goodwill and trademark rights.

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 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 9, the Company accounts for its 51% investment in Coca-Cola FEMSA Philippines, Inc. (CCFPI) as a joint venture, this is based on the facts that the Company and TCCC: (i) make all operating decisions jointly during the initial four-year period; and (ii) potential voting rights to acquire the remaining 49% of CCFPI are not probable to be executed in the foreseeable future due to the fact the call option was "out of the money" as of December 31, 2016 and 2015.

2.3.1.10 Venezuela Exchange Rates and Consolidation

As is further explained in Note 3.3 below, the exchange rate used to account for foreign currency denominated monetary items arising in Venezuela, and also the exchange rate used to translate the financial statements of the Company's Venezuelan subsidiary for group reporting purposes are both key sources of estimation uncertainty in preparing the accompanying consolidated financial statements.

As is also explained in Note 3.3 below, the Company believes that it currently controls its subsidiary operations in Venezuela but recognizes the challenging economic and political environment in Venezuela. Should the Company in the future conclude that it no longer controls such operations, its consolidated financial statements would change by material amounts as further explained below.

2.4 Changes in accounting policies

The Company has applied the following amendments to IFRS during 2016:

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively. For the Company´s pension plan there is no deep market for high-quality corporate bonds in mexican pesos, therefore, the Company continues to use government bond rates (see Note 16.1).

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, 2016. 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 consolidated financial statements of income and 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.

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 shareholders' equity as part of additional paid-in capital.

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 cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

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.

Costs, 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 from the acquisition date), 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.

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 other comprehensive income, 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.

Foreign exchange differences on monetary items are recognized in profit or loss. Their classification in the income statement depends on their nature. Differences arising from fluctuations related to operating activities are presented in the "other expenses" line (see Note 18) while fluctuations related to non-operating activities such as financing activities are presented as part of "foreign exchange gain (loss)" line in the income statement.

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 follows:

- For hyperinflationary economic environments, the inflation effects of the origin country are recognized pursuant IAS 29 Financial Reporting in Hyperinflationary Economies, 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 [(1)]				
		Average Exchange Rate for			Exchange Rate as of	
Country or Zone	Functional/Currency	**2016**	2015	2014	**2016**	2015
Mexico	Mexican peso	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00
Guatemala	Quetzal	2.46	2.07	1.72	2.75	2.25
Costa Rica	Colon	0.03	0.03	0.02	0.04	0.03
Panama	U.S. dollar	18.66	15.85	13.30	20.66	17.21
Colombia	Colombian peso	0.01	0.01	0.01	0.01	0.01
Nicaragua	Cordoba	0.65	0.58	0.51	0.70	0.62
Argentina	Argentine peso	1.26	1.71	1.64	1.30	1.32
Venezuela (a)	Bolivar	(a)	(a)	(a)	(a)	(a)
Brazil	Reais	5.39	4.81	5.66	6.34	4.41
Philippines	Philippines peso	0.39	0.35	0.30	0.41	0.36

(1) Exchange rates published by the central bank of each country

(a) Venezuela

The Company has operated under exchange controls in Venezuela since 2003, which limit its ability to remit dividends abroad or make payments other than in local currency and which may increase the real price paid for raw materials and services purchased in local currency. Cash balances of the Company's Venezuelan subsidiary which are not available for use at the time the Company prepares its consolidated financial statements are disclosed in Note 5.

The exchange rate used by the Company for its Venezuelan operations depends on the type of the transaction as explained below.

As of December 31, 2016 and 2015, the companies in Venezuela were able to convert bolivars to US dollars at one of the following legal exchange rates:

i) The official exchange rate. Used for transactions involving what the Venezuelan government considers to be "essential goods and services". Until March 10, 2016, most of the Company's concentrate purchases from The Coca-Cola Company and other strategic suppliers qualified for such treatment. As of December 31, 2014 and 2015 the official exchange rate was 6.30 bolivars per US dollar.

ii) SICAD. Used for certain transactions, including payment of services and payments related to foreign investments in Venezuela, determined by the state-run system known as *Sistema Complementario de Administración de Divisas* or SICAD exchange rate. The SICAD determined this alternative exchange rate based on limited periodic sales of U.S. dollars through auctions. As of December 31, 2015 the SICAD exchange rate was 13.50 bolivars per U.S. dollar (Ps. 1.27 per bolivar). During part of 2015, SICAD was used for certain types of transactions including purchases from other strategic suppliers that did not qualify by the official exchange rate.

iii) SICAD II. The Venezuelan government enacted a new law in 2014 that authorized an additional method of exchanging Venezuelan bolivars to U.S. dollars. During part of 2015 SICAD-II was used for certain types of transactions not covered by the official exchange rate or the SICAD exchange rate. In February 2015, this exchange rate was eliminated.

iv) SIMADI. In February 2015, the Venezuelan government enacted a new market-based exchange rate determined by the system known as the *Sistema Marginal de Divisas*, or SIMADI. The SIMADI determined the exchange rates based on supply and demand of U.S. dollars. The SIMADI exchange rate as of December 31, 2015 was 198.70 bolivars per US dollar (Ps. 0.09 per bolivar). As of December 31 2015, the Company used SIMADI to translated its results of their Venezuela subsidiary.

v) DIPRO and DICOM. In March 10, 2016, the Venezuelan government announced the replacement of (a) the SIMADI exchange rate with a new market based exchange rate known as Divisas Complementarias, or "DICOM", and (b) the official exchange rate with a preferential exchange rate denominated Divisa Protegida, or "DIPRO". The DIPRO exchange rate is determined by the Venezuelan government and may be used to settle imports of a list of goods and raw materials. The DICOM exchange rate is determined based on supply and demand of U.S. dollars. As of December 31, 2016 the DIPRO and DICOM exchange rates were 10 bolivars and 673.76 bolivars per US dollar, respectively. As of December 31, 2016 the Company used the DIPRO exchange rates to remeasure some of their liabilities in US dollar that were originally recorded at the official exchange rate. The DICOM exchange rate was used in the remeasurement of certain liabilities and in the translation of the financial statements of their Venezuelan operations.

The Company's recognition of its Venezuelan operations involves a two-step accounting process in order to translate into bolivars all transactions in a different currency than bolivars and then to translate the bolivar amounts to Mexican Pesos.

Step-one: Transactions are first recorded in the stand-alone accounts of the Venezuelan subsidiary in its functional currency, which are bolivars. Any non-bolivar denominated monetary assets or liabilities are translated into bolivars at each balance sheet date using the exchange rate at which the Company expects them to be settled, with the corresponding effect of such translation being recorded in the income statement.

As of December 31, 2016 the Company had US$429.8 million in monetary liabilities recorded using DIPRO exchange rate, and US$189.8 recorded at DICOM.

As of December 31, 2015 the Company had US$418.5 million in monetary liabilities recorded using the official exchange rate, and US$138.7 recorded at SICAD at the moment this exchange rate was determined by the government, of which US$44.9 million were recorded at 12.00 bolivars, US$35.9 were recorded at 12.80 bolivars and US$57.9 at 13.50 bolivars.

The Company believes that these account payables for imports of essential goods should continue to qualify as transactions that may be settled using the DICOM rate, as they were recorded, but also recognizes the current illiquidity of the U.S. dollar market in Venezuela. If there is a change in the official exchange rate used in the future, or should the Company determine these amounts no longer qualify, the Company may need to recognize a portion of the impact of this change in the income statement.

Step-two: In order to integrate the results of the Venezuelan operations into the consolidated figures of the Company, such Venezuelan results are translated from Venezuelan bolivars into Mexican pesos. During 2016 and 2015, the Company used DICOM (673.76 bolivars per USD) and SIMADI exchange rate (198.70 bolivars per USD) for accounting purposes respectively, based on the expectations that these would have been the exchange rate to what dividends will be settled.

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. The Company continues to monitor all of its foreign operations, but most notably its Venezuela operations for the reasons explained herein. Over the past few years, the Company has recognized significant amounts of exchange difference in accumulated other comprehensive loss (approximating Ps. 20,230 million) related to such Venezuela operations. To the extent that economic and or operational conditions were to worsen in the future resulting in a conclusion that the Company no longer controls such operations, such would result in both deconsolidation and an income statement charge for the accumulated exchange loss. There can be no assurances that such might not happen in the future.

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.

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 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 in 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 those 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 (CPI) of each country.

As of December 31, 2016, 2015, and 2014, the operations of the Company are classified as follows:

Country	Cumulative Inflation 2014 - 2016	Type of Economy	Cumulative Inflation 2013 - 2015	Type of Economy	Cumulative Inflation 2012- 2014	Type of Economy
Mexico	9.9%	Non-hyperinflationary	10.5%	Non-hyperinflationary	12.4%	Non-hyperinflationary
Guatemala	10.6%	Non-hyperinflationary	10.8%	Non-hyperinflationary	11.5%	Non-hyperinflationary
Costa Rica	5.1%	Non-hyperinflationary	8.1%	Non-hyperinflationary	14.6%	Non-hyperinflationary
Panama	2.8%	Non-hyperinflationary	5.1%	Non-hyperinflationary	9.7%	Non-hyperinflationary
Colombia	17.0%	Non-hyperinflationary	12.8%	Non-hyperinflationary	8.1%	Non-hyperinflationary
Nicaragua	13.1%	Non-hyperinflationary	15.8%	Non-hyperinflationary	21.9%	Non-hyperinflationary
Argentina	99.7%	Non-hyperinflationary	59.2%	Non-hyperinflationary	52.6%	Non-hyperinflationary
Venezuela	2,263.0%	Hyperinflationary	562.9%	Hyperinflationary	210.2%	Hyperinflationary
Brazil	25.2%	Non-hyperinflationary	24.7%	Non-hyperinflationary	19.0%	Non-hyperinflationary
Philippines (equity method investment)	5.7%	Non-hyperinflationary	8.3%	Non-hyperinflationary	9.9%	Non-hyperinflationary

As of December 2016 there are multiple inflation indices (including combination of indices in the case of CPI or certain months without official available information in the case of National Wholesale Price Index (WPI)), as follows:

(i) CPI for the City and Greater Buenos Aires Area (New CPI-CGBA), for which the IMF noted improvements in quality, this new consumer price index will only be provided for periods after April 2016 and does not provide national coverage. The cumulative CPI inflation (using the indices of the City of Buenos Aires for November 2015 to April 2016) for the three years was 104.6% as of November 2016.

(ii) "Coeficiente de Estabilización de Referencia" (CER or Reference Stabilization Ratio) to calculate the three-year cumulative inflation rate in Argentina, the CER is used by the government of Argentina to adjust the rate they pay on certain adjustable rate bonds they issue. At November 30, 2016, the three-year cumulative inflation rate based on CER data is estimated to be approximately 92%.

(iii) National Wholesale Price Index (WPI) with a cumulative inflation for three years of 92.2% at November 2016 but not including information for November and December 2015 since it was not published by the National Bureau of Statistics of Argentina (INDEC). The WPI has historically been viewed as the most relevant inflation measure for companies by practitioners in Argentina.

As a result of the existence of multiple inflation indices, the Company believes it necessitates an increased level of judgment in determining whether the economy of Argentina should be considered highly inflationary.

The Company believes that general market sentiment is that on the basis of the quantitative and qualitative indicators in IAS 29, the economy of Argentina should not be considered as hyperinflationary as of December 31, 2016. However, it is possible that certain market participants and regulators could have varying views on this topic both during 2016 and as Argentina's economy continues to evolve in 2017. The Company will continue to carefully monitor the situation and make appropriate changes if and when necessary.

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 8). 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.

When a financial asset is recognized initially, the Company measures it at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

The Company's financial assets include cash and cash equivalents, loans and receivables, derivative financial instruments and other financial assets (Current and non-current).

3.6.1 Effective interest rate method (EIR)

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. Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss (FVTPL) 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 Instruments: Recogntion and Measurement. 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, 2016, 2015 and 2014 the interest income on loans and receivables recognized in the interest income line item within the consolidated income statements is Ps. 3, Ps. - and Ps. -, 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.

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 to 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 otherwise as a component of cumulative other comprehensive income based on the item being hedged and the effectiveness of the hedge.

3.7.1 Hedge accounting

The Company designates certain hedging instruments, which include derivatives to cover 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 or loss. 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 or loss.

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 as trusts assets of labor obligations 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 17.

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.

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 19 and unquoted liabilities such as debt described in Note 17.

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 weighted 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 and inspection.

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, product promotion and agreements with customers.

Prepaid assets principally consist of advances to suppliers of raw materials, advertising, promotional, leasing and insurance costs, and are recognized as other current assets at the time of the cash disbursement, and are unrecognized in the consolidated statement of financial position and recognized in the appropriate 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, 2016, 2015 and 2014, such amortization aggregated to Ps. 582, Ps. 317 and Ps. 338, respectively.

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. Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value.

Investments in associates are accounted for using the equity method and initially recognized at cost, which comprises the investment's purchase price and any directly attributable expenditure necessary to acquire it. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. The financial statements of the associates are prepared for the same reporting period as the Company.

When the Company's share of losses exceeds the carrying amount of the associate, including any advances, 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 an associate is measured 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, 2016 and 2015 the Company does not have an interest in joint operations. Joint ventures are Ps. 116 in the equity method as described in 3.11.1 above.

Upon loss of joint control over the joint venture, the Company measures and recognises any retained investment at its fair value.

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 ready 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.

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 the sale of the product.
- Returnable: Are classified as long-lived assets as a component of property, plant and equipment. Returnable bottles are recorded at acquisition cost and 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 and 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 (3 years for glass bottles and 1.5 years for PET bottles). 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.

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 (see Note 3.2). 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, 2016, the Company had nine bottler agreements in Mexico: (i) the agreements for the Valley of Mexico territory, which are up for renewal in August 2017 and June 2023, (ii) the agreement for the Southeast territory, which is up for renewal in June 2023, (iii) three agreements for the Central territory, which are up for renewal in August 2017 (two agreements), and May 2025, (iv) the agreement for the Northeast territory, which is up for renewal in August 2017, and (v) two agreements for the Bajio territory, which are up for renewal in August 2017 and May 2025. As of December 31, 2016, the Company had nine bottler agreements in Brazil, which are up for renewal in October 2017 (seven agreements) and April 2024 (two agreements); and one bottler agreement in each of Argentina, which is up for renewal in September 2024; Colombia, which is up for renewal in June 2024; Venezuela, which is up for renewal in August 2026; Guatemala, which is up for renewal in March 2025; Costa Rica, which is up for renewal in September 2017; Nicaragua, which is up for renewal in May 2026 and Panama, which is up for renewal in November 2024. The 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. In addition, these agreements generally may be terminated in the case of material breach. Termination would prevent the Company from selling Coca-Cola trademark beverages in the affected territory and would have an adverse effect on the Company´s business, financial conditions, results from operations and prospects.

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 long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived 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.

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 related CGU 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, as discussed in Note 2.3.1.1

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 2016 and 2015 there was no impairment recognized in long-lived 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.

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.

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, payables, 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 less, in the case of loans and borrowings, directly attributable transaction costs.

The Company’s 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 (contractual or implied) 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 24.

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.

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, the economic benefits and retirement pensions are granted to employees with 10 years of service and minimum age of 60. 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 effects 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 when the related event occurs.

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 of 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.

During 2014, the Company settled its pension plan in Brazil and consequently recognized the corresponding effects of the settlement on the results of the current period, refer to Note 15.

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.

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, 2016, 2015 and 2014, these distribution costs amounted to Ps. 20,250, Ps. 20,205 and Ps. 19,236, respectively;
- Sales: labor costs (salaries and other benefits including PTU) and sales commissions paid to sales personnel;
- Marketing: promotional expenses and advertising costs.

PTU is paid by the Company's Mexican subsidiaries to its eligible employees. In Mexico, employee profit sharing is computed at the rate of 10% of the individual company taxable income. PTU in Mexico is 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 decreased; and b) payments exempt from taxes for the employees are fully deductible in the PTU computation.

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.

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 assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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.

Deferred tax relating to items recognised in the other comprehensive income are recognised in correlation to the underlying transaction in OCI.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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 2016, 2015 and 2014. As a result of the Mexican Tax Reform discussed below, it will also be 30% for 2017.

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 and diluted earnings per share (EPS) data for its shares. As described in Note 22, the Company has potentially dilutive shares and therefore presents its basic and 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. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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.

Note 4. Mergers and Acquisitions

4.1 Mergers and Acquisitions

The Company has had 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 respective 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 year ended December 31, 2016 show the merged and acquired operations net of the cash related to those mergers and acquisitions. For the years ended December 31, 2015 and 2014, the Company did not have any acquisitions or mergers.

While all of the acquired companies disclosed below are bottlers of Coca-Cola trademarked beverages, such acquired entities were not under common ownership control prior to the acquisition.

4.1.1 Acquisition of Vonpar

On December 6, 2016, the Company through its Brazilian subsidiary Spal Industria Brasileira de Bebidas, S.A. completed the acquisition of 100% of Vonpar S.A. (herein "Vonpar") for a consideration transferred of Ps. 20,992. Vonpar was a bottler of Coca-Cola trademark products which operated mainly in Rio Grande do Sul and Santa Catarina, Brazil. This acquisition was made to reinforce the Company's leadership position in Brazil.

Of the purchase price of approximately Ps. 20,992 (R$3,508); Spal paid an amount of approximately Ps. 10,370 (R$1,730) in cash on December 6, 2016.

On the same date Spal additionally paid Ps. 4,124 (R$688) in cash, of which in a subsequent and separate transaction the sellers commited to capitalize for an amount of Ps. 4,082 into Coca-Cola FEMSA in exchange for approximately 27.9 million KOF series L shares at an implicit value of Ps. 146.27.

At closing, Spal issued a 3-year promissory note denominated and payable in cash in Brazilian Reals for the remaining balance of Ps. 6,534 (R$1,090). This note will pay an annual interest rate of 0.375% plus or minus the depreciation or appreciation of the Brazilian Real relative to the US Dollar, plus an additional amount in case the price of KOF shares is higher than Ps.178.5 per share (the "Additional Amount"), in connection with the following option: the sellers will have the option to capitalize, in an amount equivalent to the promissory note plus the Additional Amount, a new Mexican company to be merged into Coca-Cola FEMSA in order to receive KOF publicly traded shares at a price of Ps. 178.5.

As of December 6, 2016, the fair value of KOF series L (KL) shares was Ps. 128.88 per share, in addition the KL shares have not been issued, consequently as a result of this subsequent transaction an embedded financial instrument was originated and recorded into equity for an amount of Ps. 485. In accordance with IAS 32, in the consolidated financial statements the purchase price was also adjusted to recognize the fair value of the embedded derivative arising from the difference between the implicit value of KL shares and the fair value at acquisition date.

As of December 31, 2016 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 valuation is 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 right agreement with the Coca-Cola Company, which will be an indefinite life intangible asset.

Transaction related costs of Ps. 35 were expensed by Spal as incurred, and recorded as a component of administrative expenses in the accompanying consolidated income statements. Results of operation of Vonpar have been included in the operating results from acquisition date.

The preliminary estimate of the fair value of Vonpar's net assets acquired and the reconciliation of cash flows is as follows:

Total current assets, including cash acquired of Ps. 1,287	Ps. 4,390
Total non-current assets	10,855
Distribution rights	9,602
Total assets	24,847
Total liabilities	(11,709)
Net assets acquired	13,138
Goodwill	7,854
Total consideration transferred	Ps. 20,992
Amount to be paid through Promissory Notes	(6,992)
Cash acquired of Vonpar	(1,287)
Amount recognized as embedded financial instrument	485
Net cash paid	13,198

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been preliminary 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 Ps. 7,854.

Selected income statement information of Vonpar for the period from the acquisition date through to December 31, 2016 is as follows:

Income statement	2016
Total revenues	Ps. 1,628
Income before taxes	380
Net income	252

Unaudited Pro Forma Financial Data.

The following unaudited 2016 consolidated pro forma financial data represent the Company's historical financial statements, adjusted to give effect to (i) the acquisition of Vonpar, group of companies as if it occurred on January 1, 2016; and (ii) certain accounting adjustments mainly related to the pro forma depreciation of fixed assets of the acquired group of companies.

	Unaudited Pro Forma Financial Information for the year ended December 31, 2016
Total revenues	Ps. 187,139
Income before taxes	15,819
Net income	11,539
Earnings per share	4.86

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 three months or less at their acquisition date. Cash at the end of the reporting period consists of the following:

	2016	2015
Cash and bank balances	Ps. 5,429	Ps. 4,589
Cash equivalents (see Note 3.5)	5,047	11,400
	Ps. 10,476	Ps. 15,989

As explained in Note 3.3 above, the Company operates in Venezuela, which has a certain level of exchange control restricitons, that might prevent cash and cash equivalent balances from being available for use elsewhere in the group. At December 31, 2016 and 2015, cash and cash equivalent balances of the Company's Venezuela subsidiary were Ps. 2,764 and Ps. 1,259, respectively.

Note 6. Accounts Receivable

	2016	2015
Trade receivables	Ps. 11,769	Ps. 7,175
The Coca-Cola Company (related party) (Note 13)	1,857	1,559
Loans to employees	145	110
FEMSA and subsidiaries (related parties) (Note 13)	549	495
Other related parties (Note 13)	368	167
Other	768	424
Allowance for doubtful accounts on trade receivables	(451)	(283)
	Ps. 15,005	Ps. 9,647

Coca-Cola FEMSA has accounts receivable from The Coca-Cola Company primarily arising from the latter's participation in advertising and promotional programs and investment in refrigeration equipment and returnable bottles made by Coca-Cola FEMSA.

6.1 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.

The carrying value of accounts receivable approximates its fair value as of December 31, 2016 and 2015.

Aging of trade receivables past due but not impaired		2016		2015
60-90 days	Ps.	142	Ps.	12
90-120 days		5		1
120 + days		25		21
Total	Ps.	172	Ps.	34

6.2 Changes in the allowance for doubtful accounts

		2016		2015		2014
Balance at beginning of the year	Ps.	283	Ps.	367	Ps.	399
Allowance for the year		6		52		82
Charges and write-offs of uncollectible accounts		(3)		(62)		(78)
Added in business combinations		94		-		-
Effects of changes in foreign exchange rates		71		(74)		(36)
Balance at end of the year	Ps.	451	Ps.	283	Ps.	367

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 dispersed.

Aging of impaired trade receivables		2016		2015
60-90 days	Ps.	6	Ps.	2
90-120 days		13		12
120+ days		432		269
Total	Ps.	451	Ps.	283

6.3 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 carrying amount of refrigeration equipment and returnable bottles items. For the years ended December 31, 2016, 2015 and 2014 contributions due were Ps. 4,518, Ps. 3,749 and Ps. 4,118, respectively.

Note 7. Inventories

		2016		2015
Finished products	Ps.	3,209	Ps.	2,302
Raw materials		3,974		2,830
Non strategic spare parts		2,113		1,431
Inventories in transit		1,207		1,386
Packing materials		171		87
Other		70		30
	Ps.	10,744	Ps.	8,066

For the years ended at 2016, 2015 and 2014, the Company recognized write-downs of its inventories for Ps. 301, Ps. 199 and Ps. 248, respectively to net realizable value.

For the years ended at 2016, 2015 and 2014, changes in inventories are comprised as follows and included in the consolidated income statement under the cost of goods sold caption:

		2016		2015		2014
Changes in inventories of finished goods and work in progress	Ps.	18,154	Ps.	20,053	Ps.	13,409
Raw materials and consumables used		62,534		51,904		53,535
Total	Ps.	80,688	Ps.	71,957	Ps.	66,944

Note 8. Other Current Assets and Other Current Financial Assets

8.1 Other Current Assets:

		2016		2015
Prepaid expenses	Ps.	3,144	Ps.	2,888
Agreements with customers		179		168
Other		21		27
	Ps.	3,344	Ps.	3,083

Prepaid expenses as of December 31, 2016 and 2015 are as follows:

		2016		2015
Advances for inventories	Ps.	2,704	Ps.	2,283
Advertising and promotional expenses paid in advance		141		53
Advances to service suppliers		227		427
Prepaid insurance		49		25
Others		23		100
	Ps.	3,144	Ps.	2,888

Amortization of advertising and promotional expenses paid in advance recorded in the consolidated income statements for the years ended December 31, 2016, 2015 and 2014 amounted to Ps. 5,030 Ps. 3,447 and Ps. 3,488, respectively.

8.2 Other Current Financial Assets:

		2016		2015
Restricted cash	Ps.	774	Ps.	704
Derivative financial instruments (See Note 19)		737		523
	Ps.	1,511	Ps.	1,227

As of December 31, 2016 and 2015, the carrying of the restricted cash were:

		2016		2015
Venezuelan bolivars	Ps.	183	Ps.	344
Brazilian reais		73		360
Colombian pesos		518		-
Total restricted cash	Ps.	774	Ps.	704

Restricted cash in Venezuela and Brazil relates to short term deposits in order to fulfill the collateral requirements for accounts payable.

During 2016 due to a jurisdictional order with the municipal sewage system services, the Colombian autorithies withheld all the cash that Company has in the bank account, the total amount of which was reclassified as a restricted cash according with Company's accounting policy.

Note 9. 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 2016	Ownership Percentage 2015	Carrying Amount 2016	Carrying Amount 2015
Joint ventures:						
Compañía Panameña de Bebidas, S.A.P.I. de C.V.	Beverages	Mexico	50.0%	50.0%	Ps. 1,911	Ps. 1,573
Dispensadoras de Café, S.A.P.I. de C.V.	Services	Mexico	50.0%	50.0%	145	161
Estancia Hidromineral Itabirito, LTDA	Bottling and Distribution	Brazil	50.0%	50.0%	96	160
Fountain Agua Mineral, LTDA .	Beverages	Brazil	50.0%	50.0%	765	491
Coca-Cola FEMSA Philippines, Inc.	Bottling	Philippines	51.0%	51.0%	11,460	9,996
Associates:						
Promotora Industrial Azucarera, S.A. de C.V. ("PIASA") [1]	Sugar production	Mexico	36.4%	36.4%	2,657	2,187
Jugos del Valle, S.A.P.I. de C.V. [1]	Beverages	Mexico	26.3%	26.3%	1,574	1,531
Leao Alimentos e Bebidas, LTDA [1]	Beverages	Brazil	27.7%	24.4%	3,282	1,363
Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA") [1]	Caned bottling	Mexico	26.5%	26.5%	177	172
Industria Mexicana de Reciclaje, S.A. de C.V. ("IMER") [1]	Recycling	Mexico	35.0%	35.0%	100	100
KSP Participacoes LTDA [1]	Beverages	Brazil	38.7%	38.7%	126	80
Other	Various	Various	Various	Various	64	59
					Ps. 22,357	Ps. 17,873

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.

At mentioned in Note 4, on December 6, Coca-Cola FEMSA through its subsidiary Spal completed the acquisition of 100% of Vonpar. As part of this acquisition Spal increase its equity interest to 3.36% in Leao Alimentos e Bebidas, LTDA.

During 2016 the Company made capital contributions to Leao Alimentos e Bebidas, LTDA, Compañía Panameña de Bebidas, S.A.P.I. de C.V. and Promotora Industrial Azucarera, S.A. de C.V. in the amounts of Ps. 1,273, Ps. 419 and Ps. 376, respectively, there were no changes in the ownership percentage as a result of capital contributions made by the other shareholders.

During 2016 the Company received dividends from Industria Envasadora de Queretaro, S.A. de C.V., and Estancia Hidromineral Itabirito, LTDA in the amount of Ps. 5 and Ps. 190.

During 2015 the Company received dividends from Industria Envasadora de Queretaro, S.A. de C.V., in the amount of Ps. 13 and subsequently sold shares for an amount of Ps. 22.

During 2015 the Company made capital contributions to Compañía Panameña de Bebidas, S.A.P.I. de C.V. in the amount of Ps. 7.

During 2015 the Company made capital contributions to Leao Alimentos e Bebidas, LTDA in the amount of Ps. 71.

On January 25, 2013, the Company closed the acquisition of 51% of CCFPI 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 CCFPI 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 CCFPI at the date of acquisition (See Note 19.6).

Although Coca-Cola FEMSA currently owns 51% of CCFPI, when considering (i) the terms of the shareholders agreements (specifically the fact that during the initial four year period the joint approval of both Coca-Cola FEMSA and TCCC is required to approve CCFPI´s annual business plan, which is the key documents pursuant to which CCFPI´s business is operated, among other matters); and (ii) potential voting rights to acquire the remaining 49% of CCFPI are not probable to be executed in the foreseeable future and the fact that the call option remains "out of the money", the Company has concluded that it did not control CCFPI during any of the periods presented in our consolidated financial statements and consequently the Company has accounted for this investment as joint venture using the equity method. As disclosed in Note 28, starting in February 2017 the Company will take control over the relevant activities of CCFPI's in accordance with the shareholders agreements and will consolidated CCFPI results.

For the years then ended December 31, 2016, 2015 and 2014 the total net income corresponding to the immaterial associates was Ps. 31, Ps. 185 and Ps. 195 respectively.

For the years then ended December 31, 2016, 2015 and 2014 the total net income (loss) corresponding to the immaterial joint ventures was Ps. 116, Ps. (30) and Ps. (320) respectively.

Note 10. Property, Plant and Equipment, net

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progresss	Leasehold Improvements	Other	Total
Cost as of January 1, 2014	Ps. 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
Additions	532	42	542	327	398	8,787	-	234	10,862
Adjustment of fair value of past business combinations	(115)	(610)	891	(57)	-	(68)	99	(253)	(113)
Transfer of completed projects in progress	-	1,263	2,708	1,523	1,994	(7,581)	90	3	-
Transfer (to)/from assets classified as held for sale	-	-	(134)	-	-	-	-	-	(134)
Disposals	(10)	(113)	(1,516)	(632)	(60)	(1)	(14)	(79)	(2,425)
Effects of changes in foreign exchange rates	(663)	(3,117)	(5,414)	(1,975)	(323)	(545)	(42)	(506)	(12,585)
Changes in value on the recognition of inflation effects	110	355	536	186	7	29	-	110	1,333
Capitalization of borrowing costs	-	-	33	-	-	263	-	-	296
Cost as of December 31, 2014	Ps. 4,694	Ps. 12,550	Ps. 30,827	Ps. 14,127	Ps. 9,402	Ps. 6,485	Ps. 607	Ps. 1,062	Ps. 79,754

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progresss	Leasehold Improvements	Other	Total
Cost as of January 1, 2015	Ps. 4,694	Ps. 12,550	Ps. 30,827	Ps. 14,127	Ps. 9,402	Ps. 6,485	Ps. 607	Ps. 1,062	Ps. 79,754
Additions	358	1,201	1,121	1,175	1,655	4,524	-	511	10,545
Transfer of completed projects in progress	59	1,289	3,111	1,168	662	(6,338)	49	-	-
Disposals	(54)	(46)	(1,284)	(972)	(103)	-	(47)	(39)	(2,545)
Effects of changes in foreign exchange rates	(595)	(1,352)	(4,051)	(1,217)	(266)	(1,007)	(13)	(848)	(9,349)
Changes in value on the recognition of inflation effects	245	503	964	295	301	91	-	229	2,628
Capitalization of borrowing costs	-	-	-	-	-	57	-	-	57
Cost as of December 31, 2015	Ps. 4,707	Ps. 14,145	Ps. 30,688	Ps. 14,576	Ps. 11,651	Ps. 3,812	Ps. 596	Ps. 915	Ps. 81,090

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progresss	Leasehold Improvements	Other	Total
Cost as of January 1, **2016**	Ps. 4,707	Ps. 14,145	Ps. 30,688	Ps. 14,576	Ps. 11,651	Ps. 3,812	Ps. 596	Ps. 915	Ps. 81,090
Additions	7	204	1,415	337	2,236	5,737	4	367	10,307
Additions from business combinations	-	517	864	105	23	-	4	-	1,513
Transfer of completed projects in progress	46	1,031	2,403	1,978	779	(6,265)	28	-	-
Disposals	(43)	(17)	(1,647)	(574)	(139)	-	(43)	(18)	(2,481)
Effects of changes in foreign exchange rates	252	2,575	4,719	1,953	1,271	546	56	(132)	11,240
Changes in value on the recognition of inflation effects	853	1,470	2,710	851	122	415	-	942	7,363
Capitalization of borrowing costs	-	-	61	-	-	(37)	-	-	24
Cost as of December 31, **2016**	Ps. 5,822	Ps. 19,925	Ps. 41,213	Ps. 19,226	Ps. 15,943	Ps. 4,208	Ps. 645	Ps. 2,074	Ps. 109,056

Accumulated Depreciation	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progresss	Leasehold Improvements	Other	Total
Accumulated depreciation as of January 1, 2014	Ps. -	Ps. (3,820)	Ps. (15,232)	Ps. (7,658)	Ps. (3,480)	Ps. -	Ps. (91)	Ps. (454)	Ps. (30,735)
Depreciation for the year		(317)	(2,320)	(1,396)	(1,879)	-	(45)	(115)	(6,072)
Transfer (to)/from assets classified as held for sale	-	-	62	-	-	-	-	-	62
Disposals	-	56	1,474	602	57	-	13	1	2,203
Effects of changes in foreign exchange rates	-	1,512	3,479	1,046	105	-	1	236	6,379
Changes in value on the recognition of inflation effects	-	(175)	(692)	(135)	(8)	-	-	(54)	(1,064)
Accumulated depreciation as of December 31, 2014	Ps. -	Ps. (2,744)	Ps. (13,229)	Ps. (7,541)	Ps. (5,205)	Ps. -	Ps. (122)	Ps. (386)	Ps. (29,227)

Accumulated Depreciation	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progresss	Leasehold Improvements	Other	Total
Accumulated depreciation as of January 1, 2015	Ps. -	Ps. (2,744)	Ps. (13,229)	Ps. (7,541)	Ps. (5,205)	Ps. -	Ps. (122)	Ps. (386)	Ps. (29,227)
Depreciation for the year	-	(341)	(2,369)	(1,432)	(1,984)	-	(41)	(143)	(6,310)
Disposals	-	70	1,093	946	80	-	7	2	2,198
Effects of changes in foreign exchange rates	-	498	2,142	1,041	167	-	21	212	4,081
Changes in value on the recognition of inflation effects	-	(187)	(425)	(166)	(436)	-	-	(86)	(1,300)
Accumulated depreciation as of December 31, 2015	Ps. -	Ps. (2,704)	Ps. (12,788)	Ps. (7,152)	Ps. (7,378)	Ps. -	Ps. (135)	Ps. (401)	Ps. (30,558)

Accumulated Depreciation		Land		Buildings		Machinery and Equipment		Refrigeration Equipment		Returnable Bottles		Investments in Fixed Assets in Progresss		Leasehold Improvements		Other		Total
Accumulated depreciation as of January 1, **2016**	Ps.	-	Ps.	(2,704)	Ps.	(12,788)	Ps.	(7,152)	Ps.	(7,378)	Ps.	-	Ps.	(135)	Ps.	(401)	Ps.	(30,558)
Depreciation for the year		-		(455)		(2,638)		(2,008)		(2,235)		-		(43)		(200)		(7,579)
Disposals		-		11		1,210		672		227		-		8		9		2,137
Effects of changes in foreign exchange rates		-		(595)		(2,615)		(1,148)		(845)		-		(65)		39		(5,229)
Changes in value on the recognition of inflation effects		-		(592)		(1,087)		(521)		(33)		-		-		(306)		(2,539)
Accumulated depreciation as of December 31, **2016**	Ps.	-	Ps.	(4,335)	Ps.	(17,918)	Ps.	(10,157)	Ps.	(10,264)	Ps.	-	Ps.	(235)	Ps.	(859)	Ps.	(43,768)

Carrying Amount		Land		Buildings		Machinery and Equipment		Refrigeration Equipment		Returnable Bottles		Investments in Fixed Assets in Progresss		Leasehold Improvements		Other		Total
As of December 31, 2014	Ps.	4,694	Ps.	9,806	Ps.	17,598	Ps.	6,586	Ps.	4,197	Ps.	6,485	Ps.	485	Ps.	676	Ps.	50,527
As of December 31, 2015	Ps.	4,707	Ps.	11,441	Ps.	17,900	Ps.	7,424	Ps.	4,273	Ps.	3,812	Ps.	461	Ps.	514	Ps.	50,532
As of December 31, **2016**	Ps.	5,822	Ps.	15,590	Ps.	23,295	Ps.	9,069	Ps.	5,679	Ps.	4,208	Ps.	410	Ps.	1,215	Ps.	65,288

During the years ended December 31, 2016, 2015 and 2014 the Company capitalized Ps. 61, Ps. 57 and Ps. 296, respectively of borrowing costs in relation to Ps. 99, Ps. 993 and Ps. 1,915 in qualifying assets. The effective interest rates used to determine the amount of borrowing costs eligible for capitalization were 4.5%, 4.1% and 4.8% respectively.

For the years ended December 31, 2016, 2015 and 2014 interest expenses and net foreign exchange losses (gains) are analyzed as follows:

		2016		2015		2014
Interest expense and foreign exchange, net	Ps.	6,149	Ps.	7,358	Ps.	6,760
Amount capitalized [1]		69		85		338
Net amount in consolidated statements of income	Ps.	6,080	Ps.	7,273	Ps.	6,422

[1] Amount of interest capitalized in property, plant and equipment and amortized intangible assets. Commitments related to acquisitions of property, plant and equipment are disclosed in Note 24.

Note 11. Intangible Assets

	Rights to produce and distribute Coca-Cola trademark	Goodwilll	Other indefinite lived intangible assets	Technology sosts and management systems	Development systems	Other amortizables	Total
Cost							
Balance as of January 1, 2014	Ps. 75,727	Ps. 19,922	Ps. 147	Ps. 2,641	Ps. 1,412	Ps. 329	Ps. 100,178
Purchases	-	-	-	73	179	29	281
Changes in fair value of past acquisitions	(2,416)	3,917	-	-	-	-	1,501
Transfer of completed development systems	-	-	-	278	(278)	-	-
Effect of movements in exchange rates	(5,343)	(246)	(8)	(152)	(1)	(13)	(5,763)
Changes in value on the recognition of inflation effects	2,295	-	-	-	-	-	2,295
Capitalization of borrowing cost	-	-	-	42	-	-	42
Cost as of December 31, 2014	Ps. 70,263	Ps. 23,593	Ps. 139	Ps. 2,882	Ps. 1,312	Ps. 345	Ps. 98,534
Balance as of January 1, 2015	Ps. 70,263	Ps. 23,593	Ps. 139	Ps. 2,882	Ps. 1,312	Ps. 345	Ps. 98,534
Purchases	-	-	-	73	458	29	560
Transfer of completed development systems	-	-	-	1,085	(1,085)	-	-
Effect of movements in exchange rates	(4,992)	(2,556)	(19)	(218)	(2)	(44)	(7,831)
Changes in value on the recognition of inflation effects	1,121	-	-	-	-	-	1,121
Capitalization of borrowing cost	-	-	-	28	-	-	28
Cost as of December 31, 2015	Ps. 66,392	Ps. 21,037	Ps. 120	Ps. 3,850	Ps. 683	Ps. 330	Ps. 92,412
Balance as of January 1, **2016**	Ps. 66,392	Ps. 21,037	Ps. 120	Ps. 3,850	Ps. 683	Ps. 330	Ps. 92,412
Purchases	-	-	-	127	609	2	738
Acquisition from business combinations	9,602	7,856	1,067	247	3	109	18,884
Transfer of completed development systems	-	-	-	304	(304)	-	-
Disposals	-	-	-	(323)	-	(2)	(325)
Effect of movements in exchange rates	8,124	4,689	61	363	(193)	36	13,080
Changes in value on the recognition of inflation effects	1,220	-	-	-	-	-	1,220
Capitalization of borrowing cost	-	-	-	11	-	-	11
Cost as of December 31, **2016**	Ps. 85,338	Ps. 33,582	Ps. 1,248	Ps. 4,579	Ps. 798	Ps. 475	Ps. 126,020
Amortization expense							
Balances as of January 1, 2014	Ps. -	Ps. -	Ps. -	Ps. (1,042)	Ps. -	Ps. (162)	Ps. (1,204)
Amortization expense	-	-	-	(231)	-	(84)	(315)
Effect of movements in exchange rate	-	-	-	-	-	9	9
Balances as of December 31, 2014	-	-	-	(1,273)	-	(237)	(1,510)
Amortization expense	-	-	-	(339)	-	(35)	(374)
Effect of movements in exchange rate	-	-	-	174	-	52	226
Balances as of December 31, 2015	-	-	-	(1,438)	-	(220)	(1,658)
Amortization expense	-	-	-	(427)	-	(35)	(462)
Disposals	-	-	-	249	-	-	249
Effect of movements in exchange rate	-	-	-	(148)	-	(37)	(185)
Balances as of December 31, **2016**	Ps. -	Ps. -	Ps. -	Ps. (1,764)	Ps. -	Ps. (292)	Ps. (2,056)
Balance as of December 31, 2014	**Ps. 70,263**	**Ps. 23,593**	**Ps. 139**	**Ps. 1,609**	**Ps. 1,312**	**Ps. 108**	**Ps. 97,024**
Balance as of December 31, 2015	**Ps. 66,392**	**Ps. 21,037**	**Ps. 120**	**Ps. 2,412**	**Ps. 683**	**Ps. 110**	**Ps. 90,754**
Balance as of December 31, 2016	Ps. 85.338	Ps. 33,582	Ps. 1,248	Ps. 2,815	Ps. 798	Ps. 183	Ps. 123,964

During the years ended December 31, 2016, 2015 and 2014 the Company capitalized Ps. 8, Ps. 28 and Ps. 42, respectively of borrowing costs in relation to Ps. 28, Ps. 410 and Ps. 600 in qualifying assets. The effective interest rates used to determine the amount of borrowing costs eligible for capitalization were 4.1%, 4.1% and 4.2%.

For the year ended in December 31, 2016, the amortization of intangible assets is recognized in cost of goods sold, selling expenses and administrative expenses and amounted to Ps. 8, Ps. 106 and Ps. 358, respectively.

For the year ended in December 31, 2015, the amortization of intangible assets is recognized in cost of goods sold, selling expenses and administrative expenses and amounted to Ps. 5, Ps. 60 and Ps. 309, respectively.

For the year ended in December 31, 2014, the amortization of intangible assets is recognized in cost of goods sold, selling expenses and administrative expenses and amounted to Ps. 3, Ps. 188 and Ps. 255, 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.

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.	2016	2015
Mexico	Ps. 55,137	Ps. 55,137
Guatemala	499	410
Nicaragua	532	465
Costa Rica	1,622	1,391
Panama	1,241	1,033
Colombia	5,988	4,746
Venezuela	1,225	621
Brazil	52,609	23,557
Argentina	67	69
Total	Ps. 118,920	Ps. 87,429

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 foregoing forecasts could differ from the results obtained over time; however, the Company prepares its estimates based on the current situation of each of the CGUs.

The recoverable amounts are based on value in use. The value in use of CGUs is determined based on the method of discounted cash flows. The key assumptions used in projecting cash flows are: volume, expected annual long-term inflation, and the weighted average cost of capital ("WACC") used to discount the projected flows.

To determine the discount rate, the Company uses the WACC as determined for each of the cash generating units in real terms and as described in following paragraphs.

The estimated discount rates to perform the IAS 36 "Impairment of assets", impairment test for each CGU consider market participants' assumptions. Market participants were selected taking into consideration the size, operations and characteristics of the business that are similar to those of the Company.

The discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the opportunity cost to a market participant, considering the specific circumstances of the Company and its operating segments and is derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by Company's investors. The cost of debt is based on the interest bearing borrowings Company is obliged to service, which is equivalent to the cost of debt based on the conditions that would asses a creditor in the market. Segment-specific risk is incorporated by applying beta factors which are evaluated annually based on publicly available market data.

Market participant assumptions are important because, not only do they include industry data for growth rates, management also assesses how the CGU's position, relative to its competitors, might change over the forecasted period.

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, 2016 were as follows:

CGU	Pre-tax WACC	Post –tax WACC	Expected Annual Long-Term Inflation 2017-2026	Expected Volume Growth Rates 2017-2026
Mexico	6.8%	6.3%	3.7%	1.2%
Colombia	7.9%	7.5%	3.2%	4.0%
Venezuela	17.5%	17.0%	117.3%	1.0%
Costa Rica	8.4%	8.3%	4.4%	4.7%
Guatemala	9.9%	9.5%	5.0%	13.2%
Nicaragua	10.6%	10.1%	4.2%	5.7%
Panama	7.8%	7.4%	3.0%	4.9%
Argentina	9.1%	8.5%	12.2%	4.1%
Brazil	8.7%	8.1%	4.4%	2.9%

The key assumptions by CGU for impairment test as of December 31, 2015 were as follows:

CGU	Pre-tax WACC	Post –tax WACC	Expected Annual Long-Term Inflation 2016-2025	Expected Volume Growth Rates 2016-2025
Mexico	6.7%	6.1%	3.4%	2.1%
Colombia	7.6%	6.8%	3.0%	4.4%
Venezuela	17.8%	17.1%	72.5%	3.9%
Costa Rica	8.2%	7.9%	4.7%	3.9%
Guatemala	10.6%	10.0%	3.7%	4.7%
Nicaragua	13.4%	12.8%	5.3%	6.4%
Panama	7.4%	6.8%	3.1%	5.2%
Argentina	9.8%	9.1%	22.8%	3.4%
Brazil	8.0%	7.4%	4.9%	4.0%

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, 2016 the Company performed an additional impairment sensitivity calculation, taking into account an adverse change in post-tax 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 for Venezuela and concluded that no impairment would be recorded.

For Venezuela CGU the Company performed a sensivity analysis with a possible change in each key assumption that must change, in order for the CGU recoverable amount assigned to its distribution right to be equal to its carrying amount in accordance with IAS 36 given the uncertainty in the macroeconomic conditions in Venezuela.

To the extent that economic and or operational conditions were to worsen in the future resulting in a conclusion that the Company has an impairment in Venezuela an income statement charge could affect our future results. There can be no assurances that such might not happen in the future.

CGU	Change in WACC	Change in Volume Growth CAGR[1]	Effect on Valuation
Mexico	+0.4%	-1.0%	Passes by 4.1x
Colombia	+0.6%	-1.0%	Passes by 3.4x
Venezuela	+2.7%	-0.385%	Passes by 1.0x
Costa Rica	+1.1%	-1.0%	Passes by 2.7x
Guatemala	+1.0%	-1.0%	Passes by 13.3x
Nicaragua	+3.4%	-1.0%	Passes by 5.4x
Panama	+0.3%	-1.0%	Passes by 11.7x
Argentina	+0.7%	-1.0%	Passes by 270.6x
Brazil	+0.2%	-1.0%	Passes by 1.33x

[1] Compound Annual Growth Rate (CAGR)

Note 12. Other non-current assets and other non-current financial assets

12.1 Other Non-Current Assets:

		2016		2015
Non-current prepaid advertising expenses	Ps.	392	Ps.	290
Guarantee deposits [1]		1,829		1,031
Prepaid bonuses		150		122
Advances to acquire property, plant and equipment		173		370
Share based payments		168		174
Indemnifiable contingencies from business combinations [2]		8,081		-
Recoverable tax added in business combinations		488		-
Other		199		378
	Ps.	11,480	Ps.	2,365

[1] As it is customary in Brazil, the Company is required to collaterize tax, legal and labor contingencies by guarantee deposits.
[2] Corresponds to indemnifiable assets that are warranted by former Vonpar owners as per the share purchase agreement.

12.2 Other Non-Current Financial Assets:

		2016		2015
Non-current accounts receivable to Grupo Estrella Azul (see Note 13)	Ps.	-	Ps.	69
Other non-current financial assets		118		105
Derivative financial instruments (See Note 19)		4,615		2,221
	Ps.	4,733	Ps.	2,395

As of December 31, 2016 and 2015 there are no significant variances between the fair value and the carrying value of long term receivables. 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 13. 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:

		2016		2015
Balances:				
Assets (current included in accounts receivable)				
Due from FEMSA and Subsidiaries (see Note 6) [1] [4]	Ps.	549	Ps.	495
Due from The Coca-Cola Company (see Note 6) [1] [4]		1,857		1,559
Due from Heineken Group [1]		304		140
Other receivables [1]		64		27
Assets (non-current included in other non-current financial assets)				
Grupo Estrella Azul (see Note 12)		-		69
	Ps.	2,774	Ps.	2,290

		2016		2015
Liabilities (current included in suppliers and other liabilities and loans)				
Due to FEMSA and Subsidiaries [3] [4]	Ps.	905	Ps.	1,090
Due to The Coca-Cola Company [2] [3] [4]		4,454		3,140
Due to Heineken Group [3]		1,414		305
Other payables [3]		654		686
	Ps.	7,427	Ps.	5,221

(1) Presented within accounts receivable.
(2) Recorded within bank loans.
(3) Recorded within accounts payable and suppliers.
(4) Parent

Balances due from related parties are considered to be recoverable. Accordingly, for the years ended December 31, 2016 and 2015, there was no expense resulting from the uncollectibility of balances due from related parties.

Details of transactions between the Company and other related parties are disclosed as follows:

Transactions		2016		2015		2014
Income:						
Sales to affiliated parties	Ps.	4,274	Ps.	3,803	Ps.	3,502
Interest income received from Compañía Panameña de Bebidas, S.A.P.I. de C.V.		1		-		-
Interest income received from BBVA Bancomer, S.A. de C.V.		17		13		17
Expenses:						
Purchases and other expenses of FEMSA		8,328		7,720		7,368
Purchases of concentrate from The Coca-Cola Company		38,146		27,330		28,084
Purchases of raw material, beer and operating expenses from Heineken		8,823		6,944		6,288
Advertisement expense paid to The Coca-Cola Company		2,354		1,316		1,167
Interest expense and fees paid to BBVA Bancomer, S.A. de C.V. [1]		-		-		4
Purchases from Jugos del Valle		2,428		2,135		1,803
Purchase of sugar to Promotora Industrial Azucarera, S.A. de C.V.		1,765		1,236		1,020
Purchase of sugar from Beta San Miguel		1,349		1,264		1,389
Purchase of sugar, cans and aluminum lids to Promotora Mexicana de Embotelladores, S.A. de C.V.		759		587		567
Purchase of canned products to Industria Envasadora de Queretaro, S.A. de C.V..		798		731		591
Purchase of inventories to Leao Alimentos e Bebidas, LTDA		1,648		3,359		2,891
Purchase of resin from Industria Mexicana de Reciclaje, S.A. de C.V.		265		220		266
Donations to Instituto Tecnologico y de Estudios Superiores de Monterrey, A.C. [1]		1		-		11
Donations to Fundación Femsa, A.C.		92		-		-
Interest expense paid to The Coca-Cola Company		-		1		4
Insurance premiums for policies with Grupo Nacional Provincial, S.A.B. [1]		1		22		41
Other expenses with related parties		185		24		19

(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.

The benefits and aggregate compensation paid to executive officers and senior management of the Company, recognized as an expense during the reporting period were as follows:

		2016		2015		2014
Current employee benefits	Ps.	652	Ps.	552	Ps.	584
Termination benefits		154		32		106
Shared based payments		258		138		59

Note 14. 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, 2016, 2015 and 2014, assets, liabilities and transactions denominated in foreign currencies, expressed in Mexican pesos (contractual amounts) are as follows:

	Assets		Liabilities	
Balances	Current	Non-current	Current	Non-current
As of December 31, **2016**				
U.S. dollars	2,097	686	3,544	66,995
Euros	-	-	19	-
As of December 31, 2015				
U.S. dollars	9,391	602	1,355	53,916
Euros	-	-	22	-

Transactions	Revenues	Purchases of Raw Materials	Interest Expense	Other
Year ended December 31, **2016** U.S. dollars	736	13,242	2,235	1,796
Year ended December 31, 2015 U.S. dollars	569	11,458	1,965	1,301
Year ended December 31, 2014 U.S. dollars	606	13,161	1,652	1,741

Mexican peso exchange rates in effect on December 31, 2016, 2015 and 2014, and on February 23, 2017 were as follows:

		December 31,		February 23,
	2016	2015	2014	2017
U.S. dollar	20.6640	17.2065	14.7180	19.7011

Note 15. 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, which comprise the substantial majority of those, recorded in the consolidated financial statements.

During 2016 and 2014, the Company settled its pension plan in Colombia and Brazil, respectively and consequently recognized the corresponding effects of the settlement as disclosed below. In Colombia, the settlement of the complementary pension plan was only for certain executive employess.

15.1 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 most non-hyperinflationary significant countries:

Mexico	2016	2015	2014
Financial:			
Discount rate used to calculate the defined benefit obligation	7.60%	7.00%	7.00%
Salary increase	4.50%	4.50%	4.50%
Future pension increases	3.50%	3.50%	3.50%
Biometric:			
Mortality	EMSSA 2009 [1]	EMSSA 2009 [1]	EMSSA 2009 [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]

(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) because there is no deep market in high quality corporate obligations in Mexico.

In Mexico upon retirement, the Company purchases an annuity for senior executives, which will be paid according to the option chosen by the employee.

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 Pre miums
2017	310	18
2018	169	14
2019	176	15
2020	259	15
2021	192	16
2022 to 2026	1,493	97

15.2 Balances of the liabilities for post-employment and other non-current employee benefits

		2016		2015
Pension and Retirement Plans:				
Vested benefit obligation	Ps.	656	Ps.	621
Non-vested benefit obligation		1,318		1,077
Accumulated benefit obligation		1,974		1,698
Excess of projected defined benefit obligation over accumulated benefit obligation		941		989
Defined benefit obligation		2,915		2,687
Pension plan funds at fair value		(910)		(864)
Net defined benefit liability	Ps.	2,005	Ps.	1,823
Seniority Premiums:				
Vested benefit obligation	Ps.	18	Ps.	16
Non-vested benefit obligation		175		170
Accumulated benefit obligation		193		186
Excess of projected defined benefit obligation over accumulated benefit obligation		223		218
Defined benefit obligation		416		404
Seniority premium plan funds at fair value		(102)		(101)
Net defined benefit liability	Ps.	314	Ps.	303
Post-employment:				
Vested benefit obligation	Ps.	-	Ps.	135
Net defined benefit liability	Ps.	-	Ps.	135
Total post-employment and other non-current employee benefits	Ps.	2,319	Ps.	2,261

15.3 Trust assets

Trust assets consist of fixed and variable return financial instruments recorded at market value, which are invested as follows:

Type of instrument	2016	2015
Fixed return:		
Traded securities	24%	19%
Life annuities	18%	16%
Bank instruments	1%	3%
Federal government instruments	39%	45%
Variable return:		
Publicly traded shares	18%	17%
	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 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.

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 Mexico, the amounts and types of securities of the Company in related parties included in portfolio fund are as follows:

	2016	2015
Mexico		
Portfolio:		
Debt:		
Grupo Televisa, S.A.B. de C.V.	Ps. 17	Ps. 17
Grupo Financiero Banorte, S.A.B. de C.V.	7	7
Grupo Industrial Bimbo, S.A.B. de C. V.	14	3
Gentera, S.A.B. de C.V.	8	8
El Puerto de Liverpool, S.A.B. de C.V.	5	5
Capital:		
Fomento Económico Mexicano, S.A.B de C.V.	7	10
Gruma, S.A.B. de C.V.	-	5
Alfa, S.A.B. de C.V.	-	13
Grupo Industrial Bimbo, S.A.B. de C.V.	6	3

During the years ended December 31, 2016, 2015 and 2014, 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.

15.4 Amounts recognized in the consolidated income statements and the consolidated statements of comprehensive income

	Income statement				OCI
2016	Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest on the Net Defined Benefit Liabillity	Remeasurements of the Net Defined Benefit Liability net of taxes
Pension and retirement plans	Ps. 145	Ps. 43	Ps. (61)	Ps. 134	Ps. 558
Seniority premiums	45	-	-	20	27
Post-employment	-	-	-	-	-
Total	Ps. 190	Ps. 43	Ps. (61)	Ps. 154	Ps. 585

	Income statement				OCI
2015	Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest on the Net Defined Benefit Liabillity	Remeasurements of the Net Defined Benefit Liability net of taxes
Pension and retirement plans	Ps. 142	Ps. -	Ps. (120)	Ps. 124	Ps. 429
Seniority premiums	45	-	(9)	20	33
Post-employment	5	-	-	9	-
Total	Ps. 192	Ps. -	Ps. (129)	Ps. 153	Ps. 462

	Income statement				OCI
2014	Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest on the Net Defined Benefit Liabillity	Remeasurements of the Net Defined Benefit Liability net of taxes
Pension and retirement plans	Ps. 137	Ps. 52	Ps. (230)	Ps. 201	Ps. 481
Seniority premiums	39	-	(27)	19	47
Post-employment	24	-	-	17	72
Total	Ps. 200	Ps. 52	Ps. (257)	Ps. 237	Ps. 600

For the years ended December 31, 2016, 2015 and 2014, service costs of Ps. 190, Ps. 192 and Ps. 200 have 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):

		2016		2015		2014
Amount accumulated in other comprehensive income as of the beginning of the periods	Ps.	462	Ps.	600	Ps	408
Recognized during the year (obligation liability and plan assets)		75		(49)		280
Actuarial gains and losses arising from changes in financial assumptions		(29)		(77)		87
Foreign exchange rate valuation (gain)		77		(12)		(175)
Amount accumulated in other comprehensive income as of the end of the period, net of tax	Ps.	585	Ps.	462	Ps	600

Remeasurements of the net defined benefit liability include the following:

- The return on plan assets, excluding amounts included in net interest expense.
- Actuarial gains and losses arising from changes in demographic assumptions.
- Actuarial gains and losses arising from changes in financial assumptions.

15.5 Changes in the balance of the defined benefit obligation for post-employment and other non-current employee benefits

		2016		2015		2014
Pension and Retirement Plans:						
Initial balance	Ps.	2,687	Ps.	2,701	Ps.	2,666
Current service cost		145		142		137
Effect on settlement		-		-		(521)
Effect on curtailment		(61)		(120)		-
Interest expense		194		185		198
Actuarial gains or losses		(7)		(58)		220
Foreign exchange loss		141		39		41
Benefits paid		(192)		(202)		(92)
Amendments		-		-		-
Acquisitions		-		-		-
Past service cost		8		-		52
	Ps.	2,915	Ps.	2,687	Ps.	2,701
Seniority Premiums:						
Initial balance	Ps.	404	Ps.	393	Ps.	353
Current service cost		45		45		39
Gain or loss on settlement		-		-		(27)
Effect on curtailment		-		(9)		-
Interest expense		27		26		26
Actuarial losses		(22)		(21)		28
Benefits paid		(38)		(30)		(26)
Acquisitions		-		-		-
	Ps.	416	Ps.	404	Ps.	393
Post-employment:						
Initial balance	Ps.	135	Ps.	194	Ps.	743
Current service cost		-		5		24
Certain liability cost		-		73		-
Interest expense		-		-		17
Reclasification to certain liability cost		(135)		-		-
Actuarial losses		-		-		54
Foreign exchange gain		-		(137)		(638)
Benefits paid		-		-		(6)
	Ps	-	Ps.	135	Ps.	194

15.6 Changes in the balance of trust assets

		2016		2015		2014
Pension and retirement plans:						
Balance at beginning of year	Ps.	864	Ps.	872	Ps.	1,211
Actual return on trust assets		15		26		70
Foreign exchange gain (loss)		4		2		(2)
Life annuities		28		27		128
Benefits paid		(1)		(63)		-
Effect of settlement		-		-		(535)
Balance at end of year	Ps.	910	Ps.	864	Ps.	872
Seniority premiums						
Balance at beginning of year	Ps.	101	Ps.	92	Ps.	90
Actual return on trust assets		1		9		2
Balance at end of year	Ps.	102	Ps.	101	Ps.	92

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.

15.7 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% in the assumptions 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	
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 or curtailment**		**Net Interest on the Net Defined Benefit Liability**		**Remeasurements of the Net Defined Benefit Liability**
Pension and retirement plans	Ps.	139	Ps.	40	Ps.	(57)	Ps.	125	Ps.	352
Seniority premiums		43		-		-		20		10
Total	Ps.	182	Ps.	40	Ps.	(57)	Ps.	145	Ps.	362

Expected salary increase		Current Service Cost		Past Service Cost		Gain or Loss on Settlement or curtailment		Net Interest on the Net Defined Benefit Liability		Remeasurements of the Net Defined Benefit Liability
Pension and retirement plans	Ps.	153	Ps.	45	Ps.	(66)	Ps.	145	Ps.	614
Seniority premiums		48		-		-		22		52
Total	Ps.	201	Ps.	45	Ps.	(66)	Ps.	167	Ps.	666

-0.5%:

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 or curtailment		Net Interest on the Net Defined Benefit Liability		Remeasurements of the Net Defined Benefit Liability
Pension and retirement plans	Ps.	154	Ps.	47	Ps.	(66)	Ps.	137	Ps.	636
Seniority premiums		47		-		-		21		51
Total	Ps.	201	Ps.	47	Ps.	(66)	Ps.	158	Ps.	687

Expected salary increase		Current Service Cost		Past Service Cost		Gain or Loss on Settlement or curtailment		Net Interest on the Net Defined Benefit Liability		Remeasurements of the Net Defined Benefit Liability
Pension and retirement plans	Ps.	140	Ps.	42	Ps.	(60)	Ps.	118	Ps.	372
Seniority premiums		42		-		-		19		5
Total	Ps.	182	Ps.	42	Ps.	(60)	Ps.	137	Ps.	377

15.8 Employee benefits expense

For the years ended December 31, 2016, 2015 and 2014, employee benefits expenses recognized in the consolidated income statements are as follows:

		2016		2015		2014
Included in cost of goods sold:						
Wages and salaries	Ps.	4,827	Ps.	4,106	Ps.	3,823
Social security costs		1,234		799		742
Employee profit sharing		142		125		141
Pension and seniority premium costs (Note 15.4)		57		56		53
Share-based payment expense (Note 16.2)		11		4		3
Included in selling and distribution expenses:						
Wages and salaries		13,526		11,513		11,999
Social security costs		4,571		2,911		2,860
Employee profit sharing		485		453		449
Pension and seniority premium costs (Note 15.4)		65		65		60
Share-based payment expense (Note 16.2)		18		6		3
Included in administrative expenses:						
Wages and salaries		2,839		2,551		2,937
Social security costs		472		337		420
Employee profit sharing		56		30		50
Pension and seniority premium costs (Note 15.4)		66		66		63
Post-employment benefits other (Note 15.4)		5		5		24
Share-based payment expense (Note 16.2)		177		254		173
Total employee benefits expense	Ps.	28,551	Ps.	23,281	Ps.	23,800

Note 16. Bonus Programs

16.1 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 employees' 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, 2016, 2015 and 2014 the bonus expense recorded amounted to Ps. 706, Ps. 549 and Ps. 523, respectively.

16.2 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 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 33% per year. The 50% of Coca-Cola FEMSA's annual executive bonus is to be used to purchase FEMSA shares or options and the remaining 50% to purchase Coca-Cola FEMSA shares or options. For the years ended December 31, 2016, 2015 and 2014, no stock options have been granted to employees. Until 2015 the shares were vested ratably over a five year period. Beginning with January 1, 2016 onwards they will ratably vest over a three year period.

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, 2016, 2015 and 2014, the shares granted under the Company's executive incentive plans are as follows:

	Number of shares		
Incentive Plan	FEMSA	KOF	Vesting period
2012	956,685	741,245	2013-2015
2013	539,020	370,200	2014-2016
2014	489,345	331,165	2015-2017
2015	457,925	415,375	2016-2018
2016	567,671	719,132	2017-2019
Total	3,010,646	2,577,117	

For the years ended December 31, 2016, 2015 and 2014, the total expense recognized for the period arising from share-based payment transactions, using the grant date model, was of Ps. 206, Ps. 264 and Ps. 179, respectively.

As of December 31, 2016 and 2015, the asset recorded by Coca-Cola FEMSA in its consolidated statements of financial position amounted to Ps. 168 and Ps. 174, respectively, see Note 12.

Note 17. Bank Loans and Notes Payables

(In millions of Mexican pesos)	2017	2018	2019	2020	2021	2022 and Thereafter	Carrying Value December 31, 2016	Fair Value at December 31, 2016	Carrying Value December 31, 2015
Short-term debt:									
Fixed rate debt:									
Argentine pesos									
Bank loans	Ps. 644	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 644	Ps. 669	Ps. 165
Interest rate	31.98%	-	-	-	-	-	31.98%	-	26.20%
Colombian peso									
Bank loans	-	-	-		-	- -	-	-	219
Interest rate	-	-	-		-	- -	-	-	6.50%
U.S. dollars									
Bank loans	206	-	-	-	-	-	206	208	-
Interest rate	3.40%	-	-	-	-	-	3.40%	-	-
Subtotal	Ps. 850	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 850	Ps. 877	Ps. 384
Variable rate debt:									
Colombian peso									
Bank loans	723	-	-	-	-	-	723	720	Ps. -
Interest rate	9.14%	-	-	-	-	-	9.14%	-	-
Subtotal	723	-	-	-	-	-	723	720	-
Short-term debt	Ps. 1,573	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 1,573	Ps. 1,597	Ps. 384
Long-term debt:									
Fixed rate debt:									
Argentine pesos									
Bank loans	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 18
Interest rate	-	-	-	-	-	-	-	-	15.30%
Brazilian reais									
Bank loans	153	151	77	50	41	36	508	480	551
Interest rate	5.06%	5.06%	5.06%	5.06%	5.06%	5.06%	5.06%	-	6.60%
Capital leases	-	-	-	-	-	-	-	-	460
Interest rate	-	-	-	-	-	-	-	-	4.60%
Notes payable [(2)]	-	-	7,022		-	-	7,022	6,547	-
Interest rate	-	-	0.38%	-	-	-	0.38%	-	-
U.S. dollars									
Senior notes	-	20,625	-	10,297	-	30,781	61,703	64,230	51,333
Interest rate	-	2.38%	-	4.63%	-	4.43%	3.78%	-	3.80%
Colombian peso									
Bank loans	-	758	-	-	-	-	758	750	-
Interest rate	-	9.63%	-	-	-	-	9.63%	-	-
Mexican pesos									
Domestic bonds	-	-	-	-	2,497	7,494	9,991	8,983	9,989
Interest rate	-	-	-	-	8.27%	5.46%	6.16%	-	6.20%
Subtotal	Ps. 153	Ps. 21,534	Ps. 7,099	Ps. 10,347	Ps. 2,538	Ps. 38,311	Ps. 79,982	Ps. 80,990	Ps. 62,351

(In millions of Mexican pesos)	2017	2018	2019	2020	2021	2022 and Thereafter	Carrying Value December 31, 2016	Fair Value at December 31, 2016	Carrying Value December 31, 2015
Variable rate debt:									
U.S. dollars									
Bank loans	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 4,218	Ps. -	Ps. 4,218	Ps. 4,299	Ps. -
Interest rate	-	-	-	-	1.60%	-	1.60%	-	-
Mexican pesos									
Domestic bonds	-	-	-	-	-	-	-	-	2,496
Interest rate	-	-	-	-	-	-	-	-	3.60%
Bank loans	-	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-	-
Argentine pesos									
Bank loans	40	-	-	-	-	-	40	41	123
Interest rate	27.84%	-	-	-	-	-	27.84%	-	32.20%
Brazilian reais									
Bank loans	483	451	410	308	88	124	1,864	1,776	502
Interest rate	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	5.49%	-	9.20%
Notes payable	10	10	6	-	-	-	26	23	-
Interest rate	0.44%	0.44%	0.44%	-	-	-	0.44%	-	-
Colombian pesos									
Bank loans	793	413	-	-	-	-	1,206	1,213	874
Interest rate	9.14%	10.47%	-	-	-	-	10.47%	-	6.50%
Subtotal	1,326	874	416	308	4,306	124	7,354	7,352	3,995
Long-term debt	1,479	22,408	7,515	10,655	6,844	38,435	87,336	88,342	66,346
Current portion of long term debt	1,479	-	-	-	-	-	1,479	-	3,086
Total long-term debt	Ps. -	Ps. 22,408	Ps. 7,515	Ps. 10,655	Ps. 6,844	Ps. 38,435	Ps. 85,857	Ps. 88,342	Ps. 63,260

(1) All interest rates shown in this table are weighted average contractual annual rates.
(2) The note is payable in Brazilian Reais plus or minus the depreciation of this currency relative to the US Dollar.

For the years ended December 31, 2016, 2015 and 2014, 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:

	2016	2015	2014
Interest on debts and borrowings	Ps. 4,099	Ps. 3,540	Ps. 3,170
Capitalized interest	(32)	(60)	(117)
Finance charges for employee benefits	154	155	239
Derivative instruments	3,082	2,619	2,194
Finance operating charges	168	83	60
	Ps. 7,471	Ps. 6,337	Ps. 5,546

Coca-Cola FEMSA has the following debt bonds: a) registered with the Mexican stock exchange: i) Ps. 2,500 (nominal amount) with a maturity date in 2021 and fixed interest rate of 8.27% and ii) Ps. 7,500 (nominal amount) with a maturity date in 2023 and fixed interest rate of 5.46% and b) registered with the SEC : i) Senior notes of US. $ 500 with interest at a fixed rate of 4.63% and maturity date on February 15, 2020, ii) Senior notes of US. $1,000 with interest at a fixed rate of 2.38% and maturity date on November 26, 2018, iii) Senior notes of US. $ 900 with interest at a fixed rate of 3.88% and maturity date on November 26, 2023 and iv) Senior notes of US. $ 600 with interest at a fixed rate of 5.25% and maturity date on November 26, 2043 all of which are guaranteed by our subsidiaries: Propimex, S. de R.L. de C.V., 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., Distribuidora y Manufacturera del Valle de Mexico, S. de R.L. de C.V (as successor guarantor of Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V.) and Yoli de Acapulco, S. de R.L. de C.V. ("Guarantors"). In Note 27 we present supplemental guarantors consolidating financial information.

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.

Note 18. Other Income and Expenses

		2016		2015		2014
Other income:						
Gain on sale of long-lived assets	Ps.	324	Ps.	233	Ps.	150
Cancellation of contingencies		329		255		697
Tax Recovery from previous year		603		20		49
Other		25		112		105
	Ps.	1,281	Ps.	620	Ps.	1,001

		2016		2015		2014
Other expenses:						
Provisions for contingencies	Ps.	819	Ps.	334	Ps.	232
Loss on the retirement of long-lived assets		321		332		39
Loss on sale of long-lived assets		358		16		183
Non-income taxes from Colombia		48		55		-
Severance payments		13		285		272
Donations		54		221		66
Foreign exchange losses related to operating activities		2,799		871		172
Other		681		254		195
	Ps.	5,093	Ps.	2,368	Ps.	1,159

Note 19. 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, 2016 and 2015:

	2016				2015			
		Level 1		Level 2		Level 1		Level 2
Derivative financial instruments (asset)	Ps.	375	Ps.	4,977	Ps.	-	Ps.	2,744
Derivative financial instruments (liability)		-		5,680		270		4
Trust assets of labor obligations		1,012		-		965		-

19.1 Total debt

The fair value of bank 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, 2016 and 2015, which is considered to be level 1 in the fair value hierarchy (See Note 17).

19.2 Forward agreements to purchase foreign currency

The Company has entered into forward agreements to reduce its exposure to the risk of exchange rate fluctuations among 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, 2016, the Company has the following outstanding forward agreements to purchase foreign currency:

			Fair Value			
Maturity Date		Notional Amount		(Liability) Dec.31, 2016		Asset
2017	Ps.	6,559	Ps.	(194)	Ps.	362

At December 31, 2015, the Company had the following outstanding forward agreements to purchase foreign currency:

Maturity Date		Notional Amount		Fair Value Asset Dec. 31, 2015
2016	Ps.	4,435	Ps.	383

19.3 Options to purchase foreign currency

The Company has executed call option and collar strategies to reduce its exposure to the risk of exchange rate fluctuations. A call option is an instrument that limits the loss in case of foreign currency depreciation. A collar is a strategy that combines call and put options, limiting 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, 2015, the Company paid a net premium of Ps. 75 millions for the following outstanding call options to purchase foreign currency:

Maturity Date		Notional Amount		Fair Value Asset Dec. 31, 2015
2016	Ps.	1,612	Ps.	65

19.4 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 fair value is estimated using market prices that would apply to terminate the contracts at the end of the period. For accounting purposes, the cross currency swaps are recorded as both, *Cash Flow Hedges* in regards to the foreign exchange risk, and *Fair Value Hedges* in regards to the interest rate risk and foreign exchange risk. 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".

At December 31, 2016, the Company had the following outstanding cross currency swap agreements:

			Fair Value			
Maturity Date		Notional Amount		(Liability) Dec.31, 2016		Asset
2017	Ps.	207	Ps.	(10)	Ps.	-
2018		39,262		(4,837)		3,688
2019		7,022		(265)		-
2020		15,118		(246)		798
2021		4,236		(128)		-
2027		5,476		-		125

At December 31, 2015, the Company had the following outstanding cross currency swap agreements:

Maturity Date	Notional Amount	Fair Value (Liability) Dec.31, 2015	Fair Value Asset Dec.31, 2015
2018	Ps. 30,714	Ps. -	Ps. 2,216

19.5 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, 2016, the Company had the following sugar price contracts:

Maturity Date	Notional Amount	Fair Value Asset Dec. 31, 2016
2017	Ps. 572	Ps. 370

At December 31, 2015, the Company had the following sugar price contracts:

Maturity Date	Notional Amount	Fair Value (Liability) Dec. 31, 2015
2016	Ps. 1,497	Ps. (190)

At December 31, 2016, the Company has the following aluminum price contracts:

Maturity Date	Notional Amount	Fair Value Asset Dec. 31, 2016
2017	Ps. 74	Ps. 5

At December 31, 2015, the Company has the following aluminum price contracts:

Maturity Date	Notional Amount	Fair Value (Liability) Dec. 31, 2015
2016	Ps. 436	Ps. (84)

19.6 Derivative financial Instruments for CCFPI acquisition:

The Company's call option related to the remaining 49% ownership interest in CCFPI is measured 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. 466 million and Ps. 456 million as of December 31, 2016 and 2015, respectively. 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), a volatility (18.56%) and the underlying enterprise value of the CCFPI. The enterprise value of CCFPI for the purpose of this estimate was based on CCFPI's long-term business plan. The Company uses Black & Scholes valuation technique to measure call option value. The Company acquired its 51% ownership interest in CCFPI in January 2013 and continues to integrate CCFPI 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 CCFPI.

The Company estimates that the call option is "out of the money" as of December 31, 2016 and 2015. As of December 31, 2016 and 2015, the call option is "out of the money" by approximately 25.47% and 13.89% or US$155 million and US$90 million, respectively, with respect to the strike price.

19.7 Option embedded in the Promissory Note to fund the Vonpar's acquisition

As disclosed in Note 4.1.1 regarding the acquisition of Vonpar as part of the purchase price agreement the acquirer Spal Industria Brasileira de Bebidas, S.A. (a subsidiary of the Company) granted a call option to former Vonpar owners to convert the promissory note denominated and payable in Brazilian Reals for the remaining balance of Ps. 6,534 million plus the appreciation and depretiation of the reals versus the US dollars and an additional amount. if the price of KOF shares is higher than Ps. 178.5 per share at the maturity date.

The Company uses Black & Scholes valuation technique to measure call option at fair value. The call option had an estimated fair value of Ps. 343 million at inception of the option and Ps. 368 million as of December 31, 2016. The option is recorded as part of the Promisory Note disclosed in Note 17.

The Company estimates that the call option is "out of the money" as of December 31, 2016 by approximately 35.9% or US$ 93 million with respect to the strike price.

19.8 Net effects of expired contracts that met hedging criteria

Type of Derivatives	Impact in Consolidated Income Statement		2016		2015		2014
Cross-currency swaps [1]	Interest expense	Ps.	-	Ps.	2,595	Ps.	-
Cross-currency swaps [1]	Foreign exchange		-		(10,911)		-
Interest rate swaps	Interest expense		-		-		137
Option to purchase foreign currency	Cost of goods sold		-		(21)		-
Forward agreements to purchase foreign currency	Cost of goods sold		(45)		(523)		(22)
Commodity price contracts	Cost of goods sold		(241)		619		291

[1] This amount corresponds to the settlement of cross currency swaps portfolio in Brazil presented as part of the other financial activities.

19.9 Net effect of changes in fair value of derivative financial instruments that did not meet the hedging criteria for accounting purposes

Type of Derivatives	Impact in Consolidated Income Statement		2016		2015		2014
Forward agreements to purchase foreign currency	Market value gain (loss) on financial instruments	Ps.	-	Ps.	52	Ps.	(1)
Cross-currency swaps	Market value (loss) gain on financial instruments		-		(20)		26

19.10 Net effect of expired contracts that did not meet the hedging criteria for accounting purposes

Type of Derivatives	Impact in Consolidated Income Statement		2016		2015		2014
Cross-currency swaps	Market value gain on financial instruments	Ps.	-	Ps.	105	Ps.	-
Embedded derivatives	Market value gain on financial instruments		-		5		-

19.11 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.
- Options to purchase foreign currency in order to reduce its exposure to the risk of exchange rate fluctuations.
- Cross-Currency Swaps in order to reduce its exposure to the risk of exchange rate fluctuations and interest rate changes.
- 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:

Forward Agreements to Purchase USD (MXN/USD)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2016	(17%)	Ps.	(916)	Ps.	-
2015	(11%)		(197)		-
2014	(7%)		(99)		-

Forward Agreements to Purchase USD (BRL/USD)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2016	(18%)	Ps.	(203)	Ps.	-
2015	(21%)		(387)		-
2014	(14%)		(96)		-

Forward Agreements to Purchase USD (COP/USD)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2016	(18%)	Ps.	(255)	Ps.	-
2015	(17%)		(113)		-
2014	(9%)		(33)		-

Forward Agreements to Purchase USD (MXN/USD)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2015	(36%)		(231)		-
2014	(11%)		(22)		-

Cross Currency Swaps (USD into MXN)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2016	(17%)	Ps.	(3,687)	Ps.	(1,790)
2015	(11%)		-		(938)
2014	(7%)		-		(481)

Cross Currency Swaps (USD into BRL)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2016	(18%)	Ps.	(9,559)	Ps.	-
2015	(21%)		(4,517)		(1,086)
2014	(14%)		-		(3,935)

Sugar Price Contracts	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2016	(33%)	Ps.	(310)	Ps.	-
2015	(31%)		(406)		-
2014	(27%)		(528)		-

Aluminum Price Contracts	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2016	(16%)	Ps.	(13)	Ps.	-
2015	(18%)		(58)		-
2014	(17%)		(87)		-

Options to Purchase Foreign Currency (MXN/USD)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2015	(11%)	Ps.	(57)	Ps.	-
2014	(7%)		(20)		-

Options to Purchase Foreign Currency (COP/USD)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2015	(17%)	Ps.	(9)	Ps.	-
2014	(9%)		(9)		-

19.12 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
2016	+100 bps	Ps.	(211)
2015	+100 bps		(175)
2014	+100 bps		(231)

19.13 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's generally pays its suppliers on credit. In recent periods, the Company has mainly used cash generated from 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 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 banking 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 from 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 17 for a disclosure of the Company's maturity dates associated with its non-current financial liabilities as of December 31, 2016.

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 of December 31, 2016.

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, 2016.

(In millions of Ps)	2017	2018	2019	2020	2021	2022 and thereafter
Non-derivative financial liabilities:						
Notes and bonds	Ps. 2,989	Ps. 21,842	Ps. 8,234	Ps. 11,504	Ps. 3,620	Ps. 56,870
Loans from banks	3,316	1,915	630	501	4,467	332
Derivatives financial liabilities	(332)	455	455	455	(212)	(337)

The Company generally makes payments associated with its financial liabilities with cash generated from its operations.

19.14 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 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, 2016 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 20. 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, 2016, 2015 and 2014 is as follows:

	2016	2015	2014
Mexico	Ps. 5,879	Ps. 3,342	Ps. 3,614
Colombia	22	12	15
Brazil	1,195	632	772
	Ps. 7,096	Ps. 3,986	Ps. 4,401

Non-controlling interests in Mexico primarily represent the individual results of a Mexican holding company Kristine Oversease, S.A.P.I. de C.V. This entity also has non-controlling stakes in certain Brazilian subsidiaries.

The changes in the Coca-Cola FEMSA's non-controlling interest were as follows:

	2016	2015	2014
Balance at beginning of the year	Ps. 3,986	Ps. 4,401	Ps. 4,042
Net income of non controlling interest	457	94	424
Exchange differences on translation of foreign operations	1,845	(554)	(21)
Remeasurements of the net defined employee benefit liability	-	6	(21)
Valuation of the effective portion of derivative financial instruments, net of taxes	51	50	(5)
Increase in shares of non-controlling interest	826	-	-
Dividends paid	(69)	(11)	(18)
Balance at end of the year	Ps. 7,096	Ps. 3,986	Ps. 4,401

Note 21. Equity

21.1 Equity accounts

As of December 31, 2016, 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 all voting rights and are subject to transfer restrictions;
- 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.

As of December 31, 2016, 2015 and 2014, the number of each share series representing Coca-Cola FEMSA's capital stock is comprised as follows:

	Thousands of Shares		
Series of shares	2016	2015	2014
"A"	992,078	992,078	992,078
"D"	583,546	583,546	583,546
"L"	497,298	497,298	497,298
	2,072,922	2,072,922	2,072,922

The changes in the share are as follows:

	Thousands of Shares		
Series of shares	2016	2015	2014
Initial shares	2,072,922	2,072,922	2,072,922
Shares issuance	-	-	-
Final shares	2,072,922	2,072,922	2,072,922

The net income of the Company is subject to the legal requirement that 5% thereof be transferred to a legal reserve until such reserve amounts to 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, 2016, 2015 and 2014, 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, 2016, the Company's balances of CUFIN amounted to Ps. 10,161.

For the years ended December 31, 2016, 2015 and 2014 the dividends declared and paid per share by the Company are as follows:

Series of shares	2016 [(1)]	2015	2014
"A"	Ps. 3,323	Ps. 3,065	Ps. 2,877
"D"	1,955	1,803	1,692
"L"	1,667	1,537	1,443
	Ps. 6,945	Ps. 6,405	Ps. 6,012

(1) At an ordinary shareholders' meeting of Coca-Cola FEMSA held on March 7, 2016, the shareholders declared a dividend of Ps. 6,945 that was paid in May 3, 2016 and November 1, 2016. Represents a dividend of Ps. 3.35 per each ordinary share.

21.2 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, 2016 and 2015.

The Company is not subject to any externally imposed capital requirements, other than the legal reserve and debt covenants (see Note 17 and Note 21.1).

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 credit rating.

Note 22. 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.

Diluted earnings per share amounts are calculated by dividing consolidated net income for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the period plus the weighted average number of shares for the effects of dilutive potential shares (originated by the Company's commitment to capitalize 27.9 million KOF series L shares described in Note 4.1.1).

Basic and diluted earnings per share amounts are as follows:

	2016		
	Per Series "A" Shares	Per Series "D" Shares	Per Series "L" Shares
Consolidated net income	Ps. 5,038	Ps. 2,963	Ps. 2,526
Consolidated net income attributable to equity holders of the parent	4,819	2,835	2,416
Weighted average number of shares for basic earnings per share (millions of shares)	992	584	497

	2015		
	Per Series "A" Shares	Per Series "D" Shares	Per Series "L" Shares
Consolidated net income	Ps. 4,943	Ps. 2,908	Ps. 2,478
Consolidated net income attributable to equity holders of the parent	4,898	2,881	2,456
Weighted average number of shares for basic earnings per share (millions of shares)	992	584	497

	2014		
	Per Series "A" Shares	Per Series "D" Shares	Per Series "L" Shares
Consolidated net income	Ps. 5,248	Ps. 3,087	Ps. 2,631
Consolidated net income attributable to equity holders of the parent	5,045	2,968	2,529
Weighted average number of shares for basic earnings per share (millions of shares)	992	584	497

	2016		
	Per Series "A" Shares	Per Series "D" Shares	Per Series "L" Shares
Consolidated net income	Ps. 5,038	Ps. 2,963	Ps. 2,526
Consolidated net income attributable to equity holders of the parent	4,819	2,835	2,416
Weighted average number of shares for basic earnings per share (millions of shares)	992	584	497
Effect of dilution associated with commitment to deliver 27.9 million KOF L shares	-	-	2
Weighted average number of shares adjusted for the effect of dilution (Shares outstanding)	992	584	499

Note 23. Income Taxes

23.1 Income Tax

The major components of income tax expense for the years ended December 31, 2016, 2015 and 2014 are:

		2016		2015		2014
Current tax expense:						
Current year	Ps.	8,574	Ps.	6,060	Ps.	5,002
Deferred tax expense:						
Origination and reversal of temporary differences		(2,812)		721		1,808
(Benefit) utilization of tax losses recognized		(1,834)		(2,230)		(2,949)
Total deferred tax expense		(4,646)		(1,509)		(1,141)
Total income tax expense in consolidated net income	Ps.	3,928	Ps.	4,551	Ps.	3,861

2016		Mexico		Foreign		Total
Current tax expense:						
Current year	Ps.	4,035	Ps.	4,539	Ps.	8,574
Deferred tax expense:						
Origination and reversal of temporary differences		(1,117)		(1,695)		(2,812)
(Benefit) utilization of tax losses recognized		(1,285)		(549)		(1,834)
Total deferred tax expense (benefit)		(2,402)		(2,244)		(4,646)
Total income tax expense in consolidated net income	Ps.	1,633	Ps.	2,295	Ps.	3,928

2015		Mexico		Foreign		Total
Current tax expense:						
Current year	Ps.	3,887	Ps.	2,173	Ps.	6,060
Deferred tax expense:						
Origination and reversal of temporary differences		427		294		721
(Benefit) utilization of tax losses recognized		(997)		(1,233)		(2,230)
Total deferred tax expense (benefit)		(570)		(939)		(1,509)
Total income tax expense in consolidated net income	Ps.	3,317	Ps.	1,234	Ps.	4,551

2014		Mexico		Foreign		Total
Current tax expense:						
Current year	Ps.	2,974	Ps.	2,028	Ps.	5,002
Deferred tax expense:						
Origination and reversal of temporary differences		(249)		2,057		1,808
Benefit of tax losses recognized		(490)		(2,459)		(2,949)
Total deferred tax expense (benefit)		(739)		(402)		(1,141)
Total income tax expense in consolidated net income	Ps.	2,235	Ps.	1,626	Ps.	3,861

Recognized in Consolidated Statement of Other Comprehensive Income (OCI)

Income tax related to items charged or recognized directly in OCI during the year:		2016		2015		2014
Unrealized gain on cash flow hedges	Ps.	324	Ps.	(19)	Ps.	99
Remeasurements of the net defined benefit liability		12		32		(51)
Total income tax recognized in OCI	Ps.	336	Ps.	13	Ps.	48

Balance of income tax included in Accumulated Other Comprehensive Income (AOCI) as of:

Income tax related to items charged or recognized directly in OCI as of year end:		2016		2015		2014
Unrealized gain on derivative financial instruments	Ps.	227	Ps.	(91)	Ps.	(107)
Unrealized gain on available for sale securities		-		-		-
Comprehensive income to be reclassified to profit or loss in subsequent periods		227		(91)		(107)
Re-measurements of the net defined benefit liability		(143)		(112)		(167)
Balance of income tax in OCI	Ps.	84	Ps.	(203)	Ps.	(274)

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, 2016, 2015 and 2014 is as follows:

	2016	2015	2014
Mexican statutory income tax rate	30%	30%	30%
Income tax from prior years	1.33	0.50	0.09
Loss on monetary position for subsidiaries in hyperinflationary economies	(2.20)	0.07	0.62
Annual inflation tax adjustment	0.15	(2.22)	(3.29)
Non-deductible expenses	2.38	2.92	2.58
Non-taxable income	(0.90)	(0.41)	(0.99)
Income taxed at a rate other than the Mexican statutory rate	2.06	0.75	0.84
Effect of restatement of tax values	(2.29)	(1.16)	(1.97)
Effect of change in statutory rate	-	0.11	0.09
Effect of changes in Venezuela Tax Law	7.74	-	-
Income tax credits	(7.84)	-	-
Other	(2.98)	0.35	(2.15)
	27.45%	30.91%	25.82%

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 2016	2015	Consolidated Income Statement 2016	2015	2014
Allowance for doubtful accounts	Ps. (148)	Ps. (95)	Ps. (8)	Ps. 2	Ps. 5
Inventories	(14)	138	(163)	(15)	117
Prepaid expenses	13	78	(71)	7	(24)
Property, plant and equipment, net [(1)]	1,599	(204)	1,439	(96)	(544)
Other assets	(403)	(561)	167	41	(449)
Finite useful lived intangible assets	56	285	(289)	112	(30)
Indefinite lived intangible assets	1,458	2,963	5,280	(26)	(153)
Post-employment and other non-current employee benefits	(229)	(235)	(1)	115	(85)
Derivative financial instruments	86	24	62	22	(10)
Contingencies	(1,822)	(1,052)	(96)	(7)	(458)
Employee profit sharing payable	(166)	(152)	(14)	(3)	15
Tax loss carryforwards	(8,101)	(4,823)	(1,834)	(2,230)	(2,948)
Tax credits to recover [(2)]	(1,150)	-	(1,150)	-	-
Cumulative other comprehensive income	84	(222)	-	-	-
Deductible tax goodwill of business acquisition	160	(1,270)	(1,921)	1,378	1,775
Liabilities of amortization of goodwill of business acquisition	5,921	4,147	45	(32)	(12)
Other liabilities	(2,120)	(1,996)	(6,092)	(777)	1,660
Deferred tax (income)			Ps. (4,646)	Ps. (1,509)	Ps. (1,141)

	2016	2015
Deferred tax, asset	Ps. (5,981)	Ps. (4,098)
Deferred tax, liability	1,205	1,123
Deferred income taxes, net	Ps. (4,776)	Ps. (2,975)

(1) As a result of the change of Venezuelan tax regulations, the Company recognized a deferred tax liability for an amount of Ps. 1,107 with their corresponding impact on the income tax of the year.

(2) Correspond to income tax credits arising of dividends received from foreign subsidiaries to be recovered within the next ten years accordingly to the Mexican Income Tax law as well as effects of the exchange of foreign currencies with Related and Non-Related Parties.

The changes in the balance of the net deferred income tax liability are as follows:

	2016	2015	2014
Balance at beginning of the year	Ps. (2,975)	Ps. (1,871)	Ps. (439)
Deferred tax provision for the year	(4,381)	(1,526)	(1,155)
Change in the statutory rate	-	16	14
Acquisition of subsidiaries, see Note 4	150	-	(445)
Effects in equity:			
Unrealized loss (gain) on derivative financial instruments	324	(19)	99
Unrealized gain on available for sale securities	-	-	-
Cumulative translation adjustment	1,766	350	99
Remeasurements of the net defined benefit liability	12	32	(51)
Inflation adjustment	328	43	7
Balance at end of the year	Ps. (4,776)	Ps. (2,975)	Ps. (1,871)

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, Colombia and Brazil have tax loss carryforwards. Unused tax loss carryforwards, for which a deferred income tax asset has been recognized, may be recovered provided certain requirements are fulfilled. The tax losses carryforwards and their years of expiration are as follows:

	Tax Loss Carryforwards
2021	Ps. 12
2022	160
2023	-
2024	1,791
2025	3,433
2026 and thereafter	5,490
No expiration (Brazil and Colombia)	13,905
	Ps. 24,791

During 2013 the Company completed certain acquisitions in Brazil. In connection with the acquisitions in Brazil the Company recorded certain goodwill balances that are deductible for Brazilian income tax reporting purposes. The deduction of such goodwill amortization has resulted in the creation of Net Operating Losses (NOLs) in Brazil. NOLs in Brazil have no expiration, but their usage is limited to 30% of Brazilian taxable income in any given year. As of December 31, 2016 and 2015 the Company believes that it is more likely than not that it will ultimately recover such NOLs through the reversal of temporary differences and future taxable income. Accordingly the related deferred tax assets have been fully recognized.

During the years 2016, 2015 and 2014 the Company has generated NOLs in Mexico as a result of adverse exchange rate fluctuations that impacted the Company's effective income tax rate. These NOL's expire as indicated the table above.

The changes in the balance of tax loss carryforwards are as follows:

	2016	2015	2014
Balance at beginning of the year	Ps. 14,900	Ps. 9,400	Ps. 537
Increase (see sources above)	5,616	7,001	8,912
Usage of tax losses	(4)	(37)	(94)
Effect of foreign currency exchange rates	4,279	(1,464)	45
Balance at end of the year	Ps. 24,791	Ps. 14,900	Ps. 9,400

There were no withholding taxes associated with the payment of dividends in either 2016, 2015 or 2014 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, 2016: Ps. 5,136, December 31, 2015: Ps. 8,014 and, December 31, 2014: Ps. 7,326.

On January 1, 2014 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 remain of 30%.

During 2014, the Company took advantage of a Brazilian tax amnesty program. The settlement of certain outstanding matters under that amnesty program generated a benefit of Ps. 455 which is reflected in other income during the year ended December 31, 2014.

23.2 Recoverable taxes

Recoverable taxes are mainly integrated by higher provisional payments of income tax during 2016 in comparison to prior year, which will be compensated during 2017.

The operations in Guatemala and Colombia 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.

23.3 Tax Reform

On January 1, 2015, a general tax reform became effective in Colombia. This reform included the imposition of a new temporary tax on net equity through 2017 to Colombian residents and non-residents who own property in Colombia directly or indirectly through branches or permanent establishments. The relevant taxable base will be determined annually based on a formula. For net equity that exceeds 5.0 billion Colombian pesos (approximately US$2.1 million) the rate will be 1.15% in 2015, 1.00% in 2016 and 0.40% in 2017. In addition, the tax reform in Colombia imposed that the supplementary income tax at a rate of 9.0% as contributions to social programs, which was previously scheduled to decrease to 8.0% by 2015, will remain indefinitely. Additionally, this tax reform included the imposition of a temporary contribution to social programs at a rate of 5.0%, 6.0%, 8.0% and 9.0% for the years 2015, 2016, 2017 and 2018, respectively. Finally, this reform establishes an income tax deduction of 2.0% of value-added tax paid in the acquisition or import of hard assets, such as tangible and amortizable assets that are not sold or transferred in the ordinary course of business and that are used for the production of goods or services. Some of these rules were changed again through a new tax reform introduced at the end of 2016 and be effective in 2017, as described below.

On January 1, 2017, a new general tax reform became effective in Colombia. This reform modifies the income tax rate to 33%, starting with a 34.0% for 2017 and then 33% for the next years. In addition, this reform includes an extra income tax rate of 6.0% for 2017 and 4% for 2018, for entities located outside free trade zone. Regarding taxpayers located in free trade zone, the special income tax rate increase to 20% for 2017. In 2016 the rate is 15.0%. Additionally, the supplementary income tax (9.0 %) the temporary contribution to social programs (5.0 % to 9.0 % for 2015 to 2018), and the tax on net equity which were included in tax reform 2015 were eliminated. For 2017, the dividends received by individuals that are Colombian residents will be subject to a withholding of 35.0%; the dividends received by foreign individuals or entities non-residents in Colombia will be subject to a withholding of 5.0%. Finally, regarding the presumptive income on patrimony, the rate increased to a 3.5% for 2017 instead of 3% in 2016. Starting in 2017, the Colombian general rate of value-added tax (VAT) increased to 19%, replacing the 16% rate in effect till 2016.

On December 30, 2015, the Venezuelan government enacted a package of tax reforms that became effective in January 2016. This reform mainly (i) eliminated the inflationary adjustments for the calculation of income tax as well as the new investment tax deduction, and (ii) imposed a new tax on financial transactions effective as of February 1, 2016, for those identified as "special taxpayers," at a rate of 0.75% over certain financial transactions, such as bank withdrawals, transfer of bonds and securities, payment of debts without intervention of the financial system and debits on bank accounts for cross-border payments, which will be immediately withheld by the banks. Given the inherent uncertainty as to how the Venezuelan Tax Administration will require that the aforementioned inflation adjustments be applied, starting 2016 the Company decided to recognize the effects of elimination of the inflationary adjustments.

On April 1, 2015, the Brazilian government issued Decree No. 8.426/15 to impose, as of July 2015, PIS/COFINS (Social Contributions on Gross Revenues) of 4.65% on financial income (except for foreign exchange variations).

Starting in 2016, the Brazilian rates of value-added tax in certain states will change as follows: Mato Grosso do Sul from 17.0% to 20.0%; Rio Grande do Sul from 18% to 20%; Minas Gerais, 18.0% and an additional 2.0% will be charged on sales to non-taxpayers, as a contribution to a poverty eradication fund; Rio de Janeiro, the contribution to poverty eradication will increase from 1.0% to 2.0% as of April 2016; and Parana, 16.0% and an additional 2.0% will be charged on sales to non-taxpayers, as a contribution to a poverty eradication fund. In addition and specifically for sales of beer, the value-added tax rate will increase to a maximum of 25.0%.

In addition, as of January 1, 2016, the Brazilian federal production tax rates will be reduced and the rates of the federal sales tax will increase. The average of these taxes is 16.2% over the net sales. For 2017, we expected the average of these taxes will range between 15% and 17% over the net sales.

23.4 Other Regulations

In November 2014, the Venezuelan government amended the Foreign Investment Law. As part of the amendments made, the law now provides that at least 75.0% of the value of foreign investment must be comprised of assets located in Venezuela, which may include equipment, supplies or other goods or tangible assets required at the early stages of operations. By the end of the first fiscal year after commencement of operations in Venezuela, investors will be authorized to repatriate up to 80.0% of the profits derived from their investment. Any profits not otherwise repatriated in a fiscal year, may be accumulated and be repatriated the following fiscal year, together with profits generated during such year. In the event of liquidation, a company may repatriate up to 85.0% of the value of the foreign investment. Currently, the scope of this law is not entirely clear with respect to the liquidation process.

Note 24. Other Liabilities, Provisions and Commitments

24.1 Other current financial liabilities

		2016		2015
Sundry creditors	Ps.	688	Ps.	837
Derivative financial instruments		204		274
Total	Ps.	892	Ps.	1,111

24.2 Provisions and other non-current liabilities

		2016		2015
Provisions	Ps.	13,628	Ps.	3,317
Taxes payable		337		326
Other		1,064		533
Total	Ps.	15,029	Ps.	4,176

24.3 Other non-current financial liabilities

		2016		2015
Derivative financial instruments	Ps.	5,476	Ps.	-
Security deposits		269		214
Total	Ps.	5,745	Ps.	214

24.4 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, 2016 and 2015:

		2016		2015
Taxes	Ps.	10,223	Ps.	1,658
Labor		2,356		1,340
Legal		1,049		319
Total	Ps.	13,628	Ps.	3,317

24.5. Changes in the balance of provisions recorded

24.5.1 Taxes

		2016		2015		2014
Balance at beginning of the year	Ps.	1,658	Ps.	2,198	Ps.	3,147
Penalties and other charges		173		21		89
New contingencies		3		84		10
Cancellation and expiration		(106)		(205)		(327)
Contingencies added in business combinations [(1)]		7,840		-		1,191
Payments		(6)		(214)		(1,255)
Brazil tax amnesty		-		-		(599)
Effect of foreign currency exchange rates		661		(226)		(58)
Balance at end of the year	Ps.	10,223	Ps.	1,658	Ps.	2,198

24.5.2 Labor

		2016		2015		2014
Balance at beginning of the year	Ps.	1,340	Ps.	1,543	Ps.	1,021
Penalties and other charges		203		209		107
New contingencies		211		44		145
Cancellation and expiration		(177)		(102)		(53)
Contingencies added in business combinations [(1)]		500		-		442
Payments		(336)		(111)		(57)
Effects of foreign currency exchange rates		615		(243)		(62)
Balance at end of the year	Ps.	2,356	Ps.	1,340	Ps.	1,543

24.5.3 Legal

		2016		2015		2014
Balance at beginning of the year	Ps.	319	Ps.	427	Ps.	417
Penalties and other charges		33		-		4
New contingencies		196		-		9
Cancellation and expiration		(46)		(33)		(5)
Contingencies added in business combinations [(1)]		496		-		-
Payments		(81)		-		-
Effects of foreign currency exchange rates		132		(75)		2
Balance at end of the year	Ps.	1,049	Ps.	319	Ps.	427

(1) An amount of Ps. 7,840 correspond to tax claims with local IRS (including a contingency of Ps. 5,321 related to the deductibility of a tax goodwill balance). The remaining contingencies relates to multiple IRS claims with loss expectations assessed by management and supported by the analysis of legal counsels as possible, the total amount of contingencies guaranteed agreements amounts to Ps. 8,081, such amount is included in Note 12.1.

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.

24.6 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 but not remote, the estimated amount as of December 31, 2016 of these lawsuits is Ps. 44,724, 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.

The Company has tax contingencies, most of which are related to its Brazilian operations, amounting to approximately Ps. 40,606 with loss expectations assessed by management and supported by the analysis of legal counsel consider as possible. Among these possible contingencies, are Ps. 11,748 in various tax disputs related primarily to credits for ICMS (VAT) and Ps. 26,559 related to tax credits of IPI over raw materials acquired from Free Trade Zone Manaus. Possible claims also include Ps. 1,646 related to compensation of federal taxes not approved by the IRS (Tax authorities), and Ps. 653 related to the requirement by the Tax Authorities of State of São Paulo for ICMS (VAT), interest and penalty due to the alleged underpayment of tax arrears for the period 1994-1996. The Company is defending its position in these matters and final decision is pending in court.

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.

24.7 Collateralized 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. 8,093, Ps. 3,569 and Ps. 3,026 as of December 31, 2016, 2015 and 2014, respectively, by pledging fixed assets and entering into available lines of credit covering the contingencies.

24.8 Commitments

As of December 31, 2016, 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.

The contractual maturities of the operating leases commitments by currency, expressed in Mexican pesos as of December 31, 2016, are as follows:

		Mexican pesos		U.S. dollars		Other
Not later than 1 year	Ps.	104	Ps.	106	Ps.	4
Later than 1 year and not later than 5 years		447		423		6
Later than 5 years		242		211		-
Total	Ps.	793	Ps.	740	Ps.	10

Rental expense charged to consolidated net income was Ps. 1,232, Ps. 1,044 and Ps. 940 for the years ended December 31, 2016, 2015 and 2014, respectively.

The Company has firm commitments for the purchase of property, plant and equipment of Ps. 234 as December 31, 2016.

Note 25. Information by Segment

The Company's chief operating decision maker ("CODM") is the Chief Executive Officer, who periodically reviews financial information at the country level. Thus, each of the seperate countries in wich the Company operates are considered operating segments, with the exception of the countries in Central America which represent a single operating segment.

The Company has 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 CCFPI (Philippines) which was acquired in January 2013 (see Note 9).

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. In evaluating the appropriateness of aggregating operating segments, the key indicators considered included but were not limited to:(i) similarities of customer base, products, production processes and distribution processes, (ii) similarities of governments, (iii) inflation trends, since hyper-inflationary economy has different characteristics that carry out to making decision on how to deal with the cost of the production and distribution, Venezuela has been separated as a separate segment, (iv) currency trends and (v) historical and projected financial and operating statistics, historically and according to our estimates the financial trends of the countries aggregated into an operating segment have behaved in similar ways and are expected to continue to do so.

Segment disclosure for the Company's consolidated operations is as follows:

2016		Mexico and Central America [1]		South America [2]		Venezuela	Consolidated
Total revenues	Ps.	87,557	Ps.	71,293	Ps.	18,868	Ps. 177,718
Intercompany revenue		4,266		3		-	4,269
Gross profit		43,569		29,263		6,830	79,662
Income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method		8,642		4,784		882	14,308
Depreciation and amortization		4,750		3,078		838	8,666
Non cash items other than depreciation and amortization [3]		424		61		2,423	2,908
Equity in earnings of associated companies and joint ventures		149		(2)		-	147
Total assets		136,252		130,019		12,985	279,256
Investments in associate companies and joint ventures		18,088		4,269		-	22,357
Total liabilities		95,342		48,391		6,290	150,023
Capital expenditures, net [4]		6,597		4,240		1,554	12,391

2015	Mexico and Central America (1)	South America (2)	Venezuela	Consolidated
Total revenues	Ps. 78,709	Ps. 64,752	Ps. 8,899	Ps. 152,360
Intercompany revenue	3,791	3	-	3,794
Gross profit	40,130	27,532	4,368	72,030
Income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method	10,614	3,220	891	14,725
Depreciation and amortization	4,404	2,489	251	7,144
Non cash items other than depreciation and amortization (3)	685	130	1,352	2,167
Equity in earnings of associated companies and joint ventures	97	58	-	155
Total assets	133,941	69,281	7,027	210,249
Investments in associate companies and joint ventures	15,779	2,094	-	17,873
Total liabilities	80,963	17,528	3,023	101,514
Capital expenditures, net (4)	4,672	5,686	1,126	11,484

2014	Mexico and Central America (1)	South America (2)	Venezuela	Consolidated
Total revenues	Ps. 71,965	Ps. 66,367	Ps. 8,966	Ps. 147,298
Intercompany revenue	3,471	4	-	3,475
Gross profit	36,453	27,372	4,557	68,382
Income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method	9,171	4,748	1,033	14,952
Depreciation and amortization	4,046	2,660	243	6,949
Non-cash items other than depreciation and amortization (3)	693	(204)	204	693
Equity in earnings of associated companies and joint ventures	(326)	201	-	(125)
Total assets	126,818	78,674	6,874	212,366
Investments in associate companies and joint ventures	14,827	2,499	-	17,326
Total liabilities	80,280	19,109	2,859	102,248
Capital expenditures, net (4)	3,952	6,198	1,163	11,313

(1) Central America includes Guatemala, Nicaragua, Costa Rica and Panama. Domestic (Mexico only) revenues were Ps. 74,413, Ps. 67,772 and Ps. 62,990 during the years ended December 31, 2016, 2015 and 2014, respectively. Domestic (Mexico only) total assets were Ps. 122,552, Ps. 123,585 and Ps. 117,949 as of December 31, 2016, 2015 and 2014, respectively. Domestic (Mexico only) total liabilities were Ps. 92,303, Ps. 78,834 and Ps. 78,358 as of December 31, 2016, 2015 and 2014, respectively.

(2) South America includes Brazil, Argentina, Colombia and Venezuela, although Venezuela is shown separately above. South America revenues include Brazilian revenues of Ps. 43,900, Ps. 37,825 and Ps. 43,573 during the years ended December 31, 2016, 2015 and 2014, respectively. Brazilian total assets were Ps. 104,092, Ps. 49,448 and Ps. 59,836 as of December 31, 2016, 2015 and 2014, respectively. Brazilian total liabilities Ps. 39,600, Ps. 10,753 and Ps. 12,629 as of December 31, 2016, 2015 and 2014, respectively. South America revenues also include Colombian revenues of Ps. 15,120, Ps. 12,984 and Ps. 13,118 during the years ended December 31, 2016, 2015 and 2014, respectively. Colombian total assets were Ps. 20,581, Ps. 15,182 and Ps. 14,864 as of December 31, 2016, 2015 and 2014, respectively. Colombian total liabilities were Ps. 5,547, Ps. 3,977 and Ps. 3,594 as of December 31, 2016, 2015 and 2014, respectively. South America revenues also include Argentine revenues of Ps. 12,273, Ps, 13,943 and Ps. 9,676 during the years ended December 31, 2016, 2015 and 2014, respectively. Argentine total assets were Ps. 5,346, Ps. 4,651 and Ps. 3,974 as of December 31, 2016, 2015 and 2014, respectively. Argentine total liabilities were Ps. 3,244, Ps. 2,798 and Ps. 2,886 as of December 31, 2016, 2015 and 2014, 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 CCFPI (Philippines) which was acquired in 2013, and is accounted for using the equity method of accounting (see Note 9). The equity in earnings of the Asian division were Ps. 93, Ps. 86 and Ps. (334) in 2016, 2015 and 2014, repectively and are presented as part of the Company's corporate operations in 2016, 2015 and 2014 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 CCFPI Ps. 11,460, Ps. 9,996 and 9,021. 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. 22,768, Ps. 19,576 and Ps. 16,548, gross profit Ps. 7,678, Ps. 5,325 and Ps. 4,913, income before income taxes Ps. 486, Ps. 334 and Ps. 664, depreciation and amortization Ps. 2,163, Ps. 2,369 and Ps. 643, total assets Ps. 28,066, Ps. 22,002 and Ps. 19,877, total liabilities Ps. 9,634, Ps. 6,493 and Ps. 6,614, capital expenditures Ps. 3,342, Ps. 1,778 and Ps. 2,215.

Note 26. Future Impact of Recently Issued Accounting Standards not yet in Effect:

The Company has not applied the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15, "Revenue from Contracts with Customers", was originally issued in May 2014 and supersedes IAS 18 "Revenue" and applies to annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. Revenue is recognized as control is passed, either over time or at a point in time. The Company does not plan on early adopting this standard. However, it has determined that the adoption of this standard will be accounted prospectively, as allowed by the corresponding transitional provisions which imply cumulative effect shown as an adjustment to retained earnings at the date of initial application..

The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. In applying the revenue model to contracts within its scope, an entity will: 1) Identify the contract(s) with a customer; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to the performance obligations in the contract; 5) Recognize revenue when (or as) the entity satisfies a performance obligation. Also, an entity needs to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company is currently in the process of performing its evaluation of the potential impacts that the adoption of IFRS 15 may represent to its consolidated financial statements.

Related to the Company, revenue streams are mainly related to the sale of finished products and delivery of promotional products, which are currently recognized in the income statement when the Company transfers such goods to its customers. This revenue stream is supported by contracts maintained with different companies of the retail industry through both traditional and modern channels, in which prices with these customers are constantly negotiated due to the high turnover of the Company's products and to remain competitive in the market. The Company is performing its evaluation of the potential impacts that the adoption of IFRS 15 may represent to its consolidated financial statements. As part of such process the Company is assessing whether such negotiations should be considered as modifications to the contracts and whether each transaction represents a separate performance obligation with the customer that is accounted for once the particular goods are delivered. Additionally, the Company is analizing if any discounts offered to the client are already considered in each negotiation and recognized net of the related revenue and wether embedded derivatives may exist as well as significant financial components nor agent or principal considerations as it relates to its operation. As its new revenue accounting policy is developed and applied, potential impacts could be identified upon adoption of the new standard.

IFRS 16, *Leases*

IFRS 16 "Leases" was issued in January 2016 and supersedes IAS 17 "Leases" and related interpretations. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company does not plan on early adopting this standard. However, it has determined that the adoption of this standard will be treated applying the prospective transitional provisions, which imply that adoption effects will be reflected directly against retained earnings and the applicable assets and liabilities as of January 1, 2019.

Under IFRS 16 a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the financial liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the life of the lease.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis).

The Company is currently in the process of performing its evaluation of the potential impacts that the adoption of IFRS 16 may represent to its consolidated financial statements. As part of such process, management is assessing the different lease contracts, mainly those in which it acts as a lessee as well as other contracts in which the definition of a lease could be met independently of its legal form.

The Company is in the process of quantifying the effects of IFRS 16 as well developing its accounting policy under the new standard, which includes evaluating those lease contracts that may qualify under the accounting exceptions provided by the standard for those assets considered as low value and developing its corresponding judgement on potentially subjective matters particularly in respect of the definition of a lease and the assessment of the lease term.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date. The Company is analyzing whether an impact of all three aspects of IFRS 9 may exist based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. As its new revenue accounting policy is developed and applied, potential impacts could be identified upon adoption of the new standard.

(a) *Classification and measurement*

The Company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The available for sale (AFS) reserve currently presented as accumulated OCI will be reclassified to opening retained earnings. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Company expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Company expects to apply the option to present fair value changes in OCI, and, therefore, believes the application of IFRS 9 would not have a significant impact. If the Company were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Company expects that these will continue to be measured at amortised cost under IFRS 9. However, the Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) *Impairment*

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Company expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(c) *Hedge accounting*

The Company believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Company does not expect a significant impact as a result of applying IFRS 9. The Company will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. The Company is in the process of assessing the potential impacts from the adoption of these amendments in its financial statements.

Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Company.

Note 27. Supplemental Guarantor Information

Consolidating Condensed Financial Information

The following consolidating information presents consolidating condensed statements of financial position as of December 31, 2016 and 2015 and condensed consolidating statements of income, other comprehensive income and cash flows for each of the three years in the period ended December 31, 2016, 2015 and 2014 of the Company and Propimex, S. de R.L. de C.V., 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., Distribuidora y Manufacturera del Valle de Mexico, S. de R.L. de C.V (as successor guarantor of Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V.) and Yoli de Acapulco, S. de R. L. 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 accounting policies applied in the preparation of the condensed financial statements are the same as those used in the preparation of the consolidated financial statements (see Note 3).

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 17; (iii) the combined non-guarantor subsidiaries; iv) eliminations and v) the Company's consolidated financial statements are as follows:

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
		Consolidated Statement of Financial Position As of December 31, 2016			
Assets:					
Current assets:					
Cash and cash equivalents	Ps. 1,106	Ps. 1,119	Ps. 8,251	Ps. -	Ps. 10,476
Accounts receivable, net	33,733	6,243	49,535	(74,506)	15,005
Inventories	-	3,880	6,864	-	10,744
Recoverable taxes	42	654	3,677	-	4,373
Other current assets and financial assets	617	1,799	2,439	-	4,855
Total current assets	35,498	13,695	70,766	(74,506)	45,453
Non-current assets:					
Investments in associates and joint ventures	137,304	74,332	15,760	(205,039)	22,357
Property, plant and equipment, net	-	18,815	46,473	-	65,288
Intangible assets, net	28,863	38,313	56,788	-	123,964
Other non-current assets and financial assets	7,240	10,560	14,905	(10,511)	22,194
Total non-current assets	173,407	142,020	133,926	(215,550)	233,803
Total assets	Ps. 208,905	Ps. 155,715	Ps. 204,692	Ps. (290,056)	Ps. 279,256
Liabilities:					
Current liabilities:					
Short-term bank loans and notes payable and current portion of non-current debt	Ps. 468	Ps. -	Ps. 3,104	Ps. -	Ps. 3,572
Suppliers	29	4,644	16,816	-	21,489
Other current liabilities	10,320	57,359	21,634	(74,506)	14,807
Total current liabilities	10,817	62,003	41,554	(74,506)	39,868
Non-current liabilities:					
Bank loans and notes payable	75,913	-	9,944	-	85,857
Other non-current liabilities	38	633	34,138	(10,511)	24,298
Total non-current liabilities	75,951	633	44,082	(10,511)	110,155
Total liabilities	86,768	62,636	85,636	(85,017)	150,023
Equity:					
Equity attributable to equity holders of the parent	122,137	93,079	111,960	(205,039)	122,137
Non-controlling interest in consolidated subsidiaries	-	-	7,096	-	7,096
Total equity	122,137	93,079	119,056	(205,039)	129,233
Total liabilities and equity	Ps. 208,905	Ps. 155,715	Ps. 204,692	Ps. (290,056)	Ps. 279,256

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Consolidated Statement of Financial Position As of December 31, 2015				
Assets:					
Current assets:					
Cash and cash equivalents	Ps. 10,991	Ps. 810	Ps. 4,188	Ps. -	Ps. 15,989
Accounts receivable, net	18,378	7,200	47,192	(63,123)	9,647
Inventories	-	3,665	4,401	-	8,066
Recoverable taxes	18	648	3,554	-	4,220
Other current assets and financial assets	519	1,636	2,155	-	4,310
Total current assets	29,906	13,959	61,490	(63,123)	42,232
Non-current assets:					
Investments in associates and joint ventures	113,513	71,697	12,121	(179,458)	17,873
Property, plant and equipment, net	-	17,308	33,224	-	50,532
Intangible assets, net	29,348	35,287	26,119	-	90,754
Other non-current assets and financial assets	3,409	7,763	4,108	(6,422)	8,858
Total non-current assets	146,270	132,055	75,572	(185,880)	168,017
Total assets	Ps. 176,176	Ps. 146,014	Ps. 137,062	Ps. (249,003)	Ps. 210,249
Liabilities:					
Current liabilities:					
Short-term bank loans and notes payable and current portion of non-current debt	Ps. 2,894	Ps. -	Ps. 987	Ps. -	Ps. 3,881
Suppliers	19	5,605	9,846	-	15,470
Other current liabilities	7,155	47,870	19,227	(63,123)	11,129
Total current liabilities	10,068	53,475	30,060	(63,123)	30,480
Non-current liabilities:					
Bank loans and notes payable	61,321	-	1,939	-	63,260
Other non-current liabilities	38	750	13,408	(6,422)	7,774
Total non-current liabilities	61,359	750	15,347	(6,422)	71,034
Total liabilities	71,427	54,225	45,407	(69,545)	101,514
Equity:					
Equity attributable to equity holders of the parent	104,749	91,789	87,669	(179,458)	104,749
Non-controlling interest in consolidated subsidiaries	-	-	3,986	-	3,986
Total equity	104,749	91,789	91,655	(179,458)	108,735
Total liabilities and equity	Ps. 176,176	Ps. 146,014	Ps. 137,062	Ps. (249,003)	Ps. 210,249

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed consolidating income statements: For the year ended December 31, 2016				
Total revenues	Ps. 1	Ps. 74,718	Ps. 114,767	Ps. (11,768)	Ps. 177,718
Cost of goods sold	-	36,595	63,011	(1,550)	98,056
Gross profit	1	38,123	51,756	(10,218)	79,662
Administrative expenses	185	5,344	6,741	(4,847)	7,423
Selling expenses	-	21,243	32,167	(5,371)	48,039
Other expenses (income), net	27	25	3,760	-	3,812
Interest expense, net	2,140	2,623	1,992	1	6,756
Foreign exchange loss (gain), net	3,112	(76)	(1,244)	-	1,792
Other financing expense (income), net	129	50	(2,647)	-	(2,468)
Income taxes	(1,222)	3,010	2,140	-	3,928
Share of the profit of subsidiaries, associates and joint ventures accounted for using the equity method, net of taxes	14,440	9,547	93	(23,933)	147
Consolidated net income	Ps. 10,070	Ps. 15,451	Ps. 8,940	Ps. (23,934)	Ps. 10,527
Attributable to:					
Equity holders of the parent	Ps. 10,070	Ps. 15,451	Ps. 8,483	Ps. (23,934)	Ps. 10,070
Non-controlling interest	-	-	457	-	457
Consolidated net income	Ps. 10,070	Ps. 15,451	Ps. 8,940	Ps. (23,934)	Ps. 10,527

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed consolidating income statements: For the year ended December 31, 2015				
Total revenues	Ps. 1	Ps. 66,740	Ps. 97,855	Ps. (12,236)	Ps. 152,360
Cost of goods sold	-	32,008	50,629	(2,307)	80,330
Gross profit	1	34,732	47,226	(9,929)	72,030
Administrative expenses	96	4,711	6,124	(4,526)	6,405
Selling expenses	-	19,853	27,429	(5,403)	41,879
Other (income) expenses, net	(12)	336	1,424	-	1,748
Interest expense, net	1,198	2,916	1,809	-	5,923
Foreign exchange loss (gain), net	2,597	305	(1,443)	-	1,459
Other financing (income) expense, net	(105)	(49)	45	-	(109)
Income taxes	(984)	2,035	3,500	-	4,551
Share of the profit of subsidiaries, associates and joint ventures accounted for using the equity method, net of taxes	13,024	3,977	150	(16,996)	155
Consolidated net income	Ps. 10,235	Ps. 8,602	Ps. 8,488	Ps. (16,996)	Ps. 10,329
Attributable to:					
Equity holders of the parent	Ps. 10,235	Ps. 8,602	Ps. 8,394	Ps. (16,996)	Ps. 10,235
Non-controlling interest	-	-	94	-	94
Consolidated net income	Ps. 10,235	Ps. 8,602	Ps. 8,488	Ps. (16,996)	Ps. 10,329

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed consolidating income statements: For the year ended December 31, 2014				
Total revenues	Ps. 1	Ps. 61,431	Ps. 103,506	Ps. (17,640)	Ps. 147,298
Cost of goods sold	-	29,790	52,170	(3,044)	78,916
Gross profit	1	31,641	51,336	(14,596)	68,382
Administrative expenses	178	4,255	6,374	(4,422)	6,385
Selling expenses	-	20,617	30,022	(10,174)	40,465
Other (income) expenses, net	18	(52)	192	-	158
Interest expense , net	748	3,021	1,398	-	5,167
Foreign exchange loss, net	1,718	(21)	(729)	-	968
Other financing (income) expense, net	(27)	(3)	317	-	287
Income taxes	(605)	1,069	3,397	-	3,861
Share of the profit of subsidiaries, associates and joint ventures accounted for using the equity method, net of taxes	12,571	6,209	(78)	(18,827)	(125)
Consolidated net income	Ps. 10,542	Ps. 8,964	Ps. 10,287	Ps. (18,827)	Ps. 10,966
Attributable to:					
Equity holders of the parent	Ps. 10,542	Ps. 8,964	Ps. 9,863	Ps. (18,827)	Ps. 10,542
Non-controlling interest	-	-	424	-	424
Consolidated net income	Ps. 10,542	Ps. 8,964	Ps. 10,287	Ps. (18,827)	Ps. 10,966

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
Condensed consolidating statements of comprehensive income For the year ended December 31, 2016					
Consolidated net income	Ps. 10,070	Ps. 15,451	Ps. 8,940	Ps. (23,934)	Ps. 10,527
Other comprehensive income, net of taxes:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Unrealized gain on available-for sale securities, net of taxes	-	-	-	-	-
Valuation of the effective portion of derivative financial instruments, net of taxes	664	371	(202)	(118)	715
Exchange differences on translation of foreign operations	14,207	(8,756)	15,871	(5,270)	16,052
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	14,871	(8,385)	15,669	(5,388)	16,767
Items not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of the net defined benefit liability, net of taxes	(123)	(117)	(144)	261	(123)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods:	(123)	(117)	(144)	261	(123)
Total comprehensive (loss) income, net of tax	14,748	(8,502)	15,525	(5,127)	16,644
Consolidated comprehensive income for the year, net of tax	Ps. 24,818	Ps. 6,949	Ps. 24,465	Ps. (29,061)	Ps. 27,171
Attributable to:					
Equity holders of the parent	Ps. 24,818	Ps. 6,949	Ps. 22,112	Ps. (29,061)	Ps. 24,818
Non-controlling interest	-	-	2,353	-	2,353
Consolidated comprehensive income for the year, net of tax	Ps. 24,818	Ps. 6,949	Ps. 24,465	Ps. (29,061)	Ps. 27,171

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed consolidating statements of comprehensive income For the year ended December 31, 2015				
Consolidated net income	Ps. 10,235	Ps. 8,602	Ps. 8,488	Ps. (16,996)	Ps. 10,329
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	,	-	-	-	-
Valuation of the effective portion of derivative financial instruments, net of taxes	(77)	304	4	(258)	(27)
Exchange differences on translation of foreign operations	(4,853)	4,585	(5,536)	397	(5,407)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	(4,930)	4,889	(5,532)	139	(5,434)
Items not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of the net defined benefit liability, net of taxes	132	21	117	(132)	138
Net other comprehensive income not being reclassified to profit or loss in subsequent periods:	132	21	117	(132)	138
Total comprehensive (loss) income, net of tax	(4,798)	(4,910)	(5,415)	7	(5,296)
Consolidated comprehensive income for the year, net of tax	Ps. 5,437	Ps. 13,512	Ps. 3,073	Ps. (16,989)	Ps. 5,033
Attributable to:					
Equity holders of the parent	Ps. 5,437	Ps. 13,512	Ps. 3,477	Ps. (16,989)	Ps. 5,437
Non-controlling interest	-	-	(404)	-	(404)
Consolidated comprehensive income for the year, net of tax	Ps. 5,437	Ps. 13,512	Ps. 3,073	Ps. (16,989)	Ps. (5,033)

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed consolidating statements of comprehensive income For the year ended December 31, 2014				
Consolidated net income	Ps. 10,542	Ps. 8,964	Ps. 10,287	Ps. (18,827)	Ps. 10,966
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	-	-	-	-	-
Valuation of the effective portion of derivative financial instruments, net of taxes	214	85	47	(131)	215
Exchange differences on translation of foreign operations	(11,992)	(9,922)	(2,072)	11,992	(11,994)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	(11,778)	(9,837)	(2,025)	11,861	(11,779)
Items not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of the net defined benefit liability, net of taxes	(192)	(101)	(108)	209	(192)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods:	(192)	(101)	(108)	209	(192)
Total comprehensive (loss) income, net of tax	(11,970)	(9,938)	(2,133)	12,070	(11,971)
Consolidated comprehensive income for the year, net of tax	Ps. (1,428)	Ps. (974)	Ps. 8,154	Ps. (6,757)	Ps. (1,005)
Attributable to:					
Equity holders of the parent	Ps. (1,428)	Ps. (974)	Ps. 7,777	Ps. (6,757)	Ps. (1,382)
Non-controlling interest	-	-	377	-	377
Consolidated comprehensive income for the year, net of tax	Ps. (1,428)	Ps. (974)	Ps. 8,154	Ps. (6,757)	Ps. (1,005)

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed Consolidated Statements of Cash Flows For the year ended December 31,2016				
Cash flows from operating activities:					
Income before income taxes	Ps. 8,848	Ps. 18,461	Ps. 11,080	Ps. (23,934)	Ps. 14,455
Non-cash items	(11,495)	(3,557)	8,429	23,934	17,311
Changes in working capital	(100)	(2,279)	3,059	-	680
Net cash flows (used in)/from operating activities	(2,747)	12,625	22,568	-	32,446
Investing activities:					
Payment related to acquisition of Vonpar	-	-	(13,198)	-	(13,198)
Interest received	1,711	671	3,504	(5,171)	715
Acquisition of long-lived assets, net	-	(3,810)	(6,174)	-	(9,984)
Acquisition of intangible assets and other investing activities	(12,079)	(6,577)	16,271	-	(2,385)
Investments in shares	(707)	(1,021)	6,834	(7,169)	(2,063)
Dividends received	5,868	1	-	(5,869)	-
Net cash flows (used in)/from investing activities	(5,207)	(10,736)	7,237	(18,209)	(26,915)
Financing activities:					
Proceeds from borrowings	4,236	-	4,026	-	8,262
Repayment of borrowings	(2,625)	-	(2,545)	-	(5,170)
Interest paid	(1,360)	(3,727)	(4,206)	5,171	(4,122)
Dividends paid	(6,944)	(5,868)	(70)	5,869	(7,013)
Increase in non-controlling interest	-	-	826	-	826
Other financing activities	3,024	8,005	(20,715)	7,169	(2,517)
Net cash flows (used in)/from financing activities	(3,669)	(1,590)	(22,684)	18,209	(9,734)
Net (decrease) increase in cash and cash equivalents	(11,623)	299	7,121	-	(4,203)
Initial balance of cash and cash equivalents	10,991	810	4,188	-	15,989
Effects of exchange rate changes and inflation effects on the balance sheet of cash held in foreign currencies	1,738	9	(3,057)	-	(1,310)
Ending balance of cash and cash equivalents	Ps. 1,106	Ps. 1,118	Ps. 8,252	Ps. -	Ps. 10,476

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed Consolidated Statements of Cash Flows For the year ended December 31,2015				
Cash flows from operating activities:					
Income before income taxes	Ps. 9,251	Ps. 10,637	Ps. 11,988	Ps. (16,996)	Ps. 14,880
Non-cash items	(11,920)	2,308	9,115	16,996	16,499
Changes in working capital	17	1,362	(9,556)	-	(8,177)
Net cash flows (used in)/from operating activities	(2,652)	14,307	11,547	-	23,202
Investing activities:					
Interest received	2,055	238	2,347	(4,226)	414
Acquisition of long-lived assets, net	-	(2,911)	(7,401)	-	(10,312)
Acquisition of intangible assets and other investing activities	65	(62)	(1,031)	-	(1,028)
Investments in shares	(10,929)	(9,352)	(5,681)	25,930	(32)
Dividends received	-	17	13	(17)	13
Net cash flows (used in)/from investing activities	(8,809)	(12,070)	(11,753)	21,687	(10,945)
Financing activities:					
Proceeds from borrowings	-	-	1,907	-	1,907
Repayment of borrowings	(7,681)	-	(1,250)	-	(8,931)
Interest paid	(609)	(3,491)	(3,694)	4,226	(3,568)
Dividends paid	(6,405)	-	(28)	17	(6,416)
Other financing activities	28,770	1,300	4,301	(25,930)	8,441
Net cash flows (used in)/from financing activities	14,075	(2,191)	1,236	(21,687)	(8,567)
Net (decrease) increase in cash and cash equivalents	2,614	46	1,030	-	3,690
Initial balance of cash and cash equivalents	7,282	755	4,921	-	12,958
Effects of exchange rate changes and inflation effects on the balance sheet of cash held in foreign currencies	1,095	9	(1,763)	-	(659)
Ending balance of cash and cash equivalents	Ps. 10,991	Ps. 810	Ps. 4,188	Ps. -	Ps. 15,989

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed Consolidated Statements of Cash Flows For the year ended December 31,2014				
Cash flows from operating activities:					
Income before income taxes	Ps. 9,937	Ps. 10,033	Ps. 13,684	Ps. (18,827)	Ps. 14,827
Non-cash items	(12,814)	(751)	6,016	21,819	14,270
Changes in working capital	232	2,952	(7,875)	-	(4,691)
Net cash flows (used in) / from operating activities	(2,645)	12,234	11,825	2,992	24,406
Investing activities:					
Interest received	2,499	463	1,743	(4,326)	379
Acquisition of long-lived assets, net	-	(2,499)	(8,216)	-	(10,715)
Acquisition of intangible assets and other investing activities	5,951	(1,951)	(19,715)	14,824	(891)
Investments in shares	(3)	(315)	260	-	(58)
Dividends received	59	451	142	(504)	148
Net cash flows (used in)/from investing activities	8,506	(3,851)	(25,786)	9,994	(11,137)
Financing activities:					
Proceeds from borrowings	61,752	-	(55,572)	-	6,180
Repayment of borrowings	(61,130)	-	54,876	-	(6,254)
Interest paid	(237)	(3,668)	(3,603)	4,326	(3,182)
Dividends paid	(6,011)	-	(523)	504	(6,030)
Other financing activities	834	(5,179)	1,299	982	(2,064)
Net cash flows (used in) / from financing activities	(4,792)	(8,847)	(3,523)	5,812	(11,350)
Net increase (decrease) in cash and cash equivalents	1,069	(464)	(17,484)	18,798	1,919
Initial balance of cash and cash equivalents	5,485	1,220	8,601	-	15,306
Effects of exchange rate changes and inflation effects on the balance sheet of cash held in foreign currencies	728	(1)	(4,994)	-	(4,267)
Ending balance of cash and cash equivalents	Ps. 7,282	Ps. 755	Ps. (13,877)	Ps. 18,798	Ps. 12,958

Note 28. Subsequent Events

On January 25, 2013, the Company closed the acquisition of 51% of CCFPI for an amount of $688.5 U.S. dollars (Ps. 8,904) in an all-cash transaction. As part of the agreement, on January 25, 2017 the veto right held by TCCC over certain operating decisions has expired and, as a result, Coca-Cola FEMSA obtained the control of CCFPI, because by contractual agreement joint approval over operating decisions is no longer required. Consequently the Company has obtained control without a transfer of consideration. As a result of the above, the company will consolidate in its financial statements the Philippine figures from February 2017.

CCFPI is a bottler of Coca-Cola trademark products which operates in Philippines. This acquisition was made to strengthen the Company's position in Asia. As mentioned in note 19.6 the Company has a Call Option related to the remaining 49% ownership interest in CCFPI which is maintained under the same conditions.

Since January 25, 2017, we control CCFPI as all decisions relating to the operation and management of CCFPI's business, including its annual normal operations plan, are approved by a majority of its board of directors without requiring the affirmative vote of any director appointed by The Coca-Cola Company. Commencing on February 1, 2017, we started consolidating CCFPI's financial results in our financial statements. Our results for the first quarter of 2017 and our future results in 2017 will reflect a reduction in our share of the profit of associates and joint ventures accounted for using the equity method as a result of this consolidation.

The Company estimate of fair value of CCFPI net assets acquired to the date of acquisition (February 2017) is as follows:

Total current assets	Ps.	9,372
Total non-current assets		18,371
Distribution rights		4,026
Total assets		31,769
Total liabilities		(9,814)
Net assets acquired		21,955
Acquisition date fair value of the equity interest in the acquire (in substitution to nil or zero consideration)		21,482
Non-controlling interest		(10,758)
Net assets acquired attributable to the parent company		11,197
Goodwill		-
Carrying value of CCFPI investment derecognized		11,460
Loss as a aresult of remeasuring to fair value the equity interest		263
Gain on derecognition of other comnprehensive income		2,783
Total gain on a bargain purchase	Ps.	2,520

During 2017, the accumulated effect corresponding to translation adjustments recorded in the other comprehensive income for an amount of Ps. 2,783 will be recognized in the income statement as a result of taking control over CCFPI.