our permanent quest

Coca-Cola FEMSA

ANNUAL
REPORT
2013

Throughout our company's 35-year history, we have embraced every opportunity to build a consumer-driven business that goes beyond the production, distribution, and sale of the world's most beloved brand. Our permanent quest begins with the continuing growth and development of our people. Together, their shared skills and capabilities are the most important ingredients in our company's success as a flexible, dynamic organization–relentlessly focused on excellence throughout our operations.


del Valle
FRUT
Santa Clara
Desde 1924
Lechita
SABOR HELADO DE CAPUCCINO
FUZE tea
té blanco con JUGO
MANDARINA

strategic framework

1

To maximize our operating potential

As the complexity and demands of our business grow, we are on a permanent quest to maximize our operations' capability to achieve the full potential of our business, successfully transform our industry's challenges into opportunities, serve our expanding base of consumers more efficiently and effectively, and prepare our company for the future.

4

For sustainable development

We embrace a holistic approach to sustainable development. Focused on three core areas—our people, our community, and our planet—our vision is to ensure the sustainability of our business by positively transforming our communities through the simultaneous creation of economic, social, and environmental value.

For innovation

Innovation is key to our strategic growth and development. Through our permanent quest for innovation, we ensure our ability to anticipate and satisfy consumers' evolving needs, adapt to ever-changing market dynamics, and capitalize on new business opportunities.

2

3

To capture market opportunities

Over the past several years, we have demonstrated our capacity to identify and embrace new ways of complementing our business' organic growth through our permanent quest to capture value-creating market opportunities—from accretive mergers and acquisitions to joint ventures.

Two decades of growth as a public company

OUR PERMANENT quest KOF 2013

1998

Installation of first four lines in the Toluca plant in Mexico

2003

Acquisition of Panamco extended KOF's geographic footprint to 9 countries in Latin America

2002

Launch of 2.5-liter returnable PET presentation for Coca-Cola in Mexico

2006

Expansion of our portfolio with the Hi-C brand in Central America

1994

Acquisition of a majority equity stake in the Buenos Aires operation

2000

Appointment of Carlos Salazar as CEO of Coca-Cola FEMSA

1993

Initial public offering of Coca-Cola FEMSA in the Mexican and U.S. stock markets

1997

Acquisition of the remaining equity stake of the Buenos Aires operation

KOF LISTED NYSE

1997

Introduction of handhelds and pre-sale in more than 90% of the routes in Mexico and Buenos Aires

2004

Construction of one of the largest PET recycling plants in the world in partnership with The Coca-Cola Company and ALPLA

2007

Launch of Coca-Cola Zero in Argentina, Mexico, and Brazil

2008

Acquisition of Jugos del Valle in partner-ship with The Coca-Cola Company

2008

Acquisition of Refrigerantes Minas Gerais in Brazil

2009

Acquisition of the Brisa water business in Colombia together with The Coca-Cola Company

2010

Acquisition of Matte Leão in partnership with The Coca-Cola Company

2011

Acquisition of Estrella Azul in Panama together with The Coca-Cola Company

2011

Inclusion of Coca-Cola FEMSA in the BMV Sustainability Index

FOQUE GRUPO FOMENTO QUERETANO

grupo cimsa

La Pureza

GRUPO TAMPICO

2011

Mergers of Grupo Tampico, Grupo CIMSA, and Grupo Fomento Queretano in Mexico

2012

Integration of Santa Clara in Mexico through Jugos del Valle

2012

Launch of FUZE tea across Latin America

2013

Acquisition of Fluminense and Spaipa franchises in Brazil

2013

Acquisition of 51% of Coca-Cola Bottlers Philippines, Inc.

2013

Merger of Grupo Yoli in Mexico

2014

Appointment of John Santa Maria as CEO of Coca-Cola FEMSA

Financial highlights

Millions of Mexican pesos and U.S. dollars as of December 31, 2013 (except volume and per share data)
Under International Financial Reporting Standards. Figures do not include results of Coca-Cola Bottlers Philippines, Inc.

	(U.S.$) 2013[1]	(Ps.) 2013	(Ps.) 2012	% change
Sales Volume (million unit cases)	3,204.6	3,204.6	3,046.2	5.2%
Total Revenues	11,911	156,011	147,739	5.6%
Income from Operations	1,638	21,450	21,956	-2.3%
Controlling Interest Net Income	882	11,543	13,333	-13.4%
Total Assets	16,542	216,665	166,103	30.4%
Long-Term Bank Loans and Notes Payable	4,342	56,875	24,775	129.6%
Controlling Interest	8,636	113,111	101,649	11.3%
Capital Expenditures	893	11,703	10,259	14.1%
Book Value per Share [2]	4.17	54.57	50.06	9.0%
Controlling Interest Earnings per Share [3]	0.43	5.61	6.62	-15.3%

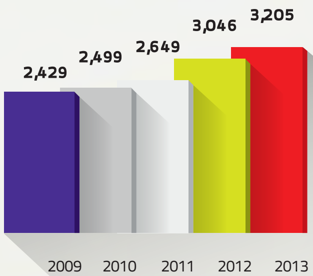
(1) U.S. dollar figures are converted from Mexican pesos using the exchange rate for Mexican pesos published by the U.S. Federal Reserve Board on December 31, 2013, which exchange rate was Ps. 13.0980 to U.S.$1.00.

(2) Based on 2,072.9 and 2,030.5 million outstanding ordinary shares in 2013 and 2012, respectively.

(3) Based on 2,056.0 and 2,015.2 million weighted average outstanding ordinary shares in 2013 and 2012, respectively.

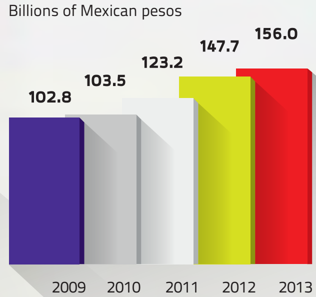
Sales Volume

Million unit cases



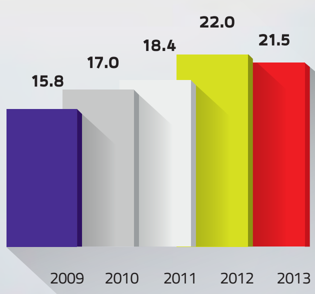
Total Revenues

Billions of Mexican pesos



Income from Operations

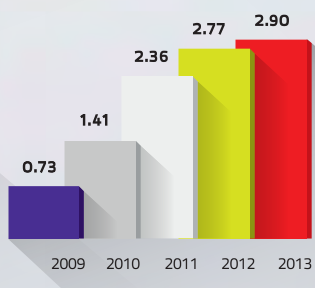
Billions of Mexican pesos



Income from operations for the years 2009 and 2010 presents figures under Mexican Financial Reporting Standards.

Dividend per Share

Mexican pesos



OUR PERMANENT quest KOF 2013

Dear shareholders

In the face of a tough consumer and volatile currency environment, we continued with our permanent quest to realize the full potential of our business, developed innovative ways to anticipate and satisfy our consumers' ever-changing needs, complemented our organic growth through value-creating mergers and acquisitions, and created economic, social, and environmental value for all of our stakeholders.

Despite a difficult operating landscape, our committed team of employees delivered mid-single-digit top-line growth. For 2013, our total sales volume grew 5.2% to approximately 3.2 billion unit cases. Our consolidated revenues rose 5.6% to Ps. 156.0 billion. Our consolidated operating income reached Ps. 21.5 billion, and our consolidated controlling interest net income reached Ps. 11.5 billion, resulting in earnings per share of Ps. 5.61.

Our Permanent Quest to Maximize Our Operating Potential

As the complexity of our business grows, we are on a permanent quest to maximize our operations' capacity to achieve the full potential of our business, while preparing our company for the future.

Aligned with our framework for growth, our Strategic Talent Management Model is designed to enable our company to reach its full potential by developing the capabilities for our employees and executives to take our organization to the next level. From individual development agendas, to training cells, to onsite and online courses, this holistic model works to build the skills necessary for our employees and executives to reach their maximum potential, while contributing to the achievement of our company's near- and long-term objectives.

We further continued to refine our value-driven commercial model across our markets to capture the full potential of the non-alcoholic beverage industry. Recognizing that coolers play an integral role in our clients' picture of success, we allocated eight cooler doors to approximately 3,500 large gold customers in Mexico to maximize the display of our wide variety of SKUs, contributing to an 8% jump in their sales of our beverages for the year. Moreover, in Brazil, we simplified the picture of success of our clients from more than 100 different execution options to 17, while strengthening our merchandizing capacity in the traditional sales channel, to significantly improve our point-of-sale execution.

Operationally, we remained at the forefront of technology. From high-speed tri-block bottling lines, to vertical warehouse automation, to tetra-cogeneration systems in our plants that generate electricity and heat to produce hot water, cold water, and carbon dioxide (CO_2), we advance our permanent quest to improve the efficiency, productivity, and sustainability of our production and distribution network—always staying a step ahead of the beverage industry.

Our Permanent Quest for Innovation

Through our permanent quest for innovation, we served the diverse, constantly evolving preferences and practices of our

+11,200
distribution routes in Latin America

Our Strategic Talent Management Model is designed to enable our company to reach its full potential by developing the capabilities for our employees and executives to take our organization to the next level.

José Antonio Fernández Carbajal
Chairman of the Board

John Santa Maria Otazua
Chief Executive Officer

Carlos Salazar Lomelín
Chief Executive Officer of FEMSA

To amplify our connection with our consumers, we rolled out our Magic Price Points strategy, satisfying our consumers' evolving needs with affordable, single-serve and returnable presentations throughout our markets.

more than 346 million consumers in 10 different countries each and every day.

In Argentina, we kicked off the global launch of Coca-Cola Life, a low-calorie alternative for one of the world's most beloved brands. Sweetened with natural ingredients, Coca-Cola Life offers consumers less than half the calories of regular Coke. Launched in multiple presentations, we not only achieved more than 80% point-of-sale coverage, but also gained market share, while revitalizing the Coca-Cola category among consumers.

We continued to quench health-conscious consumers' growing thirst for isotonic sports drinks with the innovative growth of Powerade. In Mexico, Powerade is now the leading isotonic brand in three of our five operating regions, achieving 46% market share overall at the end of the year. Thanks to our refreshing new formulas, flavors, and packages, coupled with our comprehensive market coverage, Powerade is rapidly becoming the sports drink of choice among young people across our franchises—bolstering the brand's growth in Latin America by 19% in 2013.

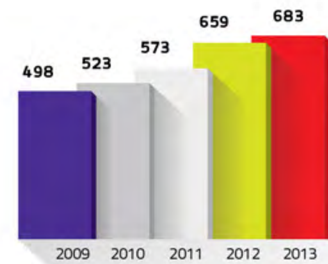
To amplify our connection with consumers, we rolled out our Magic Price Points strategy, offering affordable single-serve presentations throughout our markets. For example, in Brazil, we launched our 200-milliliter presentation at R$1.0; we launched our 300-milliliter presentation at R$2.0; we reinforced the coverage of our 12-ounce cans at R$3.0; and we expanded the coverage of our 600-milliliter presentation at R$4.0. Through this comprehensive initiative, we provide the right portfolio at the magic price for our consumers.

We also continued to proactively satisfy our consumers' evolving needs with a growing array of affordable, returnable packaging alternatives. In the Valley of Mexico, we launched our innovative 3-liter returnable multi-serve PET presentation for brand Coca-Cola and our 2.5-liter returnable multi-serve PET presentation for Sidral Mundet. We continued the rollout of our convenient 500-milliliter returnable glass presentation for brand Coca-Cola in Mexico's home market. We also expanded the coverage of our 1.25-liter returnable multi-serve glass presentation for brand Coca-Cola across our new and existing Mexican territories. Our growing mix of returnable presentations enables us to offer the right package at the right price for every consumer.

Furthermore, we kept on expanding and adapting our innovative Blak coffee category and vending machine channel to serve a broader variety of clients more productively and profitably.

Volume of Returnable Presentations

Million unit cases



Our Permanent Quest to Capture Market Opportunities

We continued our permanent quest to capture value-creating market opportunities—from accretive mergers and acquisitions to joint ventures. In 2013, we marked our seventh transaction in the Coca-Cola bottling space over the past three years, representing an aggregate value of US$6.5 billion and incremental volumes of 1.4 billion unit cases of beverages for our company.

Our proven training cells system is enabling us to lay the foundation for an ambitious new strategic framework for our operations in the Philippines. Thus far, we have implemented more than 120 training cells to develop our talented team of local professionals' skills in such core capabilities as route to market, portfolio management, and supply chain operations, as well as such functional capabilities as finance, including procurement and planning, and human resources, including talent management, organizational effectiveness, labor relations, and corporate affairs.

Among our strategic initiatives in the Philippines, we streamlined the complex portfolio, focusing on the fastest moving SKUs. We launched "Mismo," our groundbreaking 300-milliliter single-serve one-way PET presentation of brand Coca-Cola at 10 Philippine pesos—capturing untapped market potential. We also launched our refreshing new Minute Maid Fresh orangeade in an affordable 250-milliliter single-serve presentation, appealing to Filipinos' palates and pockets. We further commenced the rollout of a new route to market to regain direct contact with our customers in the traditional sales channel. Additionally, we optimized our production and distribution network, modernizing our capacity to introduce new products and presentations.

We further completed two important acquisitions that consolidate our company's leadership position in Brazil—one of the top five markets in terms of volume for The Coca-Cola Company worldwide. These transactions not only underscore the long-term strategic importance of the Brazilian market for Coca-Cola FEMSA, but also confirm our conviction in the country's attractive domestic consumption prospects and socioeconomic dynamics.

In August and October, we closed the acquisitions of Companhia Fluminense and Spaipa, two key bottling franchises that fit perfectly with our existing operations. Serving 5 million consumers across parts of the states of Minas Gerais, Rio de Janeiro, and São Paulo, Companhia Fluminense provides an optimal link between our São Paulo and Minas Gerais territories. Serving close to 17

+346 million consumers across our territories

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with **RobecoSAM**

We conduct and promote a variety of health and physical activity programs throughout our communities, helping people achieve active and healthy lifestyles, including good nutrition, hydration, and regular physical activity.

million consumers across the states of Paraná and São Paulo, Spaipa offers an ideal fit with our operations in the states of Mato Grosso do Sul and São Paulo. Their strategically important contiguous geographic footprint will enable us to smoothly consolidate and optimize our production and distribution system, multiply strategic alliances with customers and suppliers, capture anticipated synergies of approximately US$52 million, and generate even more value from our combined scale.

Thanks to these transactions, we warmly welcome more than 8,000 members to our combined family of over 21,000 employees in Brazil. Together, these transactions increase our volume in Brazil by 55%, reaching 39% of the Coca-Cola system's volume in the country. They also enable us to increase the number of consumers we serve in Brazil by 44% to 72 million—more than the number of consumers that we serve in Mexico.

Furthermore, during the year we completed our fourth merger in Mexico since 2011 through the integration of Grupo Yoli, one of the oldest Coca-Cola bottling franchises in Mexico. We are confident that the geographic proximity of our territories will enable us to generate even greater value for our stakeholders.

Our Permanent Quest for Sustainable Development

We embrace sustainability as an integral part of our business' strategy and day-to-day decision-making. Built on our value-based work ethic, our vision is to ensure the sustainability of our business by positively transforming our communities through the simultaneous creation of economic, social, and environmental value.

We are committed to helping people achieve active and healthy lifestyles, including good nutrition, hydration, and regular physical activity. To this end, we conduct and promote a variety of health and physical activity programs throughout our communities. Overall, more than 395,000 people benefited from these programs during 2013.

Together with the Latin American Water Funds Partnership, we established water funds to preserve key watersheds that filter and regulate the water supply of some of the most important cities in the region. In 2013, we initiated three water funds to protect the watersheds that benefit the more than 5.5 million inhabitants of the cities of Panama and Colón in Panama, Valle de Aburrá, Colombia, and Mérida, Venezuela.

For the third consecutive year, the Mexican Stock Exchange chose our company to participate in its Sustainability Index. We were among an exclusive group of 28 companies who continued to meet the Index's international standards for environmental and social responsibility.

We were further honored by our company's selection as one of only 81 companies to comprise the new Dow Jones Sustainability Emerging

Markets Index, as well as one of only four Mexico-based companies and the only Mexico-based beverage company singled out for the Index. Along with our participation in the Mexican Sustainability Index, this recognition by Dow Jones is a testament to our team's dedication to drive a sustainable business in the communities we serve.

On behalf of every employee who proudly and passionately works for our company daily, we would like to thank you for your continued confidence and support. o

José Antonio Fernández Carbajal
Chairman of the Board

John Santa Maria Otazua
Chief Executive Officer

+120 thousand employees in our 10 operations

Management Transition

As Chairman of the Board, I am pleased to report that, effective January 1, 2014, the Board of Directors of FEMSA appointed Carlos Salazar Lomelín as Chief Executive Officer, replacing myself, who was ratified as FEMSA's Executive Chairman of the Board of Directors. Concurrently, the Board of Directors of Coca-Cola FEMSA appointed John Santa Maria Otazua as Chief Executive Officer, succeeding Carlos Salazar.

Over the past 14 years, I have enjoyed the privilege of serving together with Carlos Salazar in his role as Chief Executive Officer of Coca-Cola FEMSA. Working together with a talented team of professionals, we expanded Coca-Cola FEMSA's operations from Mexico and Argentina to 10 different countries in Latin America and Southeast Asia. We transformed the company into a leading multi-category player in Latin America and the largest public bottler of Coca-Cola products in the world. We further reinforced the company's commitment to high standards of corporate governance, while ensuring the continuity of the company's successful business strategy.

I now welcome John Santa Maria in his new role as Chief Executive Officer of Coca-Cola FEMSA. In his various roles within the company during the past 18 years, John has proven a visionary leader with great management and people skills. Among his important operational and strategic positions within the company, John has served as Chief Operating Officer of the company's South America Division, Chief Operating Officer of the company's Mexico Division, and Strategic Planning and Commercial Director for the company. Indeed, John's appointment exemplifies the company's continuous generation of opportunities for talent development at all levels of the organization. I am confident that his vision and drive will translate into sustainable value creation for our stakeholders.

José Antonio Fernández Carbajal
Chairman of the Board

1 To maximize our operating potential


del Valle
FRUT


MANTENTE
EN LA LÍNEA
DEL
sabor
sin calorías
fresca
zero
Fanta
zero

To build our bench strength, we formulate individual development agendas for our directors and managers to maximize their abilities to take on new challenges and opportunities.

As the complexity and demands of our business grow, we are on a permanent quest to maximize our operations' capability to achieve the full potential of our business, successfully transform our industry's challenges into opportunities, serve our expanding base of consumers more efficiently and effectively, and prepare our company for the future.

Aligned with our framework for growth, our Strategic Talent Management Model is designed to enable our company to reach its full potential by developing the capabilities for our employees and executives to take our organization to the next level. To build our bench strength, we formulate individual development agendas for our directors and managers to maximize their abilities to take on new challenges and opportunities. These personalized agendas include a critical mix of real-life experience, coaching and mentoring, as well as formal education. Moreover, we nurture tomorrow's leaders today through our international trainee program. This program begins building our bench by offering high potential individuals on-the-job training in multiple functions—from manufacturing to marketing. In 2013 alone, we received over 17,000 applications for 40 openings.

In 2013, we consolidated our value-driven commercial model across our markets to capture the full potential of the non-alcoholic beverage industry. During the year, we reinforced our *Gestión de Valor del Cliente* (GVC or Client Value Management) commercial model in all of our existing franchise territories, while introducing it to our newly merged and acquired franchises in Brazil and

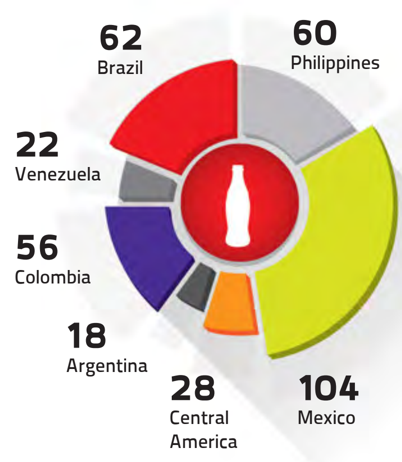
Mexico, along with a more basic approach in the Philippines. This model segments our customers in the traditional sales channel into four distinct clusters—diamond, gold, silver, and bronze—based on their industry value potential. This tool enhances our capability to allocate resources more efficiently and effectively, capture additional industry revenues, improve customers' performance in the traditional sales channel, and continue building future organic growth.

Amplifying our GVC model, we continued to aggressively increase our cooler coverage—a distinct competitive advantage—across our franchise territories. In 2013, after reinforcing our cooler base, particularly in Venezuela, Colombia, Mexico, and Brazil, we reached a record number of more than 1.6 million coolers throughout our operations. Coolers are an integral part of our clients' picture of success, attracting more in-store traffic and playing an important role in our consumers' decision-making process. The number of cooler doors allocated to each customer segment offers significant potential to generate value at the point of sale. For example, in Mexico, approximately 3,500 large gold clients now enjoy eight cooler doors to maximize the display of our wide variety of SKUs, contributing to an 8% jump in their sales of our beverages for the year. Consequently, our coolers act as both an investment in and an incentive for our clients.

Our operations remain at the forefront of technology. Following our prior success, we are installing a third high-speed tri-block bottling line at our Toluca mega-plant in Mexico.

Production Lines

Units



+1.6

million coolers across our territories

It is only through our company's experienced, knowledgeable manufacturing teams that we are able to run the tri-block bottling lines at as much as 90% efficiency.

Unlike conventional bottling lines—where the blower, labeler, and filler processes are connected by conveyors, requiring extra time and effort to feed material from one operation to the other—this new tri-block technology combines all three processes in one interconnected high-speed line or block with a maximum capacity of 44,000 bottles per hour. However, technology by itself cannot yield high efficiency rates. It is only through our company's experienced, knowledgeable manufacturing teams that we are able to run these lines at as much as 90% efficiency. This powerful combination of technology and know-how enables us to reinforce our company's position as one of the most efficient and productive manufacturers across the entire Coca-Cola bottling system. Beyond our Toluca plant, we plan to install this cutting-edge technology in other bottling facilities, including three lines in the Philippines that will produce up to 81,000 bottles per hour.

We are also expanding the vertical warehouse automation system concept—already installed in our Jundiaí and Toluca facilities—to the new distribution centers that we built in Tuxpan, Mexico, and Campinhas, Brazil. Instead of traditional forklifts, which stack pallets up to three levels, the vertical warehouse automation system allows us to use laser-guided vehicles that stack pallets significantly higher. Planning for future expansion, these facilities' new height and floor specifications will enable us to install the system to stack pallets up to seven levels high, gaining greater inventory capacity in the same area, while deferring the need to construct new facilities as our plants' productivity ratios and markets grow. Hence, the specifications for every new distribution center we build provide for future vertical warehouse automation.

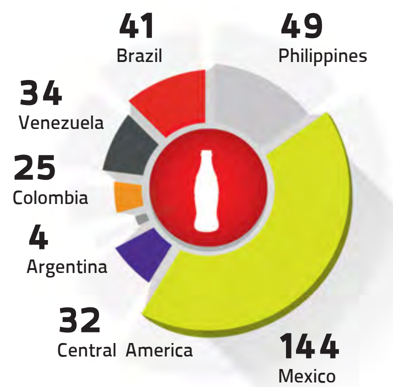
The productivity and efficiency of our distribution centers is further improved through our voice picking and warehouse management systems. Our warehouse management system enables us to improve the efficiency of our facilities, assure the freshness of products sent to the marketplace, and reduce inventories required to fulfill sales. Already implemented in our six biggest distribution centers in Mexico, as well as our plants' warehouses in Jundiaí and Toluca, among others, we plan to roll out our warehouse management system in every distribution center with more than 100 routes in the near future.

Additionally, we are building new state-of-the-art bottling

plants in Tocancipá, Colombia, and Itabirito, Brazil. With annual capacities of 170 million unit cases and 200 million unit cases, respectively, both facilities incorporate sustainability in all of their construction and operational stages. Built to LEED certification standards, both plants will employ tetra-cogeneration systems, which use up to 30% less energy to simultaneously generate electricity and heat to produce hot water, cold water, and carbon dioxide. Ultimately, these plants will offer additional space for future expansion.

Distribution Centers

Units



~2.9
million clients served at least once a week

2 For innovation


del Valle
FRESH
CON VITAMINAS A y B1
BEBIDA CON JUGO DE
MANZANA
400 ml


Coca-Cola life
DESTAPÁ TU NATURALEZA
ENDULZADA NATURALMENTE* DELICIOSA Y BAJAS CALORÍAS


economia
todos os dias

In Argentina, we kicked off the global launch of Coca-Cola Life, a low-calorie alternative for the world's most beloved brand. We launched multiple presentations, achieving high point-of-sale coverage and gaining share, while revitalizing the Coca-Cola category.

2

Innovation is key to our strategic growth and development. Through our permanent quest for innovation, we ensure our ability to anticipate and satisfy consumers' evolving needs, adapt to ever-changing market dynamics, and capitalize on new business opportunities.

In Argentina, we kicked off the global launch of Coca-Cola Life, a low-calorie alternative for one of the world's most beloved brands. Sweetened with natural ingredients, Coca-Cola Life offers consumers less than half the calories of regular Coke. Launched in multiple presentations, we not only achieved more than 80% point-of-sale coverage, but also gained share, while revitalizing the Coca-Cola category among consumers. In Argentina, we additionally introduced FUZE tea, a fusion of tea with natural fruit flavors. Through this launch, we opened an entirely new beverage segment, capturing share from the country's existing flavored water category in only a matter of months.

We continue to satisfy health conscious consumers' growing demand for isotonic sports drinks with the innovative growth of Powerade. Our hot fill formula heats Powerade almost to the point of pasteurization, eliminating preservatives and achieving a better tasting product. In Mexico, Powerade is now the leading isotonic brand in three of our five operating regions, achieving 46% market share in our overall Mexican franchise by the end of 2013. Building on the brand's popularity in Venezuela, we launched Powerade ION4, specially designed to help replenish fluids and minerals lost during exercise. Powerade is rapidly be-

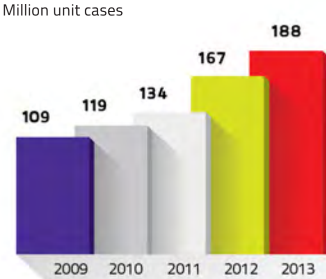
coming the sports drink of choice among young people—bolstering the brand's growth by 21% in Venezuela.

We are also fulfilling consumers' growing desire for natural, juice-based beverages through the expansion of our popular del Valle Fresh brand. In Venezuela, we capitalized on the success of del Valle Fresh orange and tangerine with the launch of passion fruit in August. Moreover, in Colombia, we extended our existing portfolio of del Valle Fresh orange, tangerine, and lemon through the launch of apple in November. With the contribution of these new flavors, del Valle Fresh accounted for 20% of our incremental volume in both Venezuela and Colombia for the year.

We further continue to proactively address our consumers' evolving needs with a growing array of affordable, returnable packaging alternatives. In Brazil, we reinforced the coverage of our 2-liter multi-serve returnable PET presentation for brand Coca-Cola, enabling consumers to share the magic of Coke at home. In the Valley of Mexico, we launched our 3-liter multi-serve returnable PET presentation for brand Coca-Cola, providing an attractive value proposition for our consumers to enjoy. In the Valley of Mexico, we launched our 2.5-liter multi-serve returnable PET presentation for Sidral Mundet, expanding the opportunity to share this popular local brand. In Colombia, we reinforced the coverage of our 1.25-liter multi-serve returnable glass presentation for at home consumption of brand Coca-Cola, Sprite, and Quatro. In Mexico, we reinforced the coverage of our convenient 500-milliliter returnable glass presentation for brand

Still Beverages

Million unit cases



+19%
organic growth of Powerade in 2013

We continue to adapt our innovative Blak coffee platform to better serve a growing array of clients more profitably, with approximately 16,000 machines in Mexico, Brazil, Colombia, and Costa Rica.

Coca-Cola, fostering consumption at the point of sale or at home. In Mexico, we also expanded the coverage of our 1.25-liter multi-serve returnable glass presentation for brand Coca-Cola, catering to families in our new and existing franchise territories. Through our expanding portfolio of returnable presentations, we look to provide the right package at the right price for every consumer.

To intensify our connection with consumers, especially in tough macroeconomic environments, we rolled out our Magic Price Points strategy for our single-serve presentations across our franchise territories. Specifically, for brand Coca-Cola in Brazil, we launched a convenient, entry-level 200-milliliter presentation at R$1.0 for on-the-go consumption, generating incremental growth for our company. To capture the on-premise, mealtime consumption occasion, we introduced a convenient, entry-level 300-milliliter presentation at R$2.0 with encouraging initial results. We reinforced the coverage of our 12-ounce cans at R$3.0 in multi-packs for frequent consumption. We also reinforced the up-size, on-premise consumption occasion through our 600-milliliter presentation at R$4.0. Thanks to such initiatives, we navigated a difficult market landscape with the right portfolio at the magic price for our consumers.

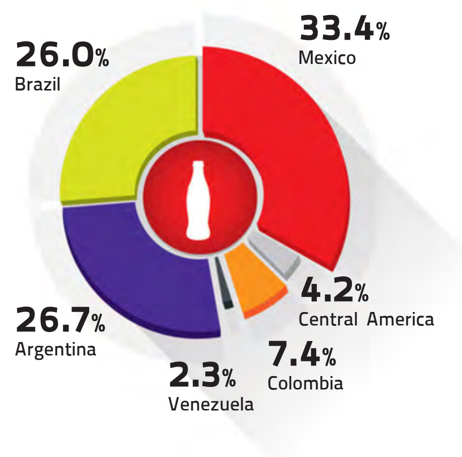
We continue to adapt our innovative Blak coffee platform to better serve a growing array of clients more profitably. With approximately 16,000 machines in Mexico, Brazil, Colombia, and Costa Rica, we tailor our coffee flavors to suit the distinctive tastes of each country. We

also create in-house flavors for every season and consumption occasion. We are further leveraging our market intelligence to extend Blak beyond traditional retailers to new under-served, higher productivity clients—from companies to professionals who view Blak as a complementary service to their employees and clients. As we learn more, we will continue to open new doors for our company through this versatile growth platform.

Furthermore, we are expanding our vending machine business, productively and profitably. After a promising pilot in Mexico, we are increasing our popular mix of beverages and snacks at a growing number of high-traffic locations. Approximately 10% of our 14,500 machines in Mexico now carry both beverages and snacks—underscoring the considerable upside potential of this new line of business. In São Paulo, Brazil, we are installing our beverage machines in high-transit zones along bustling commercial streets to attract thirsty passersby. This initiative is a win-win proposition for storeowners, who not only satisfy their customers' thirst, but also attract more shoppers to their premises. Given vending machines growing appeal, this innovative business offers bright new opportunities for growth.

Low-Calorie Sparkling Beverages

As % of consolidated volume of this category



+10%
organic growth in orangeades in 2013

3 To capture market opportunities


BRASIL
Cola
COPA DO MUN


COPA DO MUNDO DA FIFA 2014™
BRASIL
Coca-Cola


Coca-Cola
swak sa presyo at sarap
Sprite
Royal
Sparkle
Coca-Cola
₱7*
₱7*
₱10*

In 2013, we marked our seventh transaction in the Coca-Cola bottling space over the past three years, representing an aggregate value of US$6.5 billion and an addition of close to 1.4 billion unit cases.

3

Over the past several years, we have demonstrated our capacity to identify and embrace new ways of complementing our business' organic growth through our permanent quest to capture value-creating market opportunities—from accretive mergers and acquisitions to joint ventures.

As previously reported, in January of 2013, we closed the acquisition of 51% of Coca-Cola Bottlers Philippines, Inc., The Coca-Cola Company's bottling operations in the Philippines. This transaction marks an important strategic expansion of our company's bottling footprint beyond Latin America—reinforcing our position in fast growing economies and our commitment to the Coca-Cola system. With one of the highest per capita consumption rates of Coca-Cola products in the region, the Philippines presents significant opportunities for further growth.

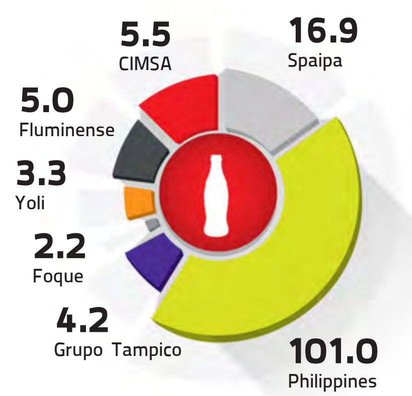
To this end, we are working closely with our partner, The Coca-Cola Company, along with a talented team of local professionals, on the pillars of an ambitious new strategic framework for this business: portfolio, route to market, and supply chain. To lay the foundation for these pillars, we implemented more than 120 training cells to develop the core and functional capabilities of our executives in the Philippines. Through these cells, experts from our Latin American operations provide training to their counterparts in their particular fields of specialization. Executives who receive training return to the Philippines and instruct others in these skills. Ultimately, we expect to benefit more than 20,000 employees in the Philippines.

Among our strategic initiatives, we streamlined the complex portfolio of predominantly returnable glass bottles, delisting approximately 20% of our SKUs, while focusing on the fastest moving SKUs. To balance our portfolio with a broader mix of PET presentations, we launched "Mismo," an exceptionally popular 300-milliliter single-serve one-way PET presentation for on-the-go consumption of brand Coca-Cola at 10 Philippine pesos—capturing untapped potential across the greater Manila metropolitan area. Moreover, we successfully relaunched "Kasalo," a 750-milliliter multi-serve returnable glass presentation for shared consumption of brand Coca-Cola, Sprite, and Royal. We also launched our refreshing new Minute Maid Fresh orangeade in an affordable 250-milliliter single-serve presentation that appeals to Filipino consumers' palates and pockets.

We further commenced the rollout of a new route to market in order to regain direct contact with our customers in the traditional sales channel. During the rollout, our steep learning curve accelerated the pace at which we converted previously identified commercial regions, successfully implementing a pre-sale platform across the greater Manila metropolitan area. This better positions us to implement new commercial initiatives, improve our execution at the point of sale, and guide the evolution of our business model in the market. Additionally, we optimized our production and distribution network, modernizing our capacity to introduce new products and presentations. Through this strategy, we are firmly on the path to long-term profitability.

New Consumers from Mergers & Acquisitions since 2011

Million



+120
training cells implemented in the Philippines

As with every acquisition, we know that the integration of talent and the cross-fertilization of best practices are key ingredients to success.

We continue to focus on the opportunities that the Latin American Coca-Cola bottling system presents. With this in mind, we completed important acquisitions that consolidate our company's leadership position in Brazil—one of the top five markets in terms of volume for The Coca-Cola Company worldwide. These transactions not only highlight the long-term strategic importance of the Brazilian market for Coca-Cola FEMSA, but also confirm our conviction in the country's attractive domestic consumption prospects and socioeconomic dynamics.

First, we closed the acquisition of 100% of Companhia Fluminense in August. This franchise serves 5 million consumers across parts of the states of Minas Gerais, Rio de Janeiro, and São Paulo. It provides a perfect geographic link between our São Paulo and Minas Gerais territories, creating opportunities to multiply strategic alliances with customers and suppliers, generate even more value from our combined scale, and capture synergies of approximately US$19 million in the next 24 months.

Second, in October, we closed the acquisition of 100% of Spaipa, the second largest privately owned bottler in the Brazilian Coca-Cola system. Of great strategic importance, this franchise serves close to 17 million consumers across the states of Paraná and São Paulo. It offers an ideal geographic fit with our operations in the states of Mato Grosso do Sul and São Paulo, facilitating a smooth integration and the generation of potential synergies of approximately US$33 million by the end of 2015.

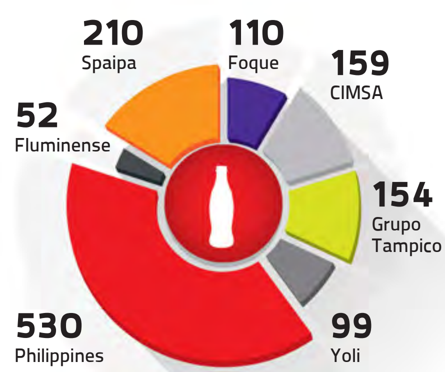
3

As with every acquisition, we know that the integration of talent and the cross-fertilization of best practices are key ingredients to success. This was no different with these franchises, as many of their talented executives now occupy important positions in Coca-Cola FEMSA's operations. Moreover, in terms of best practices, Companhia Fluminense enjoys award-winning execution in the modern trade channel, while Spaipa's disciplined, young professionals provide exemplary indirect distribution to their bronze clients in the traditional sales channel. Clearly, their combined expertise will help us to reach our customers and consumers more efficiently and effectively with our multi-category portfolio of products.

Furthermore, we completed the merger of Grupo Yoli, one of the oldest Coca-Cola bottling franchises in Mexico. With this transaction, we close the last of our four recent mergers in the country. Our combined scale enables us to strengthen our position in our home market, capitalize on the geographic proximity of our contiguous territories, achieve synergies of close to Ps. 1.1 billion, and generate even greater value for our stakeholders.

Volume from Mergers & Acquisitions since 2011

Million unit cases excluding beer



+40%
of the Latin American population served by Coca-Cola FEMSA

4 For sustainable development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Aprovecha este espacio de lectura y danos tus opiniones y recomendaciones.

comunicacion@kof.com.mx

+juntos 10

Coca-Cola FEMSA
MÉXICO Y CENTROAMÉRICA

BOLETÍN DE COCA-COLA FEMSA | DIVISIÓN MÉXICO Y CENTROAMÉRICA   OCTUBRE | 2013

META: REGRESAR A LA NATURALEZA LA MISMA CANTIDAD DE AGUA QUE UTILIZAMOS PARA LA ELABORACIÓN DE BEBIDAS.

MANEJO SUSTENTABLE DEL AGUA

Durante el 2012, actualizamos nuestra Estrategia de Sostenibilidad a largo plazo, con la finalidad de adaptarnos mejor a un entorno en constante cambio y enfrentar de mejor manera los retos propios de nuestra operación.

La nueva estrategia está compuesta por tres ejes rectores y nueve áreas de acción, que nos permiten enfocar los esfuerzos y asegurar el logro de nuestros objetivos.

Uno de los ejes es el de Nuestro Planeta, orientado a impulsar la protección y el uso eficiente de los recursos naturales.

Cuenta con tres focos de acción: Agua, Energía, Residuos y Reciclaje. En esta edición profundizaremos en el tema del agua.

En Coca-Cola FEMSA estamos comprometidos con el cuidado de este recurso. A través de distintos programas e iniciativas que fomentan la participación comunitaria y la creación de conciencia ambiental, hemos logrado hacer más eficiente su uso en nuestras operaciones y generar un impacto positivo en nuestro entorno.

Como parte de un esfuerzo global a nivel Sistema, tenemos como meta regresar a la naturaleza la misma cantidad de agua que utilizamos para la elaboración de nuestras bebidas.

Para el 2015, nuestro objetivo es mejorar en un 20% la eficiencia en el uso de este recurso vs. el 2004.

A total KOF, para el cierre de 2012, nuestro desempeño ha superado estas expectativas: el consumo promedio de agua por cada litro de bebida producida fue 22% más eficiente que nuestro promedio del 2004.

1.81	1.78	1.76	1.71	1.64
2008	2009	2010	2011	2012

TRANSFORMAR POSITIVAMENTE NUESTRAS COMUNIDADES

NUESTRA COMUNIDAD

NUESTRA GENTE

NUESTRO PLANETA

NUESTRA ÉTICA Y VALORES

In addition to participating in the Mexican Stock Exchange Sustainability Index for the third consecutive year, Coca-Cola FEMSA was one of only 81 companies selected to comprise the Dow Jones Sustainability Emerging Markets Index.

We embrace a holistic approach to sustainable development. Focused on three core areas—our people, our community, and our planet—our vision is to ensure the sustainability of our business by positively transforming our communities through the simultaneous creation of economic, social, and environmental value.

Underscoring our commitment to sustainability, Coca-Cola FEMSA was one of only 81 companies selected to comprise the Dow Jones Sustainability Emerging Markets Index. In addition, the Mexican Stock Exchange chose our company to participate in its Sustainability Index for the third consecutive year.

We know that sustainable development begins with us. Hence, we are committed to offering our more than 120,000 employees the best place to work, founded on respect for human rights. We also foster the professional growth and development of our employees and executives through our Strategic Talent Management Model. Aligned with our business' key initiatives, this model works to develop the capabilities necessary for our employees and executives to reach their maximum potential, while contributing to the achievement of our company's near- and long-term objectives.

Beyond the workplace, we are devoted to the positive transformation of the communities in which we do business. To this end, we are committed to helping people achieve healthy and active lifestyles, including good nutrition habits, hydration, and regular physical activity. Among our initiatives, we conduct and promote a variety of health and physical

activity programs among children and young people. For example, in Mexico, we work together with The Coca-Cola Company to encourage a lifetime love of sports and physical fitness through such nationwide programs as the Coca-Cola Cup for soccer, the Powerade 10K and 5K Races, and the Interscholastic Dance Competition. Overall, more than 395,000 people benefited from our company's health and physical activity programs during 2013.

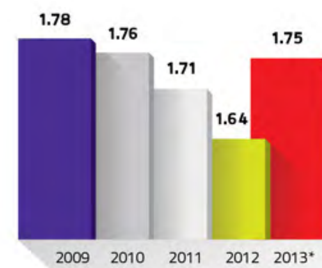
At Coca-Cola FEMSA, we are further dedicated to improving the environmental impact of our operations. Specifically, we are focused on three areas: water, energy, and waste and recycling.

We join our partner, The Coca-Cola Company, in the global goal to return to nature the same amount of water we use to produce our beverages, and guarantee a more efficient use of water across our entire value chain. Despite our integration of new franchises in Mexico, Brazil, and the Philippines, in 2013, our average consumption of water was 1.75 liters of water per liter of beverage produced, a 17% improvement from our baseline year of 2004. Moreover, we maintained our water consumption ratio when compared to 2010, a year in which none of these new territories were part of our organization.

Together with the Latin American Water Funds Partnership, we work to establish water funds to preserve key watersheds that filter and regulate the water supply of some of the most important cities in the region. In 2013, we initiated three water funds to protect the watersheds that benefit the more than 5.5 million inhabitants of

Water Efficiency

Liters of water / liter of beverage



* First year in which recently integrated franchises are considered for this ratio

+395

thousand people benefited from our company's physical activity programs

¡Yo sí reciclo!

At only 11.2 grams, our Ciel water bottle is 28% lighter, emitting less CO_2 and reinforcing its position as the lightest water bottle in the Coca-Cola system.

the cities of Panama and Colón in Panama, Valle de Aburrá, Colombia, and Mérida, Venezuela. Through these funds, we not only conserve invaluable water resources, but also put these communities on the path to sustainable water use for future generations.

Consistent with our commitment to grow our business without increasing our carbon footprint, our objective is to decrease the amount of carbon dioxide (CO_2) that we emit, as measured in grams per liter of beverage produced. From 2010 to 2013, we reduced the grams of CO_2 emitted per liter of beverage produced by 7.4%. Moreover, we lowered our bottling facilities' consumption of electricity by 20.0% compared with 2004, achieving an average of 4.03 liters of beverage produced per megajoule of energy consumed.

Additionally, we employ the most efficient coolers in their category. They deliver better performance throughout their life cycle, reducing their energy consumption by 80% compared with 2001. Among their characteristics, our coolers utilize intelligent feature control, electronic motors, low-maintenance condensers, high-efficiency doors, LED lighting, cyclopentane insulating foam, and plastic frontal grills—ensuring greater resilience and durability.

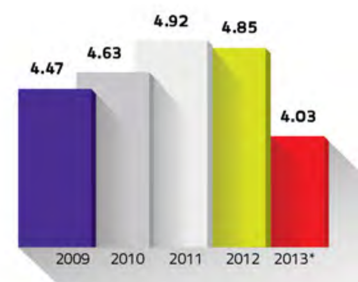
Furthermore, we invest in technologies that enable us to produce increasingly environmentally friendly packaging. Over the past four years, we increased the amount of recycled and renewable material used in the production of our PET bottles from 4.3% to 5.5%—a total of more than 14,600 tons. Made with just 11.2 grams of PET, our innovative 600-milliliter bottle

for Ciel water reduced its use of virgin resin by 28%, emitting less CO_2 during its production and reinforcing its position as the lightest water bottle in the Coca-Cola system.

In addition, we foster a culture of recycling in the communities in which we do business. For example, in 2013, more than 9,500 volunteers from nine different countries participated in our International Coastal Cleanup. Thanks to this program, we collected more than 86 tons of trash along beaches, shorelines, and waterways.

Energy Efficiency

Liters of beverage produced / megajoule



* First year in which recently integrated franchises are considered for this ratio

14,600

tons of recycled material in our bottles

Balanced geographic footprint

	Population Served [millions]	Total Beverage per Capita Consumption [8 oz. presentations]	Points of Sale	Plants	Distribution Centers
Mexico	67.6	654	883,692	18	144
Central America	20.7	181	109,830	5	32
Colombia	43.9	151	401,500	6	25
Venezuela	28.9	185	183,879	4	34
Brazil	72.1	253	292,949	9	41
Argentina	11.9	457	75,506	2	4
Philippines	101.0	122	925,000	20	49
Total	**346.1**	**277**	**2,872,356**	**64**	**329**

Coca-Cola FEMSA

Operating highlights

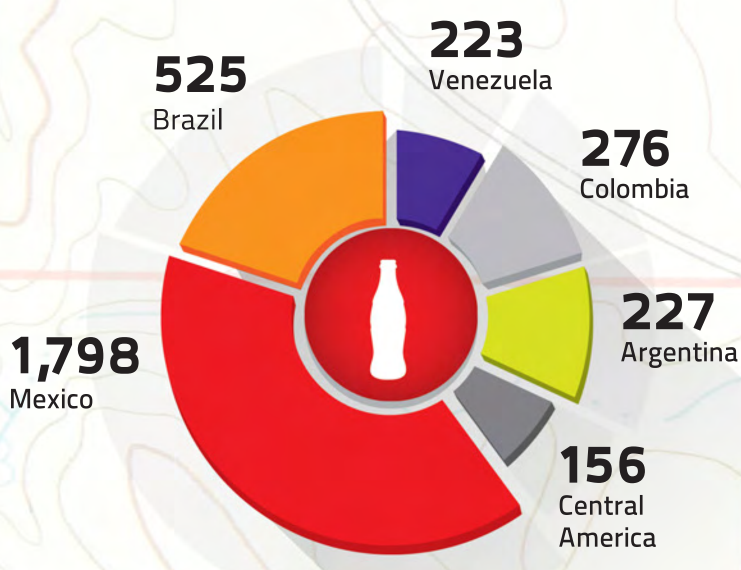
Product Mix by Category

	Sparkling	Water[1]	Bulk water[2]	Still
Mexico	72.1%	5.5%	17.1%	5.3%
Central America	84.0%	5.4%	0.3%	10.4%
Colombia	72.3%	8.3%	11.3%	8.1%
Venezuela	85.6%	5.6%	1.3%	7.5%
Brazil	88.5%	5.5%	0.8%	5.2%
Argentina	88.4%	7.0%	0.2%	4.3%

(1) Excludes still bottled water in presentations of 5.0 Lt. or larger. Includes flavored water
(2) Bulk water - still water in presentations of 5.0 Lt. or larger. Includes flavored water

Total Volume

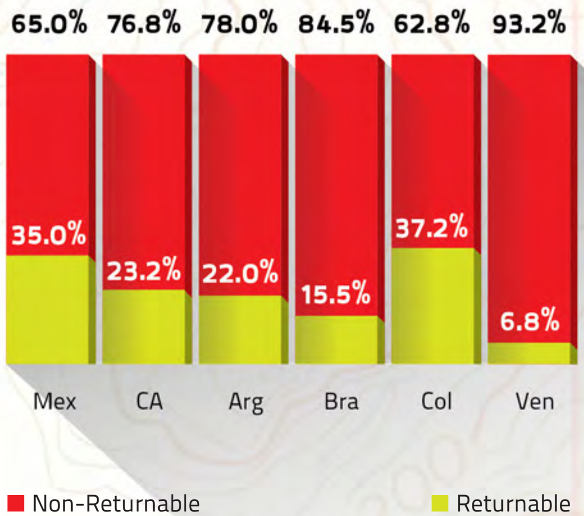
Million unit cases



Total 3,205

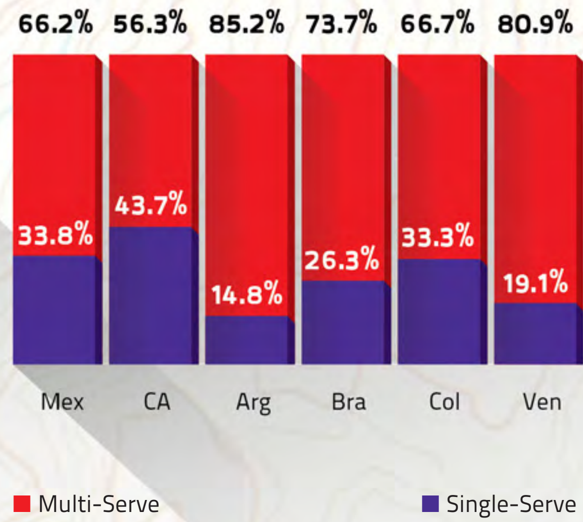
Product Mix by Package

Sparkling Beverages



Product Mix by Size

Sparkling Beverages



Sparkling Beverages

2,483.0
Million unit cases

4.7%
growth vs. 2012

Water & Bulk Water

534.0
Million unit cases

5.0%
growth vs. 2012

Still Beverages

187.6
Million unit cases

12.6%
growth vs. 2012

Dear shareholders

In 2013, we celebrated 20 years as a public company, since our listing on the Mexican and New York stock exchanges in September 1993. Many things have changed over the past two decades. Our company has grown dramatically from a local Mexican operation to the largest public bottler of Coca-Cola products in the world—serving more than 346 million consumers in 10 countries in Latin America and Southeast Asia through 2.9 million retail clients. During the course of our growth trajectory, we have developed a balanced, geographically diversified footprint. We have reinforced our company's commitment to the highest standards of corporate governance, while continually tailoring our commercial model to fit ever-changing market dynamics. Through our constant innovation and evolution, we have further transformed our company into a leading multi-category beverage player, achieving a preeminent position in the still beverage category, complementing our portfolio with value-added dairy products, and ceaselessly expanding the many different alternatives to enjoy the world's most beloved brand—Coca-Cola.

Focusing on the year's results, our company delivered mid-single-digit top-line growth in the face of a tough consumer and volatile currency environment throughout 2013. On top of the integrated results from our mergers with Foque and Yoli in Mexico and our acquisitions of Companhia Fluminense and Spaipa in Brazil, the main drivers of our performance for the year were our local revenue management initiatives, our reinforced marketplace execution, and our ability to adapt our wide portfolio of beverages to capture different consumption occasions and satisfy consumers' demand, while capitalizing on the dynamics of our geographically diversified portfolio of franchise territories. For the year, we produced the following results:

- Consolidated revenues grew 5.6% to Ps. 156.0 billion.
- Consolidated operating income reached Ps. 21.5 billion.
- Consolidated net controlling interest income reached Ps. 11.5 billion, resulting in earnings per share of Ps. 5.61 or Ps. 56.14 per ADS.
- Total net debt at year-end was approximately Ps. 45.2 billion.

Our strong balance sheet, along with our reaffirmed investment-grade credit ratings, underscores the financial strength and flexibility of our company. As of December 31, 2013, we had a cash balance of Ps. 15.3 billion, and our total debt was Ps. 60.5 billion. Year over year, we increased our EBITDA by 2.4% to Ps. 28.6 billion. In 2013, our net-debt-to-EBITDA ratio was 1.58 times, and our EBITDA-to-net interest coverage ratio was 10.6 times. During the second and fourth quarters of 2013, we made dividend payments in the total amount of Ps. 5.95 billion, demonstrating our company's ability to return cash to shareholders, while continuing to capitalize on opportunities arising from the consolidation of the Coca-Cola bottling system.

During the year, the strategic capital investments we made in

every one of our markets create a strong foundation to take advantage of the opportunities that will arise in the future. Among our investments, we continue to aggressively increase our cooler coverage—a distinct competitive advantage—across our franchise territories. We remain at the forefront of technology through our installation of high-speed tri-block bottling lines and our expansion of vertical warehouse automation. We further continue our construction of sustainable, state-of-the-art bottling facilities—employing advanced tetra-cogeneration systems that use up to 30% less energy to generate electricity and heat to produce hot water, cold water, and CO_2. Through these investments, we maximize our operations' capacity to achieve the full potential of our business more efficiently, productively, and profitably.

We also continued to capitalize on our financial and operating flexibility to firmly advance on our strategy to grow through value-creating mergers and acquisitions.

Notably, within 24 months, we met our revised synergy target from the integration of the franchise territories of Grupo Tampico, CIMSA, and Foque into our contiguous Mexican operations. Thanks to our team's efforts, we were able to generate Ps. 900 million at the operating cash flow level as of 2014, exceeding our original synergy target. Including the expected synergies from our merger with Grupo Yoli, the total amount of synergies will reach approximately Ps. 1.1 billion. Based on the efficiencies achieved through the smooth integration of these franchises, we significantly improved the profitability of our newly merged franchise territories.

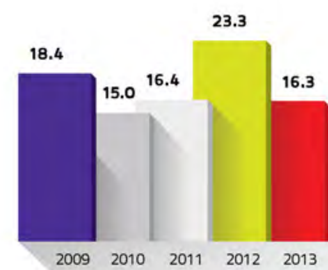
Since the acquisition of Panamco a decade ago, we continue to strengthen our leading position in the Coca-Cola bottling system in Brazil, one of the most attractive and dynamic beverage markets in the world. During the year, we were at the forefront of mergers and acquisitions activity in this country through two milestone acquisitions that will better position us to capture the considerable potential of this market.

In August, we closed the acquisition of 100% of Companhia Fluminense in an all-cash transaction with an aggregate enterprise value of US$448 million. During the 12 months ending March 31, 2013, Companhia Fluminense sold 56.6 million unit cases of beverages, including beer; generated net revenues of approximately US$232 million; and produced estimated pro-forma EBITDA of US$40 million.

This franchise provides a perfect geographic link between our São Paulo and Minas Gerais territories, creating opportunities to multiply strategic alliances with customers and suppliers, generate even more value from our combined scale, and capture upwardly revised synergies of approximately US$19 million. The bulk of these synergies will result from the improved efficiency of the warehouse and commercial area, along with the increased productivity of the Porto Real plant.

Currency Neutral Revenue Growth

Percentage



~US$134 million in synergies from all transactions since 2011

Our strategic investments to aggressively increase cooler coverage, remain at the forefront of manufacturing and warehouse technology, and build sustainable, state-of-the-art bottling facilities, create a strong foundation to take advantage of the opportunities that will arise in the future.

In October, we closed the acquisition of 100% of Spaipa, the second largest privately owned bottler in the Brazilian Coca-Cola system, in an all-cash transaction. The aggregate enterprise value of this transaction was US$1,855 million. During the 12 months ending June 30, 2013, Spaipa sold 233.3 million unit cases of beverages, including beer; generated net revenues of approximately US$905 million; and produced estimated pro-forma EBITDA of US$134 million.

This franchise offers an ideal geographic fit with our operations in the states of Mato Grosso do Sul and São Paulo, facilitating a smooth integration and the generation of potential synergies of approximately US$33 million. These synergies will primarily result from efficiencies in general and administrative expenses, the implementation of our commercial practices, and the reconfiguration of the logistics network.

To fund this acquisition, we arranged financing with several banks, including a US$500 million three-year bank loan and a US$1.5 billion five-year syndicated loan. Both loans are pre-payable at any time and financed at very attractive rates.

Over the course of the year, we took proactive steps to further strengthen our capital structure, as well as to fund our investments and acquisitions. During the past 12 months, we have leveraged our flexibility and capability to access debt capital markets by issuing approximately US$3.1 billion in three separate transactions.

In May, we issued Ps. 7,500 million in 10-year peso-denominated bonds (Certificados Bursátiles) at a yield of 5.46% in the Mexican market. The coupon for the 10-year bonds represents the lowest ever achieved by a corporate issuer in the Mexican peso bond market.

In November, we issued US$2.15 billion of U.S. dollar-denominated bonds in three tranches in the international capital markets: US$1.0 billion five-year bonds at a yield of US Treasury + 105 basis points, with a coupon of 2.375%; US$750 million of 10-year bonds at a yield of US Treasury + 135 basis points, with a coupon of 3.875%; and US$400 million of 30-year bonds at a yield of US Treasury + 155 basis points, with a coupon of 5.250%. The transaction was oversubscribed multiple times with broad participation from investment-grade dedicated investors.

In January 2014, to meet investor demand, we reopened the U.S. dollar-denominated 10-year and 30-year bonds that were issued in November, increasing the total amount placed to US$2.5 billion. Specifically, we issued an additional US$150 million of 10-year bonds at a yield of US Treasury + 107 basis points, with a coupon of 3.875%; and an additional US$200 million of 30-year bonds at a yield of US Treasury + 122 basis points, with a coupon of 5.250%.

Through these issuances, we performed liability management strategies that enabled us to expand our investor base and improve our debt maturity profile—lengthening the average life of our debt from four to eight years.

Thanks to our team's efforts in a tough operating environment, our consolidated sales volume grew 5.2% to 3,204.6 million unit cases for the year. Organically, excluding the recently integrated franchises in Brazil and Mexico, our sales volume increased 0.3%. On the same basis, the sparkling beverage category remained flat. The still beverage category grew 8.5%, and our bottled water portfolio grew 5.3%. These increases compensated for a decline of 2.2% in our bulk water business. On a currency neutral basis and excluding the recently integrated franchises in Mexico and Brazil, our total revenues increased 16.3%.

In the face of a difficult consumer landscape, our Mexico & Central America division delivered 4.4% volume growth for the year, reaching 1,953.6 million unit cases of beverages. Organically, excluding the integration of Grupo Foque and Yoli in Mexico, our volumes in the division declined 0.4%.

Our Mexico & Central America division's total revenues grew 6.9% to Ps. 70.7 billion. Organically and on a currency neutral basis, the division's total revenues increased 2.3%, mainly reflecting selective price increases implemented across our product portfolio over the past several months.

Our Mexico & Central America division's operating income rose 10.3% to Ps. 11.5 billion. Organically, our operating income increased 6.9%. Operating expenses grew mainly as a result of marketing investments across our territories to support our marketplace execution and bolster our base of returnable packaging to intensify our connection with consumers across our markets. Nevertheless, our Mexico & Central America division's operating margin expanded 50 basis points to 16.3%.

In a very challenging consumer and volatile currency environment, our South America division generated 6.5% volume growth for the year, reaching 1,251.0 million unit cases of beverages. Organically, excluding the recently integrated franchises of Companhia Fluminense and Spaipa in Brazil, our volumes in the division increased 1.4%, highlighting the strength of our balanced geographic portfolio of franchises.

Our South America division's total revenues rose 4.6% to Ps. 85.3 billion, mainly resulting from the integration of Companhia Fluminense and Spaipa in Brazil and despite a negative translation effect from the devaluation of our division's currencies. Excluding beer, which accounted for Ps. 4.1 billion during the year, our revenues increased 4.7%. On a currency neutral basis and excluding Companhia Fluminense and Spaipa in Brazil, our total revenues increased 27.6%, mainly resulting from average price per unit case growth in Venezuela, Argentina, and Brazil, and volume growth in Colombia, Venezuela, and Argentina.

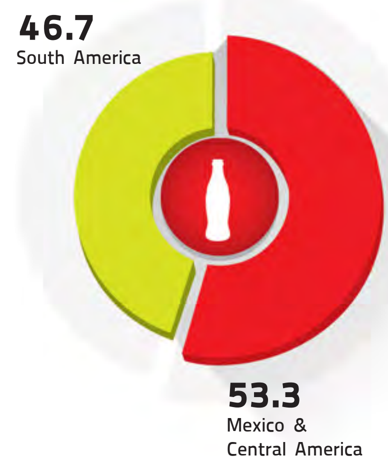
Our South America division's operating income decreased 13.7% to Ps. 10.0 billion, resulting mainly from the negative translation effect of the devaluation of the division's currencies. In local currency, our operating expenses increased primarily as a result of higher labor and freight costs in Venezuela, Brazil, and Argentina and continued marketing investments to support our marketplace execution and cooler coverage, while bolstering our base of returnable packaging and intensifying our opportunities to connect with the consumer. Our operating margin reached 11.7% in 2013.

Moving ahead, we will capitalize on our proven ability to reduce debt—as we did subsequent to our acquisition of Panamco—to deleverage our company over the next few years. We will work diligently to achieve the synergies that we have identified in our recently merged and acquired franchise territories. Despite structural changes, particularly in Mexico and Brazil, we will take advantage of our team's capability to adapt our operations to changing market dynamics, while remaining focused on the prospects presented by our markets. Indeed, the strength of our operating team, the breadth of our multi-category beverage portfolio, and the robust profile of our geographically diversified footprint will enable us to embrace the recovery that we envision in the upcoming future.

Thank you for your continued trust and support. We look forward to creating sustainable value for you now and into the future.

Héctor Treviño Gutiérrez
Chief Financial Officer

EBITDA Breakdown per Division
Percentage



~US$3.1 billion of debt issued at very attractive rates

financial section

financial **summary**

Amounts expressed in millions of U.S. dollars and mexican pesos, except data per share and headcount.

	U.S. (*)	2013 (3)	2012 (2)	2011 (1)
INCOME STATEMENT				
Total revenues	11,911	**156,011**	147,739	123,224
Cost of goods solds	6,343	**83,076**	79,109	66,693
Gross profit	5,568	**72,935**	68,630	56,531
Operative expenses	3,918	**51,315**	46,440	37,233
Other expenses, net	49	**623**	952	1,375
Comprehensive financing result	286	**3,773**	1,246	1,129
Income before income taxes and share of the profit or of associates and joint ventures accounted for using the equity method	1,315	**17,224**	19,992	16,794
Income taxes	437	**5,731**	6,274	5,667
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	22	**289**	180	86
Consolidated net income	900	**11,782**	13,898	11,213
Equity holders of the parent	882	**11,543**	13,333	10,662
Non-controlling interest net income	18	**239**	565	551
RATIOS TO REVENUES (%)				
Gross margin	46.7	**46.7**	46.5	45.9
Net income margin	7.6	**7.6**	9.4	9.1
CASH FLOW				
Operative cash flow	1,686	**22,097**	23,650	13,893
Capital expenditures (4)	893	**11,703**	10,259	7,862
Cash and cash equivalents	1,169	**15,306**	23,222	11,843
Marketable securities	-	**-**	12	330
Total cash, cash equivalents and marketable securities	1,169	**15,306**	23,234	12,173
BALANCE SHEET				
Current assets	3,301	**43,231**	45,897	32,724
Investment in shares	1,280	**16,767**	5,352	3,656
Property, plant and equipment, net	3,954	**51,785**	42,517	38,102
Intangible assets, net	7,556	**98,974**	67,013	62,163
Deferred charges and other assets, net	451	**5,908**	5,324	5,093
Total Assets	16,542	**216,665**	166,103	141,738
Liabilities				
Short-term bank loans and notes payable	274	**3,586**	5,139	5,540
Interest payable	25	**324**	194	206
Other current liabilities	2,174	**28,488**	24,217	20,029
Long-term bank loans and notes payable	4,342	**56,875**	24,775	16,821
Other long-term liabilities	782	**10,239**	6,950	6,061
Total Liabilities	7,597	**99,512**	61,275	48,657
Equity	8,945	**117,153**	104,828	93,081
Non-controlling interest in consolidated subsidiaries	309	**4,042**	3,179	3,053
Equity attributable to equity holders of the parent	8,636	**113,111**	101,649	90,028
FINANCIAL RATIOS (%)				
Current	1.33	**1.33**	1.55	1.27
Leverage	0.85	**0.85**	0.58	0.52
Capitalization	0.35	**0.35**	0.23	0.20
Coverage	8.22	**8.22**	15.45	12.48
DATA PER SHARE				
Book Value (5)	4.166	**54.566**	50.060	45.344
Income tributable to the holders of the parent (6)	0.429	**5.614**	6.616	5.715
Dividends paid (7)	0.219	**2.870**	2.824	2.365
Headcount (8)	84,992	**84,992**	73,395	78,979

(1) Information considers full-year of KOF's territories, three months of Administradora de Acciones del Noreste, S.A. de C.V. ("Grupo Tampico") and one month of Corporación de los Angeles, S.A. de C.V ("Grupo CIMSA").

(2) Information considers full-year of KOF's territories and eight months of Grupo Fomento Queretano, S.A.P.I. ("Grupo Fomento Queretano")

(3) Information considers full-year of KOF's territories and seven months of Grupo Yoli S.A de C.V. (Grupo YOLI), four months of Companhia Fluminense de Refrigerantes (Compañía Fluminense) and one month of SPAIPA S.A. Industria Brasileira de Bebidas (SPAIPA)

(4) Includes investments in property, plant and equipment, refrigeration equipment and returnable bottles and cases, net of retirements of property, plant and equipment.

(5) Was based on 2,072.92, 2,030.54 and 1,985.45 million ordinary shares as of December 31, 2013, 2012 and 2011, respectively.

(6) Computed of the basis of the weighted average number of shares outstanding during the period: 2,056.20, 2015.14 and 1,865.55 million on 2013, 2012 and 2011, respectively.

(7) Dividends paid during the year based on the prior year's net income, using 2,072.92, 2,030.54 and 1,846.53 million oustanding ordinary shares on 2013, 2012 and 2011, respectively.

(8) Includes third-party.

(*) Conversion at the rate of exchange of the December 31st, 2013, Ps 13.0980 per U.S. dollar, solely for the convenience of the reader.

management's discussion and analysis

Results from Operations for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Consolidated Results

Total Revenues

Our consolidated total revenues increased 5.6% to Ps. 156,011 million in 2013, as compared to 2012. Revenue growth of 6.9% in our Mexico & Central America division, including the integration of *Grupo Fomento Queretano* ("Foque") and *Grupo Yoli* ("Yoli") in our Mexican operations, coupled with 4.6% growth in our South America division (including Venezuela), including *Companhia Fluminense de Refrigerantes* ("Fluminense") and *Spaipa S.A. Industria Brasileira de Bebidas* ("Spaipa") in Brazil, compensated for the negative translation effect generated by the devaluation of the currencies in our South America division. Excluding the recently integrated territories in Mexico and Brazil, total revenues reached Ps.149,210 million. On a currency neutral basis and excluding the non-comparable effect of Foque, Yoli, Fluminense and Spaipa total revenues grew 16.3%, in the full year of 2013.

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

Consolidated average price per unit case increased 0.5%, reaching Ps. 47.15 in 2013, as compared to Ps. 46.92 in 2012. In local currency, average price per unit case increased in most of our territories mainly driven by price increases implemented during the past several months.

Gross Profit

Our reported gross profit increased 6.3% to Ps. 72,935 million in 2013, as compared to 2012. Lower sugar prices in most of our territories in combination with the appreciation of the average exchange rate of the Mexican peso, compensated for the depreciation of the average exchange rate of the Venezuelan bolivar, the Argentine peso, the Brazilian real and the Colombian peso as applied to our U.S. dollar-denominated raw material costs. Reported gross margin reached 46.7%, an expansion of 30 basis points as compared to 2012.

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

Administrative and Selling Expenses

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

During 2013, the other operative expenses net line registered an expense of Ps. 372 million mainly due to (i) the devaluation effect of the Venezuelan bolivar on our U.S. dollar-denominated accounts payable and

(ii) certain restructuring expenses across our operations, including those registered in the recently merged franchises, which results are now fully comparable.

The share of the profits of associates and joint ventures line recorded a gain of Ps. 289 million, mainly due to equity method gains from our participation in Coca-Cola Bottlers Philippines, Inc., Jugos del Valle in Mexico and Leão Alimentos in Brazil.

Comprehensive Financing Result

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

Our comprehensive financing result in 2013 recorded an expense of Ps. 3,773 million as compared to an expense of Ps. 1,246 million in 2012. This increase was mainly driven by (i) a higher interest expenses due to a larger debt position and (ii) a foreign exchange loss mainly as a result of the depreciation of the end-of-period exchange rate of the Mexican peso during the year as applied to a higher US dollar-denominated net debt position.

Income Taxes

Income taxes decreased to Ps. 5,731 million in 2013, from Ps. 6,274 million in 2012. In 2013, taxes as a percentage of income before taxes were 32.7%, as compared to 31.1% in 2012. The lower effective tax rate registered during 2012 resulted from a tax shield related to interests on capital, included in a dividend declared by our Brazilian subsidiary.

Net Controlling Interest Income

Our consolidated net controlling interest income reached Ps. 11,543 million in 2013 as compared to 2012. Earnings per share (EPS) in the full year of 2013 were Ps. 5.61 (Ps. 56.14 per ADS) computed on the basis of 2,056.0 million shares outstanding (each ADS represents 10 local shares).

Consolidated Results from Operations by Reporting Segment

Mexico and Central America

Total Revenues. Reported total revenues from our Mexico & Central America division increased 6.9% to Ps. 70,679 million in 2013, as compared to 2012, mainly supported by the integration of Foque and Yoli in our Mexican operations. Excluding the integration of our new territories in Mexico, total revenues grew 1.8%. On a currency neutral basis and excluding the recently integrated franchises in Mexico, total revenues in the division increased 2.3%.

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

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

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

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

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

South America (excluding Venezuela)

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

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

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

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

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

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

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

Venezuela

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

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

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

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

Corporate Governance

Coca-Cola FEMSA prides itself on its standards of corporate governance and the accuracy of its disclosures. Our corporate governance practices are governed by our bylaws, the Mexican Securities Market Law and the regulations issued by the CNBV. We also disclose the extent to which we comply with the Código de Mejores Prácticas Corporativas (Mexican Code of Best Corporate Practices), which was created by a group of Mexican business leaders and was endorsed by the BMV. We apply the same strict standards accross our operations, including our new operations, and will continue to do so. We believe that the independence of our directors provides an invaluable contribution to the decision-making process in our corporation and to shareholder value protection.

Environmental Statement

Coca-Cola FEMSA is dedicated to the principles of sustainable development. While the Company's environmental impact is small, Coca-Cola FEMSA is committed to managing that impact in a positive manner. Compliance, waste minimization, pollution prevention and continuous improvement are hallmarks of the Company's environmental management system. The Company has achieved significant progress in areas such as recovery and recycling, water and energy conservation and wastewater quality. These efforts simultaneously help Coca-Cola FEMSA to protect the environment and to develop its business. For more information on our commitment to sustainable development, visit www.coca-colafemsa.com.

Management's Responsibility for Internal Control

The management of Coca-Cola FEMSA is responsible for the preparation and integrity of the accompanying consolidated financial statements and for maintaining a system of internal control. These checks and balances serve to provide reasonable assurance to shareholders, to the financial community, and to other interested parties that transactions are executed in accordance with management authorization, that accounting records are reliable as a basis for the preparation of the consolidated financial statements, and that assets are safeguarded against loss from unauthorized use or disposition.

In fulfilling its responsibilities for the integrity of financial information, management maintains and relies on the Company's system of internal control. This system is based on an organizational structure that efficiently delegates responsibilities and ensures the selection and training of qualified personnel. In addition, it includes policies, which are communicated to all personnel through appropriate channels. This system of internal control is supported by an ongoing internal audit function that reports its findings to management throughout the year. Management believes that to date, the internal control system of the Company has provided reasonable assurance that material errors or irregularities have been prevented or detected and corrected promptly.

independent auditor's report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Coca-Cola FEMSA, S.A.B. de C.V. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Coca-Cola FEMSA, S.A.B. de C.V. and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and cash flows for each of the three years in the period ended December 31, 2013, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Adan Aranda Suarez
February 19, 2014
Mexico City, MEXICO

consolidated statements of financial position

At December 31, 2013 and 2012
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

	Note	December 2013 (*)	December 2013	December 2012
ASSETS				
Current assets:				
Cash and cash equivalents	5	$ 1,169	Ps. 15,306	Ps. 23,222
Marketable securities	6	-	-	12
Accounts receivable, net	7	760	9,958	9,329
Inventories	8	697	9,130	8,103
Recoverable taxes		315	4,120	2,673
Other current financial assets	9	239	3,134	1,523
Other current assets	9	121	1,583	1,035
Total current assets		3,301	43,231	45,897
Non-current assets:				
Investments in associates and joint ventures	10	1,280	16,767	5,352
Property, plant and equipment, net	11	3,954	51,785	42,517
Intangible assets, net	12	7,556	98,974	67,013
Deferred tax assets	24	101	1,326	1,576
Other non-current financial assets	13	100	1,319	925
Other non-current assets, net	13	250	3,263	2,823
Total non-current assets		13,241	173,434	120,206
TOTAL ASSETS		$ 16,542	Ps. 216,665	Ps. 166,103

The accompanying notes are an integral part of these consolidated statements of financial position.

	Note	December 2013 (*)	December 2013	December 2012
LIABILITIES AND EQUITY				
Current liabilities:				
Bank loans and notes payable	18	$ 38	Ps. 495	Ps. 4,194
Current portion of non-current debt	18	236	3,091	945
Interest payable		25	324	194
Suppliers		1,238	16,220	14,221
Accounts payable		378	4,950	4,563
Taxes payable		426	5,575	4,162
Other current financial liabilities	25	132	1,743	1,271
Total current liabilities		2,473	32,398	29,550
Non-current liabilities:				
Bank loans and notes payable	18	4,342	56,875	24,775
Post-employment and other non-current employee benefits	16	195	2,555	2,188
Deferred tax liabilities	24	68	887	979
Other non-current financial liabilities	25	96	1,263	476
Provisions and other non-current liabilities	25	423	5,534	3,307
Total non-current liabilities		5,124	67,114	31,725
Total liabilities		7,597	99,512	61,275
Equity:				
Capital stock	22	156	2,048	2,029
Additional paid-in capital		3,168	41,490	33,488
Retained earnings		5,352	70,094	64,501
Cumulative other comprehensive income (loss)		(40)	(521)	1,631
Equity attributable to equity holders of the parent		8,636	113,111	101,649
Non-controlling interest in consolidated subsidiaries	21	309	4,042	3,179
Total equity		8,945	117,153	104,828
TOTAL LIABILITIES AND EQUITY		$ 16,542	Ps. 216,665	Ps. 166,103

(*) Convenience translation to U.S. dollars ($) - See Note 2.2.3

The accompanying notes are an integral part of these consolidated statements of financial position.

consolidated income statements

For the years ended December 31, 2013, 2012 and 2011
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.), except per share amounts

	Note	2013 (*)	2013	2012	2011
Net sales		$ 11,847	Ps. 155,175	Ps. 146,907	Ps. 122,638
Other operating revenues		64	836	832	586
Total revenues		11,911	156,011	147,739	123,224
Cost of goods sold		6,343	83,076	79,109	66,693
Gross profit		5,568	72,935	68,630	56,531
Administrative expenses		495	6,487	6,217	5,140
Selling expenses		3,423	44,828	40,223	32,093
Other income	19	36	478	545	685
Other expenses	19	85	1,101	1,497	2,060
Interest expense		255	3,341	1,955	1,729
Interest income		50	654	424	616
Foreign exchange (loss) gain, net		(56)	(739)	272	61
(Loss) gain on monetary position for subsidiaries in hyperinflationary economies		(29)	(393)	-	61
Market value (gain) loss on financial instruments	20	(4)	(46)	(13)	138
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method		1,315	17,224	19,992	16,794
Income taxes	24	437	5,731	6,274	5,667
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	10	22	289	180	86
Consolidated net income		$ 900	Ps. 11,782	Ps. 13,898	Ps. 11,213
Attributable to:					
Equity holders of the parent		$ 882	Ps. 11,543	Ps. 13,333	Ps 10,662
Non-controlling interest		18	239	565	551
Consolidated net income		$ 900	Ps. 11,782	Ps. 13,898	Ps. 11,213
Net equity holders of the parent (U.S. dollars and Mexican pesos):					
Earnings per share	23	$ 0.43	Ps. 5.61	Ps. 6.62	Ps. 5.72

(*) Convenience translation to U.S. dollars ($) - See Note 2.2.3

The accompanying notes are an integral part of these consolidated income statements.

consolidated statements of comprehensive income

For the years ended December 31, 2013, 2012 and 2011
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

	Note	2013 (*)	2013	2012	2011
Consolidated net income		$ 900	Ps. 11,782	Ps. 13,898	Ps. 11,213
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Unrealized gain on available-for sale securities, net of taxes	6	-	(2)	(2)	4
Valuation of the effective portion of derivative financial instruments, net of taxes	20	(21)	(279)	(201)	(3)
Exchange differences on translation of foreign operations		(120)	(1,565)	(2,361)	4,073
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(141)	(1,846)	(2,564)	4,074
Items that will not be reclassified to profit or loss in subsequent periods:					
Remeasurements of the net defined benefit liability, net of taxes	16	(11)	(145)	(125)	(6)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		(11)	(145)	(125)	(6)
Total other comprehensive (loss) income, net of tax		(152)	(1,991)	(2,689)	4,068
Consolidated comprehensive income for the year, net of tax		$ 748	Ps. 9,791	Ps. 11,209	Ps. 15,281
Attributable to:					
Equity holders of the parent		$ 717	Ps. 9,391	Ps. 10,967	Ps. 14,752
Non-controlling interest		31	400	242	529
Consolidated comprehensive income for the year, net of tax		$ 748	$ 9,791	Ps. 11,209	Ps. 15,281

(*) Convenience translation to U.S. dollars ($) - See Note 2.2.3

The accompanying notes are an integral part of these consolidated statements of comprehensive income.

consolidated statements of changes in equity

For the years ended December 31, 2013, 2012 and 2011
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

Atributable to:		Capital Stock		Additional Paid-in Capital		Retained Earnings		Unrealized Gain on Available-for-sale Securities
Balances at January 1, 2011	Ps.	1,947	Ps.	10,533	Ps.	50,488	Ps.	-
Net income		-		-		10,662		-
Other comprehensive income, net of tax		-		-		-		4
Total comprehensive income		-		-		10,662		4
Dividends declared		-		-		(4,358)		-
Acquisition of Grupo Tampico		28		7,799		-		-
Acquisition of Grupo CIMSA		34		8,984		-		-
Acquisition of non-controlling interest		-		(86)		-		-
Balances at December 31, 2011		2,009		27,230		56,792		4
Net income		-		-		13,333		-
Other comprehensive income, net of tax		-		-		-		(2)
Total comprehensive income		-		-		13,333		(2)
Dividends declared		-		-		(5,624)		-
Acquisition of Grupo Fomento Queretano		20		6,258		-		-
Acquisition of non-controlling interest		-		-		-		-
Balances at December 31, 2012		2,029		33,488		64,501		2
Net income		-		-		11,543		-
Other comprehensive income, net of tax		-		-		-		(2)
Total comprehensive income		-		-		11,543		(2)
Increase in share of non-controlling interest		-		-		-		-
Dividends declared		-		-		(5,950)		-
Acquisition of Grupo Yoli		19		8,002		-		-
Balances at December 31, 2013	**Ps.**	**2,048**	**Ps.**	**41,490**	**Ps.**	**70,094**	**Ps.**	**-**

(*) Convenience translation to U.S. dollars ($) - See Note 2.2.3

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

Valuation of the Effective Portion of Derivative Financial Instruments	Exchange Differences on Translation of Foreign Operations	Remeasurements of the Net Defined Benefit Liability	Equity Attributable To Equity Holders of the Parent	Non-Controlling Interest	Total Equity
Ps. 17	Ps. –	Ps. (110)	Ps. 62,875	Ps. 2,560	Ps. 65,435
–	–	–	10,662	551	11,213
27	4,073	(14)	4,090	(22)	4,068
27	4,073	(14)	14,752	529	15,281
–	–	–	(4,358)	(8)	(4,366)
–	–	–	7,827	–	7,827
–	–	–	9,018	–	9,018
–	–	–	(86)	(28)	(114)
44	4,073	(124)	90,028	3,053	93,081
–	–	–	13,333	565	13,898
(179)	(2,054)	(131)	(2,366)	(323)	(2,689)
(179)	(2,054)	(131)	10,967	242	11,209
–	–	–	(5,624)	(109)	(5,733)
–	–	–	6,278	–	6,278
–	–	–	–	(7)	(7)
(135)	**2,019**	**(255)**	**101,649**	**3,179**	**104,828**
–	–	–	11,543	239	11,782
(233)	(1,777)	(140)	(2,152)	161	(1,991)
(233)	(1,777)	(140)	9,391	400	9,791
–	–	–	–	515	515
–	–	–	(5,950)	(52)	(6,002)
–	–	–	8,021	–	8,021
Ps. (368)	**Ps. 242**	**Ps. (395)**	**Ps. 113,111**	**Ps. 4,042**	**Ps. 117,153**

consolidated statements of cash flows

For the years ended December 31, 2013, 2012 and 2011
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

	2013(*)	2013	2012	2011
Cash flows from operating activities:				
Income before income taxes	$ 1,337	Ps. 17,513	Ps. 20,172	Ps. 16,880
Adjustments for:				
Non-cash operating expenses	(3)	(42)	218	(9)
Unrealized gain on marketable securities	-	-	(2)	(4)
Depreciation	486	6,371	5,078	3,850
Amortization	59	761	614	369
(Gain) loss on disposal of long-lived assets	(2)	(27)	(99)	35
Write-off of long-lived assets	3	39	14	625
Share of the profit of associates and joint ventures accounted for using the equity method net of taxes	(23)	(289)	(180)	(86)
Interest income	(50)	(654)	(424)	(616)
Interest expense	199	2,604	1,796	1,609
Foreign exchange loss (gain), net	56	739	(272)	(61)
Non-cash movements in post-employment and other non-current employee benefits obligations	16	216	571	118
Monetary position loss (gain) net	31	393	-	(61)
Market value loss on financial instruments	80	1,053	138	1
(Increase) decrease:				
Accounts receivable and other current assets	(82)	(1,072)	(1,545)	(2,272)
Other current financial assets	(235)	(3,094)	(1,218)	(575)
Inventories	(48)	(623)	(731)	(1,828)
Increase (decrease):				
Suppliers and other accounts payable	222	2,921	5,231	850
Other liabilities	8	89	(346)	(224)
Employee benefits paid	(11)	(127)	(88)	(143)
Income taxes paid	(357)	(4,674)	(5,277)	(4,565)
Net cash flows from operating activities	1,686	22,097	23,650	13,893
Investing activities:				
Acquisition of Grupo Tampico, net of cash acquired (Note 4)	-	-	-	(2,414)
Acquisition of Grupo CIMSA, net of cash acquired (Note 4)	-	-	-	(1,912)
Acquisitions of Grupo Fomento Queretano, net of cash acquired (Note 4)	-	-	(1,114)	-
Acquisition of Grupo Yoli, net of cash acquired (Note 4)	(80)	(1,046)	-	-
Acquisition of Companhia Fluminense de Refrigerantes, net of cash acquired (Note 4)	(355)	(4,648)	-	-
Acquisition of Grupo Spaipa, net of cash acquired (Note 4)	(1,760)	(23,056)	-	-
Purchase of marketable securities	-	-	-	(326)
Proceeds from the sale of marketable securities	-	-	273	-
Interest received	50	654	424	639
Acquisitions of long-lived assets	(810)	(10,615)	(9,741)	(6,855)
Proceeds from the sale of long-lived assets	15	195	293	375
Acquisition of intangible assets	(97)	(1,256)	(235)	(944)
Other non-current assets	(56)	(734)	(420)	(140)
Investment in shares Coca-Cola Bottlers Philippines, Inc. (Note 10)	(680)	(8,904)	-	-
Investment in shares	(6)	(71)	(469)	(620)
Net cash flows used in investing activities	(3,779)	(49,481)	(10,989)	(12,197)
Financing activities:				
Proceeds from borrowings	5,096	66,748	16,429	6,934
Repayment of borrowings	(2,805)	(36,744)	(8,464)	(2,733)
Interest paid	(178)	(2,328)	(1,694)	(1,580)
Dividends paid	(458)	(6,002)	(5,733)	(4,366)
Acquisition of non-controlling interests	-	-	(7)	(114)
Increase in shares of non-controlling interest	39	515	-	-
Other financing activities	118	1,546	(270)	(1,176)
Payments under finance leases	(17)	(229)	(201)	(37)
Net cash flows from / (used in) financing activities	1,795	23,506	60	(3,072)
Net (decrease) increase in cash and cash equivalents	(298)	(3,878)	12,721	(1,376)
Initial balance of cash and cash equivalents	1,773	23,222	11,843	12,142
Effects of exchange rate changes and inflation effects on cash and cash equivalents held in foreign currencies	(306)	(4,038)	(1,342)	1,077
Ending balance of cash and cash equivalents	$ 1,169	Ps. 15,306	Ps. 23,222	Ps. 11,843

(*) Convenience translation to U.S. dollars ($) - See Note 2.2.3

The accompanying notes are an integral part of these consolidated statements of cash flow.

notes to the consolidated statements

As of December 31, 2013, 2012 and 2011
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

NOTE 1. Activities of the Company

Coca-Cola FEMSA, S.A.B. de C.V. ("Coca-Cola FEMSA" or "the Company") is a Mexican corporation, mainly engaged in acquiring, holding and transferring all types of bonds, capital stock, shares and marketable securities.

Coca-Cola FEMSA is indirectly owned by Fomento Economico Mexicano, S.A.B. de C.V. ("FEMSA"), which holds 47.9% of its capital stock and 63% of its voting shares and The Coca-Cola Company ("TCCC"), which indirectly owns 28.1% of its capital stock and 37% of its voting shares. The remaining 24.0% of Coca-Cola FEMSA's shares trade on the Bolsa Mexicana de Valores, S.A.B. de C.V. (BMV: KOFL). Its American Depositary Shares ("ADS") trade on the New York Stock Exchange, Inc. The address of its registered office and principal place of business is Mario Pani No. 100 Col. Santa Fe Cuajimalpa Delegacion Cuajimalpa de Morelos, Mexico D.F. 05348, Mexico.

Coca-Cola FEMSA and its subsidiaries (the "Company"), as an economic unit, are engaged in the production, distribution and marketing of certain Coca-Cola trademark beverages in Mexico, Central America (Guatemala, Nicaragua, Costa Rica and Panama), Colombia, Venezuela, Brazil and Argentina.

As of December 31, 2013 and 2012 the most significant subsidiaries over which the Company exercises control are:

Company	Activity	Country	Ownership percentage **2013**	Ownership percentage 2012
Propimex, S. de R.L. de C.V.	Manufacturing and distribution	Mexico	100.00%	100.00%
Controladora Interamericana de Bebidas, S. de R.L. de C.V.	Holding	Mexico	100.00%	100.00%
Spal Industria Brasileira de Bebidas, S.A.	Manufacturing and distribution	Brazil	96.06%	98.25%
Coca-Cola FEMSA de Venezuela, S.A.	Manufacturing and distribution	Venezuela	100.00%	100.00%
Servicios Refresqueros del Golfo, S. de R.L. de C.V.	Manufacturing and distribution	Mexico	100.00%	100.00%

NOTE 2. Basis of Preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company's consolidated financial statements and notes were authorized for issuance by the Company's Chief Executive Officer John Santa María Otazua and Chief Financial and Administrative Officer Héctor Treviño Gutiérrez on February 19, 2014 and subsequent events have been considered through that date (see Note 29). These consolidated financial statements and notes will be presented at the Company's Board of Directors meeting and Shareholders meeting on February 25, 2014 and March 6, 2014, respectively. The Company's Board of Directors and Shareholders have the faculty 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:

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

The financial statements of subsidiaries whose functional currency is the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the end of the reporting period.

2.2.1 Presentation of consolidated income statement

The Company classifies its costs and expenses by function in the consolidated income statement, in order to conform to the industry practices where the Company operates.

2.2.2 Presentation of consolidated statements of cash flows.

The Company's consolidated statement of cash flows is presented using the indirect method.

2.2.3 Convenience translation to U.S. dollars ($)

The consolidated financial statements are stated in millions of Mexican pesos ("Ps.") and rounded to the nearest million unless stated otherwise. However, solely for the convenience of the readers, the consolidated balance sheet as of December 31, 2013, the consolidated income statement, the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2013 were converted into U.S. dollars at the exchange rate of Ps. 13.0980 per U.S. dollar as published by the Federal Reserve Bank of New York as of that date. This arithmetic conversion should not be construed as representations that the amounts expressed in Mexican pesos may be converted into U.S. dollars at that or any other exchange rate.

2.3 Critical accounting judgments and estimates

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

2.3.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

2.3.1.1 Impairment of indefinite lived intangible assets, goodwill and other depreciable long-lived assets

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

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. The key assumptions used to determine the recoverable amount for the Company's CGUs, including a sensitivity analysis, are further explained in Notes 3.16 and 12.

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 it estimates on the experience of its technical personnel as well as based on its experience in the industry for similar assets, see Notes 3.12, 11 and 12.

2.3.1.3 Post-employment and other non-current employee benefits

The Company regularly evaluates the reasonableness of the assumptions used in its post-employment and other non-current employee benefit computations. Information about such assumptions is described in Note 16.

2.3.1.4 Income taxes

Deferred income tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. The Company regularly reviews its deferred tax assets for recoverability, and records a deferred tax asset based on its judgment regarding the probability of historical taxable income, projected future taxable income and the expected timing of the reversals of existing temporary differences, see Note 24.

2.3.1.5 Tax, labor and legal contingencies and provisions

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

2.3.1.6 Valuation of financial instruments

The Company is required to measure all derivative financial instruments at fair value.

The fair values of derivative financial instruments are determined considering quoted prices in recognized markets. If such instruments are not traded, fair value is determined by applying techniques based upon technical models supported by sufficient reliable and verifiable data, recognized in the financial sector. The Company bases its forward price curves upon market price quotations. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments, see Note 20.

2.3.1.7 Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, Income Taxes and IAS 19, Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, Share- based Payment at the acquisition date, see Note 3.24; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

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

2.3.1.8 Investments in associates

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

- representation on the board of directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Company and the investee;
- interchange of managerial personnel; or
- provision of essential technical information.

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

In addition, the Company evaluates the indicators that provide evidence of significant influence:

- the Company's extent of ownership is significant relative to other shareholdings (i.e. a lack of concentration of other shareholders);
- the Company's significant shareholders, its parent, fellow subsidiaries, or officers of the Company, hold additional investment in the investee; and
- the Company is a part of significant investee committees, such as the executive committee or the finance committee.

2.3.1.9 Joint Arrangements

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

a) If all the parties, or a group of the parties, control the arrangement, considering definition of joint control, as described in note 3.1; and

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

As mentioned in Note 10, on January 25, 2013, the Company finalized the acquisition of 51% of Coca-Cola Bottlers Philippines (CCBPI). The Company currently jointly controls CCBPI with TCCC. This is based on the following factors: (i) during the first three years some relevant activities require joint approval between the Company and TCCC; and (ii) potential voting rights to acquire the remaining 49% of CCBPI are not probable to be executed in the foreseeable future due to the fact the call option is "out of the money" as of December 31, 2013.

2.4 Changes in accounting policies

The Company has adopted the following new IFRS and amendments to IFRS during 2013:

- IAS 28, "Investments in Associates and Joint Ventures" (2011)
- IFRS 10, "Consolidated Financial Statements"
- IFRS 11, "Joint Arrangements"
- IFRS 12, "Disclosure of Interests in Other Entities"
- IFRS 13, "Fair Value Measurement"
- Amendments to IFRS 7, "Financial Instruments: Disclosures"

The nature and the effect of the changes are further explained below.

IAS 28, "Investments in Associates and Joint Ventures" (2011):

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

IFRS 10, "Consolidated Financial Statements":

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

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

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

- Joint ventures.- At December 31, 2013 and 2012, the Company does not have material joint ventures. Additional summarized aggregate financial information for non-material joint ventures, such as: cash and cash equivalents, current financial liabilities (excluding trade and other payables and provisions), non-current financial liabilities (excluding trade and other payables and provisions), depreciation and amortization, interest income, interest expense, income tax expense or income. These disclosures are presented in Note 10.
- Non-controlling interest.- For each subsidiary that has non-controlling interest that are material to the Company, it disclosed summarized financial information about the assets, liabilities, profit or loss and cash flows of the subsidiary. At December 31, 2013 and 2012, the Company does not have material non-controlling interest.

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

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

NOTE 3. Significant Accounting Policies

3.1 Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2013. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, The Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

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 recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities

3.1.1 Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are measured at carrying amount and reflected in equity, as part of additional paid in capital.

3.1.2 Loss of control

Upon the loss of control, the Company derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in consolidated net income. If the Company retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity method or as a financial asset depending on the level of influence retained.

3.2 Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Company. In assessing control, the Company takes into consideration substantive potential voting rights.

The Company measures goodwill at the acquisition date as the fair value of the consideration transferred plus the fair value of any previously-held equity interest in the acquiree and the recognized amount of any non-controlling interests in the acquiree (if any), less the net recognized amount of the identifiable assets acquired and liabilities assumed. If after reassessment, the excess is negative, a bargain purchase gain is recognized in consolidated net income at the time of the acquisition.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, if after reassessment subsequent changes to the fair value of the contingent considerations are recognized in consolidated net income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete, and discloses that its allocation is preliminary in nature. Those provisional amounts are adjusted during the measurement period (not greater than 12 months), or additional assets or liabilities are recognised, 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 the cumulative translation adjustment, which is recorded in equity as part of the cumulative translation adjustment within the cumulative other comprehensive income.
- Intercompany financing balances with foreign subsidiaries that are considered as non-current investments, since there is no plan to pay such financing in the foreseeable future. Monetary position and exchange rate fluctuation regarding this financing is included in the cumulative translation adjustment, which is recorded in equity as part of the cumulative translation adjustment within the cumulative other comprehensive income.
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

For incorporation into the Company's consolidated financial statements, each foreign subsidiary, associate or joint venture's individual financial statements are translated into Mexican pesos, as described as follows:

- For hyperinflationary economic environments, the inflation effects of the origin country are recognized, and subsequently translated into Mexican pesos using the year-end exchange rate for the consolidated statements of financial position and consolidated income statement and comprehensive income; and
- For non-inflationary economic environments, assets and liabilities are translated into Mexican pesos using the year-end exchange rate, equity is translated into Mexican pesos using the historical exchange rate, and the income statement and comprehensive income is translated using the exchange rate at the date of each transaction. The Company uses the average exchange rate of each month only if the exchange rate does not fluctuate significantly.

		Exchange Rates of Local Currencies Translated to Mexican Pesos				
		Average Exchange Rate for			Exchange Rate as of	
Country or Zone	Functional Currency	**2013**	2012	2011	**2013**	2012
Mexico	Mexican peso	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00
Guatemala	Quetzal	1.62	1.68	1.59	1.67	1.65
Costa Rica	Colon	0.03	0.03	0.02	0.03	0.03
Panama	U.S. dollar	12.77	13.17	12.43	13.08	13.01
Colombia	Colombian peso	0.01	0.01	0.01	0.01	0.01
Nicaragua	Cordoba	0.52	0.56	0.55	0.52	0.54
Argentina	Argentine peso	2.34	2.90	3.01	2.01	2.65
Venezuela	Bolivar	2.13	3.06	2.89	2.08	3.03
Brazil	Reais	5.94	6.76	7.42	5.58	6.37
Philippines	Philippines peso	0.30	0.31	0.29	0.29	0.32

The Company has operated under exchange controls in Venezuela since 2003 that affect its ability to remit dividends abroad or make payments other than in local currencies and that may increase the real price of raw materials purchased in local currency.

In February 2013, the Venezuelan government announced a devaluation of its official exchange rates from 4.30 to 6.30 bolivars per U.S. dollar. As a result of this devaluation, the statement of financial position of the Company's Venezuelan subsidiary reflected a reduction in shareholders' equity of Ps. 3,700, approximately, which was accounted since February 2013 as part of other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in other comprehensive income in respect of that operation attributable to the owners of the Company are recognized in the consolidated income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint ventures that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Foreign exchange differences arising are recognized in equity as part of the cumulative translation adjustment.

The translation of assets and liabilities denominated in foreign currencies into Mexican pesos is for consolidation purposes and does not indicate that the Company could realize or settle the reported value of those assets and liabilities in Mexican pesos. Additionally, this does not indicate that the Company could return or distribute the reported Mexican peso value equity to its shareholders.

3.4 Recognition of the effects of inflation in countries with hyperinflationary economic environments

The Company recognizes the effects of inflation on the financial information of its Venezuelan subsidiary that operates in hyperinflationary economic environments (when cumulative inflation of the three preceding years is approaching, or exceeds, 100% or more in addition to other qualitative factors), which consists of:

- Using inflation factors to restate non-monetary assets, such as inventories, property, plant and equipment, intangible assets, including related costs and expenses when such assets are consumed or depreciated.
- Applying the appropriate inflation factors to restate capital stock, additional paid-in capital, net income, retained earnings and items of other comprehensive income by the necessary amount to maintain the purchasing power equivalent in the currency of the corresponding hyperinflationary country on the dates such capital was contributed or income was generated up to the date of these consolidated financial statements are presented; and
- Including the monetary position gain or loss in consolidated net income.

The Company restates the financial information of subsidiaries that operate in hyperinflationary economic environment using the consumer price index of each country.

As of December 31, 2013, 2012, and 2011, the operations of the Company are classified as follows:

Country	Cumulative Inflation 2011- 2013	Type of Economy	Cumulative Inflation 2010- 2012	Type of Economy	Cumulative Inflation 2009- 2011	Type of Economy
Mexico	12.2%	Non-hyperinflationary	12.3%	Non-hyperinflationary	12.3%	Non-hyperinflationary
Guatemala	14.8%	Non-hyperinflationary	15.8%	Non-hyperinflationary	11.6%	Non-hyperinflationary
Costa Rica	13.1%	Non-hyperinflationary	15.9%	Non-hyperinflationary	15.3%	Non-hyperinflationary
Panama	15.2%	Non-hyperinflationary	16.7%	Non-hyperinflationary	13.7%	Non-hyperinflationary
Colombia	7.8%	Non-hyperinflationary	9.6%	Non-hyperinflationary	9.1%	Non-hyperinflationary
Nicaragua	20.7%	Non-hyperinflationary	25.7%	Non-hyperinflationary	18.6%	Non-hyperinflationary
Argentina	34.0%	Non-hyperinflationary	34.6%	Non-hyperinflationary	30.8%	Non-hyperinflationary
Venezuela	139.3%	Hyperinflationary	94.8%	Hyperinflationary	102.9%	Hyperinflationary
Brazil	18.9%	Non-hyperinflationary	19.4%	Non-hyperinflationary	17.4%	Non-hyperinflationary
Philippines (equity method investment)	11.3%	Non-hyperinflationary	11.1%	Non-hyperinflationary	12.7%	Non-hyperinflationary

While the Venezuelan economy's cumulative inflation rate for the period 2010-2012 was less than 100%, it was approaching 100%, and qualitative factors support its continued classification as a hyper-inflationary economy.

3.5 Cash and cash equivalents

Cash is measured at nominal value and consists of non-interest bearing bank deposits. Cash equivalents consist principally of short-term bank deposits and fixed rate investments, both with maturities of three months or less at the acquisition date and are recorded at acquisition cost plus interest income not yet received, which is similar to market prices.

The Company also maintains restricted cash held as collateral to meet certain contractual obligations (see Note 9). Restricted cash is presented within other current financial assets given that the restrictions are short-term in nature.

3.6 Financial assets

Financial assets are classified into the following specified categories: "fair value through profit or loss (FVTPL)", "held-to-maturity investments", "available-for-sale" and "loans and receivables". The classification depends on the nature and purpose of holding the financial assets and is determined at the time of initial recognition.

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

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

The Company's financial assets include cash and cash equivalents, marketable securities, loans and receivables, derivative financial instruments and other financial assets.

3.6.1 Effective interest rate method
The effective interest rate method is a method of calculating the amortized cost of loans and receivables and other financial assets (designated as held to maturity) and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.6.2 Marketable securities
Marketable securities consist of debt securities and bank deposits with maturities of more than three months at the acquisition date. Management determines the appropriate classification of investments at the time of purchase and assesses such designation as of each reporting date, see Note 6.

3.6.2.1 Available-for-sale marketable securities are carried at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive income. Interest and dividends on investments classified as available-for-sale are included in interest income. The fair values of the investments are readily available based on quoted market prices. The exchange effects of securities available for sale are recognized in the consolidated income statement in the period in which they arise.

3.6.2.2 Held-to maturity marketable securities are those that the Company has the positive intent and ability to hold to maturity, and are carried at acquisition cost which includes any cost of purchase and premium or discount related to the investment which is amortized over the life of the investment based on its outstanding balance utilizing the effective interest method less any impairment. Interest and dividends on investments classified as held-to maturity are included in interest income. As of December 31, 2013, and 2012 there were no investments classified as held to maturity.

3.6.2.3 Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of profit or loss.

3.6.3 Loans and receivables
Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Loans and receivables with a relevant period (including trade and other receivables) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. For the years ended December 31, 2013, 2012 and 2011 the interest income on loans and receivables recognized in the interest income line item within the consolidated income statements is Ps. 61, Ps. 58 and Ps. 40, respectively.

3.6.4 Other financial assets
Other financial assets are non-current accounts receivable and derivative financial instruments. Other financial assets with a relevant period are measured at amortized cost using the effective interest method, less any impairment.

3.6.5 Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

Evidence of impairment may include indicators as follows:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquent in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance for doubtful accounts. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in consolidated net income.

3.6.6 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the financial asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.6.7 Offsetting of financial instruments

Financial assets are required to be offset against financial liabilities and the net amount reported in the consolidated statement of financial position if, and only when the Company:

- Currently has an enforceable legal right to offset the recognized amounts, and
- Intends to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.7 Derivative financial instruments

The Company is exposed to different risks related to cash flows, liquidity, market and third party credit. As a result, the Company contracts different derivative financial instruments in order to reduce its exposure to the risk of exchange rate fluctuations between the Mexican peso and other currencies, and interest rate fluctuations associated with its borrowings denominated in foreign currencies and the exposure to the risk of fluctuation in the costs of certain raw materials.

The Company values and records all derivative financial instruments and hedging activities, in the consolidated statement of financial position as either an asset or liability measured at fair value, considering quoted prices in recognized markets. If such instruments are not traded in a formal market, fair value is determined by applying techniques based upon technical models supported by sufficient, reliable and verifiable market data, recognized in the financial sector. Changes in the fair value of derivative financial instruments are recorded each year in current earnings or as a component of cumulative other comprehensive income based on the item being hedged and the effectiveness of the hedge.

3.7.1 Hedge accounting

The Company designates certain hedging instruments, which include derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

3.7.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading valuation of the effective portion of derivative financial instruments. The gain or loss relating to the ineffective portion is recognized immediately in consolidated net income, and is included in the market value (gain) loss on financial instruments line item within the consolidated statements of income.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to consolidated net income in the periods when the hedged item is recognized in consolidated net income, in the same line of the consolidated statement of income as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in cumulative other comprehensive income in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in consolidated net income. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in consolidated net income.

3.7.3 Fair value hedges

The change in the fair value of a hedging derivative is recognized in the statement of profit or loss as foreign exchange gain. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of profit or loss as foreign exchange gain.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit and loss.

3.8 Fair value measurement

The Company measures financial instruments, such as, derivatives, and non-financial assets such, at fair value at each balance sheet date. Also, fair values of bank loans and notes payable carried at amortized cost are disclosed in Note 18.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring fair value measurement, such as those described in Note 20 and unquoted liabilities such as Debt described in Note 18.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.9 Inventories and cost of goods sold

Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Inventories represent the acquisition or production cost which is incurred when purchasing or producing a product, and are based on the weighted average cost formula.

Cost of goods sold is based on average cost of the inventories at the time of sale. Cost of goods sold includes expenses related to the purchase of raw materials used in the production process, as well as labor costs (wages and other benefits), depreciation of production facilities, equipment and other costs, including fuel, electricity, equipment maintenance, inspection and plant transfer costs.

3.10 Other current assets

Other current assets, which will be realized within a period of less than one year from the reporting date, are comprised of prepaid assets and agreements with customers.

Prepaid assets principally consist of advances to suppliers of raw materials, advertising, promotional, leasing and insurance expenses, and are recognized as other current assets at the time of the cash disbursement, and are unrecognized in the consolidated statement of financial position or consolidated income statement caption when the risks and rewards of the related goods have been transferred to the Company or services have been received, respectively.

The Company has prepaid advertising costs which consist of television and radio advertising airtime paid in advance. These expenses are generally amortized over the period based on the transmission of the television and radio spots. The related production costs are recognized in consolidated net income as incurred.

The Company has agreements with customers for the right to sell and promote the Company's products over a certain period. The majority of these agreements have terms of more than one year, and the related costs are amortized using the straight-line method over the term of the contract, with amortization presented as a reduction of net sales. During the years ended December 31, 2013, 2012 and 2011, such amortization aggregated to Ps. 696, Ps. 970 and Ps. 793, respectively.

3.11 Investments in associates and joint arrangements

3.11.1 Investments in associates

Associates are those entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

Investments in associates are accounted for using the equity method and initial recognition comprises the investment's purchase price and any directly attributable expenditure necessary to acquire it.

When the Company's share of losses exceeds the carrying amount of the associate, including any non-current investments, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has a legal or constructive obligation or has made payments on behalf of the associate.

Goodwill identified at the acquisition date is presented as part of the investment in shares of the associate in the consolidated statement of financial position. Any goodwill arising on the acquisition of the Company's interest in associate is accounted for in accordance with the Company's accounting policy for goodwill arising in a business combination, see Note 3.2.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on its investment in its associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the share of the profit or loss of associates accounted for using the equity method in the consolidated statements of income.

3.11.2 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Company classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Company's rights to the assets and obligations for the liabilities of the arrangements

Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Company recognizes its interest in the joint ventures as an investment and accounts for that investment using the equity method. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. As of December 31, 2013 and 2012 the Company does not have an interest in joint operations.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on its investment in its joint venture. The Company determines at each reporting date whether there is any objective evidence that the investment in the joint ventures is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognizes the amount in the share of the profit or loss of joint ventures accounted for using the equity method in the consolidated statements of income.

3.12 Property, plant and equipment

Property, plant and equipment are initially recorded at their cost of acquisition and/or construction and are presented net of accumulated depreciation and/or accumulated impairment losses, if any. The borrowing costs related to the acquisition or construction of qualifying asset is capitalized as part of the cost of that asset.

Major maintenance costs are capitalized as part of total acquisition cost. Routine maintenance and repair costs are expensed as incurred.

Investments in progress consist of long-lived assets not yet in service, in other words, that are not yet used for the purpose that they were bought, built or developed. The Company expects to complete those investments during the following 12 months.

Depreciation is computed using the straight-line method over acquisition cost. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted and depreciated for as separate items (major components) of property, plant and equipment. The Company estimates depreciation rates, considering the estimated useful lives of the assets.

The estimated useful lives of the Company's principal assets are as follows:

	Years
Buildings	40 - 50
Machinery and equipment	10 - 20
Distribution equipment	7 - 15
Refrigeration equipment	5 - 7
Returnable bottles	1.5 - 4
Other equipment	3 - 10

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds (if any) and the carrying amount of the asset and is recognized in consolidated net income.

Returnable and non-returnable bottles:

The Company has two types of bottles: returnable and non-returnable.

- Non-returnable: Are recorded in consolidated net income at the time of product sale.
- Returnable: Are classified as long-lived assets as a component of property, plant and equipment. Returnable bottles are recorded at acquisition cost; for countries with hyperinflationary economies, restated according to IAS 29. Depreciation of returnable bottles is computed using the straight-line method considering their estimated useful lives.

There are two types of returnable bottles:

- Those that are in the Company's control within its facilities, plants and distribution centers; and
- Those that have been placed in the hands of customers, but still belong to the Company.

Returnable bottles that have been placed in the hands of customers are subject to an agreement with a retailer pursuant to which the Company retains ownership. These bottles are monitored by sales personnel during periodic visits to retailers and the Company has the right to charge any breakage identified to the retailer. Bottles that are not subject to such agreements are expensed when placed in the hands of retailers.

The Company's returnable bottles are depreciated according to their estimated useful lives. Deposits received from customers are amortized over the same useful estimated lives of the bottles.

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs may include:

- interest expense; and
- exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in consolidated net income in the period in which they are incurred.

3.14 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance and represent payments whose benefits will be received in future years. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite, in accordance with the period over which the Company expects to receive the benefits.

Intangible assets with finite useful lives are amortized and mainly consist of information technology and management system costs incurred during the development stage which are currently in use. Such amounts are capitalized and then amortized using the straight-line method over their expected useful lives. Expenses that do not fulfill the requirements for capitalization are expensed as incurred.

Amortized intangible assets, such as finite lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable through its expected future cash flows.

Intangible assets with an indefinite life are not amortized and are subject to impairment tests on an annual basis as well as whenever certain circumstances indicate that the carrying amount of those intangible assets exceeds their recoverable value.

The Company's intangible assets with an indefinite life mainly consist of rights to produce and distribute Coca-Cola trademark products in the Company's territories. These rights are contained in agreements that are standard contracts that The Coca-Cola Company has with its bottlers.

The Company has separate bottler agreements with The Coca-Cola Company for each of the territories in which it operates, on substantially the same terms and conditions. In Mexico, the Company has nine bottler agreements for Coca-Cola FEMSA's territories; two expire in June 2023, two expire in May 2025 and additionally five contracts that arose from the mergers with Grupo Tampico, CIMSA, Grupo Fomento Queretano and Grupo Yoli expire in September 2014, April and July 2016 and two in August 2014, respectively. The bottler agreement for Argentina expires in September 2014, for Brazil in April 2014 and October 2017, for Colombia in June 2014, for Venezuela in August 2016, for Guatemala in March 2015, for Costa Rica in September 2017, for Nicaragua in May 2016 and for Panama in November 2014. These bottler agreements are automatically renewable for ten-year term, subject to the right of either party to give prior notice that it does not wish to renew the agreement. In addition, these agreements generally may be terminated in the case of a 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 non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

For goodwill and other indefinite lived intangible assets, the Company tests for impairment on an annual basis and whenever certain circumstances indicate that the carrying amount of the cash generating unit might exceed its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated net income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in consolidated net income. Impairment losses related to goodwill are not reversible.

As of December, 31 2013 and 2012 there was no impairment recognized in non-financial assets.

3.17 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in consolidated net income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Leasehold improvements, on operating leases are amortized using the straight-line method over the shorter of either the useful life of the assets or the related lease term.

3.18 Financial liabilities and equity instruments

3.18.1 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.18.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.18.3 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value less, in the case of loans and borrowings, directly attributable transaction costs.

The Company financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments, see Note 3.7.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

3.18.4 Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest method. The effective interest method amortization is included in interest expense in the consolidated statements of income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

3.19 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Company recognizes a provision for a loss contingency when it is probable (i.e. the probability that the event will occur is greater than the probability that it will not) that certain effects related to past events, would materialize and can be reasonably quantified. These events and their financial impact are also disclosed as loss contingencies in the consolidated financial statements when the risk of loss is deemed to be other than remote. The Company does not recognize an asset for a gain contingency until the gain is realized, see Note 25.

Restructuring provisions are recognized only when the recognition criteria for provisions are fulfilled. The Company has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected must have been notified of the plans main features.

3.20 Post-employment and other non-current employee benefits

Post-employment and other non-current employee benefits, which are considered to be monetary items, include obligations for pension and post-employment plans and seniority premiums, all based on actuarial calculations, using the projected unit credit method.

In Mexico and Brazil, the economic benefits and retirement pensions are granted to employees with 10 years of service and minimum age of 60 and 65, respectively. In accordance with Mexican Labor Law, the Company provides seniority premium benefits to its employees under certain circumstances. These benefits consist of a one-time payment equivalent to 12 days wages for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit.

For defined benefit retirement plans and other non-current employee benefits, such as the Company's sponsored pension and retirement plans and seniority premiums, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. All remeasurements of the Company's defined benefit obligation such as actuarial gains and losses and return on plan assets are recognized directly in other comprehensive income (**"**OCI**"**). The Company presents service costs within cost of goods sold, administrative and selling expenses in the consolidated statements of income. The Company presents net interest cost within interest expense in the consolidated statements of income. The projected benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation as of the end of each reporting period. Certain subsidiaries of the Company have established plan assets for the payment of pension benefits and seniority premiums through irrevocable trusts of which the employees are named as beneficiaries, which serve to increase the funded status of such plans' related obligations.

Costs related to compensated absences, such as vacations and vacation premiums, are recognized on an accrual basis. Cost for mandatory severance benefits are recorded as incurred.

The Company recognizes a liability and expense for termination benefits at the earlier of the following dates:

a) When it can no longer withdraw the offer of those benefits; and

b) When it recognizes costs for a restructuring that is within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and involves the payment of termination benefits.

The Company is demonstrably committed to a termination when, and only when, the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

A settlement occurs when an employer enters into a transaction that eliminates all further legal 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.

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, 2013, 2012 and 2011, these distribution costs amounted to Ps. 17,971, Ps. 16,839 and Ps. 14,967, respectively;
- Sales: labor costs (salaries and other benefits including PTU) and sales commissions paid to sales personnel;
- Marketing: labor costs (salaries and other benefits), promotional expenses and advertising costs.

PTU is paid by the Company's Mexican and Venezuelan subsidiaries to its eligible employees. In Mexico, employee profit sharing is computed at the rate of 10% of the individual company taxable income, except for considering cumulative dividends received from resident legal persons in Mexico, depreciation of historical rather tax restated values, foreign exchange gains and losses, which are not included until the asset is disposed of or the liability is due and other effects of inflation are also excluded. As of January 1, 2014, PTU in Mexico will be calculated from the same taxable income for income tax, except for the following: a) neither tax losses from prior years nor the PTU paid during the year are being decrease; and b) payments exempt from taxes for the employees are fully deductible in the PTU computation.

In Venezuela, employee profit sharing is computed at a rate equivalent to 15% of after tax income, and it is no more than four months of salary.

3.23 Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. Income taxes are charged to consolidated net income as they are incurred, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

3.23.1 Current income taxes

Income taxes are recorded in the results of the year they are incurred.

3.23.2 Deferred income taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized and if any, future benefits from tax loss carry forwards and certain tax credits. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, except in the case of Brazil, where certain goodwill amounts are at times deductible for tax purposes.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred income taxes are classified as a non-current asset or liability, regardless of when the temporary differences are expected to reverse. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

In Mexico, the income tax rate is 30% for 2011, 2012 and 2013. As a result of the Mexican Tax Reform discussed below, it will also be 30% for 2014.

3.24 Share-based payments transactions

Senior executives of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments. The equity instruments are granted and then held by a trust controlled by FEMSA. They are accounted for as equity settled transactions. The award of equity instruments is granted to a fixed value.

Share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the share-based payments is expensed and recognized based on the graded vesting method over the vesting period.

3.25 Earnings per share

The Company presents basic earnings per share (EPS) data for its shares. The Company does not have potentially dilutive shares and therefore its basic earnings per share is equivalent to its diluted earnings per share. Basic EPS is calculated by dividing the net income attributable to controlling interest by the weighted average number of shares outstanding during the period adjusted for the weighted average of own shares purchased in the year.

3.26 Issuance of-stock

The Company recognizes the issuance of own stock as an equity transaction. The difference between the book value of the shares issued and the amount contributed by the non-controlling interest holder or third party is recorded as additional paid-in capital.

NOTE 4. Mergers and Acquisitions

4.1 Mergers and Acquisitions

The Company has certain business mergers and acquisitions that were recorded using the acquisition method of accounting. The results of the acquired operations have been included in the consolidated financial statements since the date on which the Company obtained control of the business, as disclosed below. Therefore, the consolidated statements of income and the consolidated statements of financial position in the years of such acquisitions are not comparable with previous periods. The consolidated statements of cash flows for the years ended December 31, 2013, 2012 and 2011 show the merged and acquired operations net of the cash related to those mergers and acquisitions.

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

4.1.1 Acquisition of Grupo Spaipa

On October 29, 2013, the Company through its Brazilian subsidiary Spal Industria Brasileira de Bebidas, S.A. completed the acquisition of 100% of Grupo Spaipa. Grupo Spaipa is comprised of the bottler entity Spaipa S.A. Industria Brasileira de Bebidas and three Holding Companies (collectively "Spaipa") for Ps. 26,856 in an all cash transaction. Spaipa is a bottler of Coca-Cola trademark products which operates mainly in Sao Paulo and Paraná, Brazil. This acquisition was made to reinforce the Company's leadership position in South America and throughout Latin America. Transaction related costs of Ps. 8 were expensed by the Company as incurred, and recorded as a component of administrative expenses in the accompanying consolidated income statements. Spaipa was included in operating results from November 2013.

As of December 31, 2013 the Company is still in the process of completing its purchase price allocation of this transaction. Specifically, it is in the process of evaluating the fair value of the net assets acquired which are in the process of completion with the assistance of a third party valuation expert. The Company ultimately anticipates allocating a large component of this purchase price to the value of the distribution agreement with the Coca-Cola Company, which will be an indefinite life intangible asset.

The Company preliminary estimate of fair value of Spaipa's net assets acquired is as follows:

		2013
Total current assets, including cash acquired of Ps. 3,800	Ps.	5,918
Total non-current assets		5,390
Distribution rights		13,731
Total assets		25,039
Total liabilities		(5,734)
Net assets acquired		19,305
Goodwill		7,551
Total consideration transferred	Ps.	26,856

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to the Company cash generating unit in Brazil. The goodwill recognised amd expected to be deductible for income tax purposes according to Brazil tax Law, is for an amount of Ps.22,202.

Selected income statement information of Spaipa for the period from to the acquisition date through December 31, 2013 is as follows:

Income statement		2013
Total revenues	Ps.	2,466
Income before taxes		354
Net income	Ps.	311

4.1.2 Acquisition of Companhia Fluminense de Refrigerantes

On August 22, 2013, the Company through its Brazilian subsidiary Spal Industria Brasileira de Bebidas S.A., completed the acquisition of 100% of Companhia Fluminense de Refrigerantes ("Companhia Fluminense") for Ps. 4,657 in an all cash transaction. Companhia Fluminense is a bottler of Coca-Cola trademark products which operates in the states of Minas Gerais, Rio de Janeiro, and Sao Paulo, Brazil. This acquisition was made to reinforce the Company's leadership position in South America and throughout Latin America. Transaction related costs of Ps. 11 were expensed by the Company as incurred, and recorded as a component of administrative expenses in the accompanying consolidated income statements. Companhia Fluminense was included in operating results from September 2013.

As of December 31, 2013 the Company is still in the process of completing its purchase price allocation of this transaction. Specifically, it is in the process of evaluating the fair value of the net assets acquired which are in the process of completion with the assistance of a third party valuation expert. The Company ultimately anticipates allocating a large component of this purchase price to the value of the distribution agreement with the Coca-Cola Company, which will be an indefinite life intangible asset.

The Company preliminary estimate of fair value of Companhia Fluminense's net assets acquired is as follows:

		2013
Total current assets, including cash acquired of Ps. 9	Ps.	515
Total non-current assets		1,467
Distribution rights		2,634
Total assets		4,616
Total liabilities		(1,581)
Net assets acquired		3,035
Goodwill		1,622
Total consideration transferred	Ps.	4,657

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to Coca-Cola FEMSA's cash generating unit in Brazil. The goodwill recognised is expected to be deductible for income tax purposes according to Brazil tax Law is for an amount of Ps.4,581.

Selected income statement information of Companhia Fluminense for the period from the acquisition the though December 31, 2013 is as follows:

Income statement		2013
Total revenues	Ps.	981
Loss before taxes		(39)
Net loss	Ps.	(34)

4.1.3 Merger with Grupo YOLI

On May 24, 2013, the Company completed the merger of 100% of Grupo Yoli. Grupo Yoli comprises the bottler entity YOLI de Acapulco, S.A. de C.V. and nine other entities. Grupo Yoli is a bottler of Coca-Cola trademark products which operates mainly in the state of Guerrero, as well as in parts of the state of Oaxaca in México. This merger was made to reinforce the Company's leadership position in Mexico and throughout Latin America. The transaction involved the issuance of 42,377,925 new L shares of Coca-Cola FEMSA, along with a cash payment immediately prior to closing of Ps. 1,109, in exchange for 100% share ownership of Grupo YOLI, which was accomplished through a merger. The total purchase price was Ps. 9,130 based on a share price of Ps. 189.27 per share on May 24, 2013. Transaction related costs of Ps. 82 were expensed by the Company as incurred, and recorded as a component of administrative expenses in the accompanying consolidated income statements. Grupo YOLI was included in operating results from June 2013.

The fair value of Grupo YOLI net assets acquired is as follows:

		2013
Total current assets, including cash acquired of Ps. 63	Ps.	837
Total non-current assets		2,144
Distribution rights		3,503
Total assets		6,484
Total liabilities		(1,487)
Net assets acquired		4,997
Goodwill		4,133
Total consideration transferred	Ps.	9,130

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to the Company's cash generating unit in Mexico. The entire amount of goodwill will not be tax deductible.

Selected income statement information of Grupo YOLI for the period from to the acquisition date through December 31, 2013 is as follows:

Income statement		2013
Total revenues	Ps.	2,240
Income before taxes		70
Net income	Ps.	44

4.1.4 Merger with Grupo Fomento Queretano

On May 4, 2012, Coca-Cola FEMSA completed the merger of 100% of Grupo Fomento Queretano. Grupo Fomento Queretano comprises the bottler entity Refrescos Victoria del Centro, S. de R.L. de C.V. and three other entities. Grupo Fomento Queretano is a bottler of Coca-Cola trademark products in the state of Queretaro in Mexico. This merger was made to reinforce The Company's leadership position in Mexico and throughout Latin America. The transaction involved the issuance of 45,090,375 new L shares of Coca-Cola FEMSA, along with a cash payment prior to closing of Ps. 1,221, in exchange for 100% share ownership of Grupo Fomento Queretano, which was accomplished through a merger. The total purchase price was Ps. 7,496 based on a share price of Ps. 139.22 per share on May 4, 2012. Transaction related costs of Ps. 12 were expensed by the Company as incurred, and recorded as a component of administrative expenses in the accompanying consolidated statements of income. Grupo Fomento Queretano was included in operating results from May 2012.

The fair value of the Grupo Fomento Queretano's net assets acquired is as follows:		2012
Total current assets, including cash acquired of Ps. 107	Ps.	445
Total non-current assets		2,123
Distribution rights		2,921
Total assets		5,489
Total liabilities		(598)
Net assets acquired		4,891
Goodwill		2,605
Total consideration transferred	Ps.	7,496

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to Coca-Cola FEMSA's cash generating unit in Mexico. The entire amount of goodwill will not be tax deductible.

Selected income statement information of Grupo Fomento Queretano fom the acquisition date through to December 31, 2012 is as follows:

Statement of income		2012
Total revenues	Ps.	2,293
Income before taxes		245
Net income	Ps.	186

4.1.5 Acquisition of Grupo CIMSA

On December 9, 2011, the Company completed the merger of 100% of Grupo CIMSA. Grupo CIMSA comprises the bottler entity Grupo Embotellador CIMSA, S.A. de C.V. and four other entities. Grupo CIMSA is a bottler of Coca-Cola trademark products, which operates mainly in the states of Morelos and Mexico, as well as in parts of the states of Guerrero and Michoacan in Mexico. This merger was also made to reinforce the Company's leadership position in Mexico and throughout Latin America. The transaction involved the issuance of 75,423,728 new L shares of Coca-Cola FEMSA along with a cash payment prior to closing of Ps. 2,100 in exchange for 100% share ownership of Grupo CIMSA, which was accomplished through a merger. The total purchase price was Ps. 11,117 based on a share price of Ps. 119.55 per share on December 9, 2011. Transaction related costs of Ps. 24 were expensed by the Company as incurred, and recorded as a component of administrative expenses in the accompanying consolidated statements of income. Grupo CIMSA was included in operating results from December 2011.

The fair value of Grupo CIMSA's net assets acquired is as follows:

		2011
Total current assets, including cash acquired of Ps. 188	Ps.	603
Total non-current assets		3,055
Distribution rights		6,186
Total assets		9,844
Total liabilities		(558)
Net assets acquired		9,286
Goodwill		1,831
Total consideration transferred	Ps.	11,117

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to Coca-Cola FEMSA's cash generating unit in Mexico. The entire amount of goodwill will not be tax deductible.

Selected statement of income information of Grupo CIMSA for the one month of December 31, 2011 is as follows:

		2011
Total revenues	Ps.	429
Income before taxes		32
Net income		23

4.1.6 Acquisition of Grupo Tampico

On October 10, 2011, the Company completed the merger of 100% of Grupo Tampico. Grupo Tampico comprises the bottler entity Comercializadora la Pureza S.A. de C.V. and another entity. Grupo Tampico is a bottler of Coca-Cola trademark products in the states of Tamaulipas, San Luis Potosí, and Veracruz; as well as in parts of the states of Hidalgo, Puebla and Queretaro in Mexico. This merger also was made to reinforce the Company's leadership position in Mexico and throughout Latin America. The transaction involved the issuance of 63,500,000 new L shares of Coca-Cola FEMSA along with a cash payment prior to closing of Ps. 2,436, in exchange for 100% share ownership of Grupo Tampico, which was accomplished through a merger. The total purchase price was Ps. 10,264 based on a share price of Ps. 123.27 per share on October 10, 2011. Transaction related costs of Ps. 20 were expensed by the Company as incurred, and recorded as a component of administrative expenses in the accompanying consolidated statements of income. Grupo Tampico was included in operating results from October 2011.

The fair value of the Grupo Tampico's net assets acquired is as follows:

		2011
Total current assets, including cash acquired of Ps. 22	Ps.	461
Total non-current assets		2,512
Distribution rights		5,499
Total assets		8,472
Total liabilities		(744)
Net assets acquired		7,728
Goodwill		2,536
Total consideration transferred		10,264

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to the Company's cash generating unit in Mexico. The entire amount of goodwill will not be tax deductible.

Selected statement of income information of Grupo Tampico for the period from the acquisition date through December 31, 2011 is as follows:

Statement of income		2011
Total revenues	Ps.	1,056
Income before taxes		43
Net income		31

Unaudited Pro Forma Financial Data.

The following unaudited 2013 consolidated pro forma financial data represent the Company's historical financial statements, adjusted to give effect to (i) the acquisition of Spaipa, Companhia Fluminense and merger of Grupo Yoli, mentioned in the preceding paragraphs; and (ii) certain accounting adjustments mainly related to the pro forma depreciation of fixed assets of the acquired companies.

	Unaudited Pro Forma Financial Information for the year ended December 31, **2013**
Total revenues	Ps. 168,618
Income before taxes	15,958
Net income	10,357
Earnings per share	4.88

Below are pro-forma 2012 results as if Grupo Fomento Queretano was acquired on January 1, 2012.

	Unaudited Pro Forma Financial Information for the year ended December 31, 2012
Total revenues	Ps. 148,727
Income before taxes	20,080
Net income	13,951
Earnings per share	6.64

Below are pro-forma results as if Grupo Tampico and Grupo CIMSA were acquired on January 1, 2011.

	Unaudited Pro Forma Financial Information for the year ended December 31, 2011
Total revenues	Ps. 132,552
Income before taxes	17,866
Net income	12,019
Earnings per share	6.15

NOTE 5. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and cash equivalents, which are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with a maturity date of less than three months at their acquisition date. Cash at the end of the reporting period consists of the following:

	2013	2012
Cash and bank balances	Ps. 10,542	Ps. 5,520
Cash equivalents (see Notes 3.5)	4,764	17,702
	Ps. 15,306	Ps. 23,222

NOTE 6. Marketable Securities

As of December 31, 2013 and 2012 the marketable securities are classified as available-for-sale. The detail is as follows:

Available-for sale [(1)] Debt Securities	2013	2012
Acquisition cost	Ps. -	Ps. 10
Unrealized gain recognized in other comprehensive income	-	2
Total marketable securities at fair value	Ps. -	Ps. 12

(1) Denominated in U.S. dollars as of December 31, 2012.

For the years ended December 31, 2013, 2012, and 2011, the effect of the marketable securities available for sale in the consolidated income statements under the interest income caption is Ps. -, Ps. 4, and Ps. 34, respectively.

NOTE 7. Accounts Receivable

	2013	2012
Trade receivables	Ps. 7,406	Ps. 6,361
Current trade customer notes receivable	184	377
The Coca-Cola Company (related party) (Note 14)	1,700	1,835
Loans to employees	211	172
Travel advances to employees	47	18
FEMSA and subsidiaries (related parties) (Note 14)	27	379
Other related parties (Note 14)	199	181
Other	586	335
Allowance for doubtful accounts on trade receivables	(399)	(329)
	Ps. 9,958	Ps. 9,329

7.1 Trade receivables

Accounts receivable representing rights arising from sales and loans to employees or any other similar concept, are presented net of discounts and the allowance for doubtful accounts.

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

The carrying value of accounts receivable approximates its fair value as of December 31, 2013 and 2012.

Aging of past due but not impaired		**2013**		2012
60-90 days	Ps.	20	Ps.	174
90-120 days		8		46
120 + days		34		7
Total	Ps.	62	Ps.	227

7.2 Movement in the allowance for doubtful accounts

		2013		2012		2011
Balance at beginning of the year	Ps.	329	Ps.	298	Ps.	223
Allowance for the year		138		280		126
Charges and write-offs of uncollectible accounts		(24)		(221)		(83)
Restatement of beginning balance in hyperinflationary economies and effects of changes in foreign exchange rates		(44)		(28)		32
Balance at end of the year	Ps.	399	Ps.	329	Ps.	298

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Aging of impaired trade receivables		**2013**		2012
60-90 days	Ps.	67	Ps.	2
90-120 days		11		10
120+ days		321		317
Total	Ps.	399	Ps.	329

7.3 Payments from The Coca-Cola Company:

The Coca-Cola Company participates in certain advertising and promotional programs as well as in the Company's refrigeration equipment and returnable bottles investment program. Contributions received by the Company for advertising and promotional incentives are recognized as a reduction in selling expenses and contributions received for the refrigeration equipment and returnable bottles investment program are recorded as a reduction in the investment in refrigeration equipment and returnable bottles items. For the years ended December 31, 2013, 2012 and 2011 contributions received were Ps.4,206, Ps.3,018 and Ps.2,595, respectively.

NOTE 8. Inventories

		2013		2012
Finished products	Ps.	2,402	Ps.	2,302
Raw materials		4,295		3,911
Non strategic spare parts		1,232		802
Inventories in transit		946		1,014
Packing materials		92		59
Other		163		15
	Ps.	9,130	Ps.	8,103

As of December 31, 2013, 2012 and 2011, the Company recognized write-downs of its inventories for Ps. 457, Ps. 95 and Ps. 106 to net realizable value for any periods presented in these consolidated financial statements.

For the years ended at 2013, 2012 and 2011, changes in inventories are comprised as follows and included in the consolidated income statement under the cost of goods sold caption:

		2013		2012		2011
Changes in inventories of finished goods and work in progress	Ps.	9,247	Ps.	9,606	Ps.	10,685
Raw materials and consumables used		49,075		50,363		43,931
	Ps.	58,322	Ps.	59,969	Ps.	54,616

NOTE 9. Other Current Assets and Other Current Financial Assets

9.1 Other Current Assets:

		2013		2012
Prepaid expenses	Ps.	1,334	Ps.	906
Agreements with customers		148		128
Other		101		1
	Ps.	1,583	Ps.	1,035

Prepaid expenses as of December 31, 2013 and 2012 are as follows:

		2013		2012
Advances for inventories	Ps.	469	Ps.	47
Advertising and promotional expenses paid in advance		141		284
Advances to service suppliers		212		289
Prepaid insurance		28		57
Others		484		229
	Ps.	1,334	Ps.	906

Amortization of advertising and deferred promotional expenses recorded in the consolidated income statements for the years ended December 31, 2013, 2012 and 2011 amounted to Ps. 5,391, Ps. 3,681 and Ps. 4,121, respectively.

9.2 Other Current Financial Assets:

		2013		2012
Restricted cash	Ps.	3,106	Ps.	1,465
Derivative financial instruments (See note 20)		28		58
	Ps.	3,134	Ps.	1,523

The Company has pledged part of its short-term deposits in order to fulfill the collateral requirements for the accounts payable in different currencies. As of December 31, 2013 and 2012, the fair value of the short-term deposit pledged were:

		2013		2012
Venezuelan bolivars	Ps.	2,658	Ps.	1,141
Brazilian reais		340		183
Colombian pesos		108		141
Total restricted cash	Ps.	3,106	Ps.	1,465

NOTE 10. Investments in Associates and Joint Ventures

Details of the investments accounted for under the equity method at the end of the reporting period are as follows:

Investee	Principal Activity	Place of Incorporation	Ownership Percentage 2013	Ownership Percentage 2012	Carrying Amount 2013	Carrying Amount 2012
Joint ventures:						
Compañía Panameña de Bebidas S.A.P.I. S.A. de C.V.	Beverages	Mexico	50.0%	50.0%	Ps. 892	Ps. 756
Dispensadoras de Café, S.A.P.I. de C.V.	Services	Mexico	50.0%	50.0%	187	167
Estancia Hidromineral Itabirito, LTDA	Bottling and distribution	Brazil	50.0%	50.0%	142	147
Coca-Cola Bottlers Philippines, Inc. (CCBPI)	Bottling	Philippines	51.0%	-	9,398	-
Associates:						
Jugos del Valle S.A.P.I de C.V. [1]	Beverages	Mexico	26.2%	25.1%	1,470	1,351
Holdfab2 Participações Societárias, LTDA ("Holdfab2") [1][2]	Beverages	Brazil	-	27.7%	-	205
SABB - Sistema de Alimentos e Bebidas Do Brasil LTDA (formerly Sucos del Valle do Brasil LTDA) [1][2]	Beverages	Brazil	-	19.7%	-	902
Leao Alimentos e Bebidas, Ltda. [1][2]	Beverages	Brazil	26.1%	-	2,176	-
Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA") [1]	Caned Bottling	Mexico	32.8%	27.9%	181	141
Industria Mexicana de Reciclaje, S.A. de C.V. ("IMER") [1]	Recycling	Mexico	35.0%	35.0%	90	74
Promotora Industrial Azucarera, S.A. de C.V. [1]	Sugar production	Mexico	36.3%	26.1%	2,034	1,447
KSP Participacoes LTDA [1]	Beverages	Brazil	38.7%	38.7%	85	93
Other Coca-Cola FEMSA	Various	Various	Various	Various	112	69
					Ps. 16,767	Ps. 5,352

Accounting method:

(1) The Company has significant influence due to the fact that it has power to participate in the financial and operating policy decisions of the investee.

(2) During March 2013, Holdfab2 Partiçipações Societárias, LTDA and SABB- Sistema de Alimentos e Bebidas Do Brasil, LTDA. were merged into Leao Alimentos e Bebidas, Ltda.

As mentioned in Note 4, on May 24, 2013 and May 4, 2012, Coca-Cola FEMSA completed the acquisition of 100% of Grupo Yoli and Grupo Fomento Queretaro, respectively. As part of these acquisitions the Company increased its equity interest to 36.3% and 26.1% in Promotora Industrial Azucarera, S.A de C.V., respectively. The Company has recorded the incremental interest acquired at its estimated fair value.

During 2013 the Company made capital contributions to Jugos del Valle S.A.P.I. de C.V. in the amount of Ps. 27.

During 2012 the Company made capital contributions to Jugos del Valle S.A.P.I. de C.V. in the amount of Ps. 469.The funds were mainly used by Jugos del Valle to acquire Santa Clara in Mexico (a dairy products Company).

On January 25, 2013, the Company finalized the acquisition of 51% of Coca-Cola Bottlers Philippines, Inc. (CCBPI) for an amount of $688.5 U.S. dollars (Ps. 8,904) in an all-cash transaction. As part of the agreement, the Company obtained a call option to acquire the remaining 49% of CCBPI at any time during the seven years following the closing. The Company also has a put option to sell its 51% ownership to The Coca-Cola Company at year six, at a price which is based in part on the fair value of CCBPI at the date of acquisition (See Note 20.7).

From the date of the investment acquisition through December 31, 2013, the results of CCBPI have been recognized by the Company using the equity method, given certain substantive participating rights of the Coca-Cola Company in the relevant activities of the operations of the bottler that exist during the first 3 years of ownership.

Summarized financial information for individually immaterial Company's associates accounted for under the equity method is set out below.

	2013	2012	2011
Total current assets	Ps. 8,232	Ps. 6,958	Ps. 7,038
Total non-current assets	11,750	12,023	9,843
Total current liabilities	4,080	3,363	3,376
Total non-current liabilities	3,575	2,352	2,067
Total revenue	20,889	16,609	16,087
Total cost and expenses	20,581	15,514	14,894
Net income	497	858	1,053

Summarized financial information for individually immaterial Company's joint ventures accounted for under the equity method is set out below.

	2013	2012	2011
Total current assets	Ps. 8,622	Ps. 1,612	Ps. 1,091
Total non-current assets	13,561	2,616	3,097
Total current liabilities	6,547	1,977	2,053
Total non-current liabilities	960	106	141
Total revenue	16,844	2,187	2,095
Total cost and expenses	16,622	2,262	2,093
Net income (loss)	125	(77)	(7)

NOTE 11. 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, 2011	Ps. 2,492	Ps. 8,337	Ps. 22,957	Ps. 8,979	Ps. 2,930	Ps. 2,298	Ps. 459	Ps. 613	Ps. 49,065
Additions	1	131	1,188	1,103	1,236	3,510	5	104	7,278
Additions from business combinations	597	1,103	2,309	314	183	202	-	-	4,708
Transfer of completed projects in progress	23	271	1,829	421	521	(3,113)	49	(1)	-
Transfer to/(from) assets classified as held for sale	111	144	(14)	-	-	-	-	(67)	174
Disposals	(52)	(4)	(1,939)	(325)	(901)	5	(98)	(160)	(3,474)
Effects of changes in foreign exchange rates	141	408	1,147	536	143	76	10	81	2,542
Changes in value on the recognition of inflation effects	91	497	1,150	268	3	50	-	11	2,070
Capitalization of borrowing costs	-	-	17	-	-	-	-	-	17
Cost as of December 31, 2011	Ps. 3,404	Ps. 10,887	Ps. 28,644	Ps. 11,296	Ps. 4,115	Ps. 3,028	Ps. 425	Ps. 581	Ps. 62,380

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progresss	Leasehold Improvements	Other	Total
Cost as of January 1, 2012	Ps. 3,404	Ps. 10,887	Ps. 28,644	Ps. 11,296	4,115	Ps. 3,028	Ps. 425	Ps. 581	Ps. 62,380
Additions	97	214	2,262	1,544	1,434	3,838	166	186	9,741
Additions from business combinations	206	390	486	84	18	-	-	-	1,184
Adjustments of fair value of past business combinations	57	312	(462)	(39)	(77)	-	(1)	-	(210)
Transfer of completed projects in progress	137	210	1,106	901	765	(3,125)	6	-	-
Transfer (to)/from assets classified as held for sale	-	-	(27)	-	-	-	-	-	(27)
Disposals	(16)	(99)	(847)	(591)	(324)	(14)	(1)	(69)	(1,961)
Effects of changes in foreign exchange rates	(107)	(485)	(1,475)	(451)	(134)	(28)	(58)	(41)	(2,779)
Changes in value on the recognition of inflation effects	85	471	1,138	275	17	(31)	-	83	2,038
Capitalization of borrowing costs	-	-	16	-	-	-	-	-	16
Cost as of December 31, 2012	Ps. 3,863	Ps. 11,900	Ps. 30,841	Ps. 13,019	Ps. 5,814	Ps. 3,668	Ps. 537	Ps. 740	Ps. 70,382

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progresss	Leasehold Improvements	Other	Total
Cost as of January 1, **2013**	Ps. 3,863	Ps. 11,900	Ps. 30,841	Ps. 13,019	Ps. 5,814	Ps. 3,668	Ps. 537	Ps. 740	Ps. 70,382
Additions	77	120	1,512	1,445	1,435	5,685	-	341	10,615
Additions from business combinations	534	2,268	2,414	428	96	614	-	264	6,618
Transfer of completed projects in progress	389	750	875	1,144	785	(3,991)	48	-	-
Transfer (to)/from assets classified as held for sale	-	-	(189)	-	-	-	-	-	(189)
Disposals	(1)	(168)	(968)	(749)	(324)	(332)	(12)	(14)	(2,568)
Effects of changes in foreign exchange rates	(250)	(1,331)	(3,588)	(1,135)	(466)	(208)	(99)	(55)	(7,132)
Changes in value on the recognition of inflation effects	228	1,191	2,252	603	46	165	-	277	4,762
Capitalization of borrowing costs	-	-	32	-	-	-	-	-	32
Cost as of December 31, **2013**	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

Cost	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, 2011	Ps. -	Ps. (2,762)	Ps. (11,923)	(5,068)	Ps. (478)	Ps. -	Ps. (190)	(174)	Ps. (20,595)
Depreciation for the year	-	(233)	(1,670)	(1,033)	(853)	-	(14)	(47)	(3,850)
Transfer (to)/from assets classified as held for sale	-	(41)	(3)	-	-	-	-	-	(44)
Disposals	-	-	1,741	154	335	-	89	67	2,386
Effects of changes in foreign exchange rates	-	(169)	(512)	(270)	(35)	-	-	(29)	(1,015)
Changes in value on the recognition of inflation effects	-	(280)	(653)	(202)	-	-	-	(25)	(1,160)
Accumulated depreciation as of December 31, 2011	Ps.	Ps. (3,485)	Ps. (13,020)	Ps. (6,419)	Ps. (1,031)	Ps. -	Ps. (115)	Ps. (208)	Ps. (24,278)

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, 2012	Ps. -	Ps. (3,485)	Ps. (13,020)	(6,419)	Ps. (1,031)	Ps. -	Ps. (115)	(208)	Ps. (24,278)
Depreciation for the year	-	(252)	(2,279)	(1,301)	(1,149)	-	(25)	(72)	(5,078)
Transfer (to)/from assets classified as held for sale	-	-	12	-	-	-	-	(26)	(14)
Disposals	-	138	520	492	200	-	7	1	1,358
Effects of changes in foreign exchange rates	-	200	754	303	(5)	-	68	(5)	1,315
Changes in value on the recognition of inflation effects	-	(288)	(672)	(200)	(3)	-	-	(5)	(1,168)
Accumulated depreciation as of December 31, 2012	Ps.	Ps. (3,687)	Ps. (14,685)	Ps. (7,125)	Ps. (1,988)	Ps. -	Ps. (65)	Ps. (315)	Ps. (27,865)

Accumulated Depreciation	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progresss	Leasehold Improvements	Other	Total
Accumulated depreciation as of January 1, **2013**	Ps. -	Ps. (3,687)	Ps. (14,685)	Ps. (7,125)	Ps. (1,988)	Ps. -	Ps. (65)	Ps. (315)	Ps. (27,865)
Depreciation for the year	-	(297)	(2,639)	(1,631)	(1,662)	-	(46)	(96)	(6,371)
Transfer (to)/from assets classified as held for sale	-	-	88	-	-	-	-	-	88
Disposals	-	160	953	785	33	-	12	6	1,949
Effects of changes in foreign exchange rates	-	587	2,044	755	143	-	8	73	3,610
Changes in value on the recognition of inflation effects	-	(583)	(993)	(442)	(6)	-	-	(122)	(2,146)
Accumulated depreciation as of December 31, 2013	Ps. -	Ps. (3,820)	Ps. (15,232)	Ps. (7,658)	Ps. (3,480)	Ps. -	Ps. (91)	Ps. (454)	Ps. (30,735)

Carrying Amount	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progresss	Leasehold Improvements	Other	Total
As of December 31, 2011	Ps. 3,404	Ps. 7,402	Ps. 15,624	Ps. 4,877	Ps. 3,084	Ps. 3,028	Ps. 310	Ps. 373	Ps. 38,102
As of December 31, 2012	Ps. 3,863	Ps. 8,213	Ps. 16,156	Ps. 5,894	Ps. 3,826	Ps. 3,668	Ps. 472	Ps. 425	Ps. 42,517
As of December 31, **2013**	Ps. 4,840	Ps. 10,910	Ps. 17,949	Ps. 7,097	Ps. 3,906	Ps. 5,601	Ps. 383	Ps. 1,099	Ps. 51,785

During the years ended December 31, 2013, 2012, and 2011 the Company capitalized Ps. 32, Ps. 16, and Ps. 17, respectively of borrowing costs in relation to Ps. 790, Ps. 196, and Ps. 256 in qualifying assets. The effective interest rates used to determine the amount of borrowing costs eligible for capitalization were 4.1%, 4.3%, and 5.8% respectively.

For the years ended December 31, 2013, 2012, and 2011 interest expenses and net foreign exchange losses (gains) are analyzed as follows:

	2013	2012	2011
Interest expense and foreign exchange losses (gains)	Ps. 3,830	Ps. 1,284	Ps. 1,313
Amount capitalized (1)	57	38	185
Net amount in consolidated statements of income	Ps. 3,773	Ps. 1,246	Ps. 1,128

(1) Amount capitalized in property, plant and equipment and amortized intangible assets.

Commitments related to acquisitions of property, plant and equipment are disclosed in Note 25.

NOTE 12. Intangible Assets

Cost	Rights to produce and distribute Coca-Cola trademark	Goodwilll	Other indefinite lived intangible assets	Technology sosts and management systems	Development systems	Other amortizables	Total
Balance as of January 1, 2011	Ps. 41,173	Ps. -	Ps. 11	Ps. 1,152	Ps. 1,389	Ps. 87	Ps. 43,812
Purchases	-	-	85	196	300	48	629
Acquisition from business combinations	11,878	4,515	-	66	3	-	16,462
Transfer of completed development systems	-	-	-	261	(261)	-	-
Effect of movements in exchange rates	1,072	-	-	30	-	7	1,109
Changes in value on the recognition of inflation effects	815	-	-	-	-	-	815
Capitalization of borrowing cost	-	-	-	168	-	-	168
Cost as of December 31, 2011	Ps. 54,938	Ps. 4,515	Ps. 96	Ps. 1,873	Ps. 1,431	Ps. 142	Ps. 62,995
Balance as of January 1, 2012	Ps. 54,938	Ps. 4,515	Ps. 96	Ps. 1,873	Ps. 1,431	Ps. 142	Ps. 62,995
Purchases	-	-	6	34	90	105	235
Acquisition from business combinations	2,973	2,605	-	-	-	-	5,578
Changes in fair value of past acquisitions	(42)	(148)	-	-	-	-	(190)
Internally development	-	-	-	-	38	-	38
Transfer of completed development systems	-	-	-	559	(559)	-	-
Effect of movements in exchange rates	(478)	-	-	(97)	(3)	(3)	(581)
Changes in value on the recognition of inflation effects	(121)	-	-	-	-	-	(121)
Capitalization of borrowing cost	-	-	-	-	22	-	22
Cost as of December 31, 2012	Ps. 57,270	Ps. 6,972	Ps. 102	Ps. 2,369	Ps. 1,019	Ps. 244	Ps. 67,976
Balance as of January 1, **2013**	Ps. 57,270	Ps. 6,972	Ps. 102	Ps. 2,369	Ps. 1,019	Ps. 244	Ps. 67,976
Purchases	-	-	-	107	565	82	754
Acquisition from business combinations	19,868	13,306	55	43	-	17	33,289
Transfer of completed development systems	-	-	-	172	(172)	-	-
Effect of movements in exchange rates	(1,828)	(356)	(10)	(75)	-	(14)	(2,283)
Changes in value on the recognition of inflation effects	417	-	-	-	-	-	417
Capitalization of borrowing cost	-	-	-	25	-	-	25
Cost as of December 31, **2013**	Ps. 75,727	Ps. 19,922	Ps. 147	Ps. 2,641	Ps. 1,412	Ps. 329	Ps.100,178
Amortization expense							
Balances as of January 1, 2011	Ps. -	Ps. -	Ps. -	Ps. (588)	Ps. -	Ps. (3)	Ps. (591)
Amortization expense	-	-	-	(187)	-	(41)	(228)
Disposals	-	-	-	2	-	-	2
Effect of movements in exchange rate	-	-	-	(15)	-	-	(15)
Balances as of December 31, 2011	-	-	-	(788)	-	(44)	(832)
Amortization expense	-	-	-	(158)	-	(60)	(218)
Disposals	-	-	-	25	-	-	25
Effect of movements in exchange rate	-	-	-	65	-	(3)	62
Balances as of December 31, 2012	-	-	-	(856)	-	(107)	(963)
Amortization expense	-	-	-	(223)	-	(64)	(287)
Disposals	-	-	-	2	-	-	2
Effect of movements in Exchange rate	-	-	-	35	-	9	44
Balances as of December 31, **2013**	Ps. -	Ps. -	Ps. -	Ps. (1,042)	Ps. -	Ps. (162)	Ps. (1,204)
Balance as of December 31, 2011	Ps. 54,938	Ps. 4,515	Ps. 96	Ps. 1,085	Ps. 1,431	Ps. 98	Ps. 62,163
Balance as of December 31, 2012	57,270	6,972	102	1,513	1,019	137	67,013
Balance as of December 31, **2013**	Ps. 75,727	Ps. 19,922	Ps. 147	Ps. 1,599	Ps. 1,412	Ps. 167	Ps. 98,974

During the years ended December 31, 2013, 2012, and 2011 the Company capitalized Ps. 25, Ps. 22, and Ps. 168, respectively of borrowing costs in relation to Ps.630, Ps. 674, and Ps. 1,761 in qualifying assets. The effective interest rates used to determine the amount of borrowing costs eligible for capitalization were 4.1%, 4.3%, and 5.8%.

For the year ended in December 31, 2013, the amortization of intangible assets is recognized in cost of goods sold, selling expenses and administrative expenses and amounted to Ps. 1, Ps. 80 and Ps. 206, respectively.

For the year ended in December 31, 2012, the amortization of intangible assets is recognized in cost of goods sold, selling expenses and administrative expenses and amounted to Ps. 1, Ps. 56 and Ps. 161, respectively.

For the year ended in December 31, 2011, the amortization of intangible assets is recognized in cost of goods sold, selling expenses and administrative expenses and amounted to Ps. 3, Ps. 59 and Ps. 166, respectively.

The Company´ s intangible assets such as technology costs and management systems are subject to amortization with a range in useful lives from 3 to 10 years.

Impairment Tests for Cash-Generating Units Containing Goodwill and Distribution Rights

For the purpose of impairment testing, goodwill and distribution rights are allocated and monitored on an individual country basis, which is considered to be the CGU.

The aggregate carrying amounts of goodwill and distribution rights allocated to each CGU are as follows:

In millions of Ps.	**2013**	2012
Mexico	Ps. 55,126	Ps. 47,492
Guatemala	303	299
Nicaragua	390	407
Costa Rica	1,134	1,114
Panama	785	781
Colombia	5,895	6,387
Venezuela	3,508	3,236
Brazil	28,405	4,416
Argentina	103	110
Total	Ps. 95,649	Ps. 64,242

Goodwill and distribution rights are tested for impairments annually. The recoverable amounts of the CGUs are based on value-in-use calculations. Value in use was determined by discounting the future cash flows generated from the continuing use of the CGU.

The key assumptions used for the value-in-use calculations are as follows:

- Cash flows were projected based on actual operating results and the five-year business plan. Cash flows for a further five-year were forecasted maintaining the same stable growth and margins per country of the last year base. The Company believes that this forecasted period is justified due to the non-current nature of the business and past experiences.
- Cash flows after the first ten-year period were extrapolated using a perpetual growth rate equal to the expected annual population growth, in order to calculate the terminal recoverable amount.
- A per CGU-specific Weighted Average Cost of Capital ("WACC") was applied as a hurdle rate to discount cash flows to get the recoverable amount of the units; the calculation assumes, size premium adjusting.

The key assumptions by CGU for impairment test as of December 31, 2012 were as follows:

CGU	WACC Real	Expected Annual Long-Term Inflation 2013-2023	Expected Volume Growth Rates 2013-2023
Mexico	5.5%	3.6%	2.8%
Colombia	5.8%	3.0%	6.1%
Venezuela	11.3%	25.8%	2.8%
Costa Rica	7.7%	5.7%	2.8%
Guatemala	8.1%	5.3%	4.0%
Nicaragua	9.5%	6.6%	5.1%
Panama	7.7%	4.6%	3.6%
Argentina	10.7%	10.0%	4.2%
Brazil	5.5%	5.8%	3.8%

The Key assumptions by CGU for impairment test as of December 31, 2013 were as follows:

CGU	WACC Real	Expected Annual Long-Term Inflation 2014-2023	Expected Volume Growth Rates 2014-2023
Mexico	5.1%	3.9%	1.3%
Colombia	6.0%	3.0%	5.0%
Venezuela	10.8%	32.2%	2.5%
Costa Rica	7.2%	5.0%	2.4%
Guatemala	9.7%	5.2%	5.2%
Nicaragua	12.5%	6.3%	4.1%
Panama	7.1%	4.2%	5.7%
Argentina	10.9%	11.1%	3.8%
Brazil	5.9%	6.0%	4.4%

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data). The Company consistently applied its methodology to determine CGU specific WACC's to perform its annual impairment testing.

Sensitivity to Changes in Assumptions

At December 31, 2013 the Company performed an additional impairment sensitivity calculation, taking into account an adverse change in WACC, according to the country risk premium, using for each country the relative standard deviation between equity and sovereign bonds and an additional sensitivity to the volume of a 100 basis points, except in Mexico and concluded that no impairment would be recorded.

Change in Volume CGU	Change in WACC	Growth CAGR[1]	Effect on Valuation
Mexico	+2.5 %	-0.25 %	Passes by 2.9x
Colombia	+0.9 %	-1.0 %	Passes by 4.6x
Venezuela	+5.5 %	-1.0 %	Passes by 7.4x
Costa Rica	+0.3 %	-1.0 %	Passes by 2.6x
Guatemala	+2.0 %	-1.0 %	Passes by 3.5x
Nicaragua	+4.1 %	-1.0 %	Passes by 1.5x
Panama	+1.8 %	-1.0 %	Passes by 8.4x
Argentina	+3.8 %	-1.0 %	Passes by 78.8x
Brazil	+3.7 %	-1.0 %	Passes by 8.1x

(1) Compound Annual Growth Rate (CAGR)

NOTE 13. Other non-current assets and other non-current financial assets

13.1 Other Assets:

		2013		2012
Agreement with customers, net	Ps.	314	Ps.	278
Non-current prepaid advertising expenses		102		78
Guarantee deposits [1]		991		947
Prepaid bonuses		116		117
Advances to acquire property, plant and equipment		866		716
Share based payments		306		306
Other		568		381
	Ps.	3,263	Ps.	2,823

(1) As it is customary in Brazil, the Company is required to collaterize tax, legal and labor contingencies by guarantee deposits.

13.2 Other Financial Assets:

		2013		2012
Non-current accounts receivable to Compañía Panameña de Bebidas, S.A.P.I. de C.V., due 2021	Ps.	893	Ps.	828
Other non-current financial assets		176		32
Derivative financial instruments		250		65
	Ps.	1,319	Ps.	925

As of December 31, 2013 and 2012, the fair value of long term accounts receivable amounted to Ps. 957 and Ps. 994, respectively. The fair value is calculated based on the discounted value of contractual cash flows whereby the discount rate is estimated using rates currently offered for receivable of similar amounts and maturities, which is considered to be level 2 in the fair value hierarchy.

NOTE 14. Balances and Transactions with Related Parties and Affiliated Companies

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

The consolidated statements of financial positions and consolidated statements of income include the following balances and transactions with related parties and affiliated companies:

		2013		2012
Balances:				
Assets (current included in accounts receivable)				
Due from FEMSA and Subsidiaries (see Note 7) [1] [4]	Ps.	27	Ps.	379
Due from The Coca-Cola Company (see Note 7) [1] [4]		1,700		1,835
Due from Heineken Group [1]		163		141
Other receivables [1]		36		40
Assets (non-current included in other non-current financial assets)				
Compañía Panameña de Bebidas, S.A.P.I. de C.V. [5]		893		828
	Ps.	2,819	Ps.	3,223

Liabilities (included in suppliers and other liabilities and loans)		2013		2012
Liabilities (current liabilities)				
Due to FEMSA and Subsidiaries (see Note 7.3) [3] [4]	Ps.	877	Ps.	1,057
Due to The Coca-Cola Company [3] [4]		5,562		4,088
Due to Heineken Group(3)		291		235
Banco Nacional de México, S.A. [2] [6]		1,962		-
Grupo Tampico [6]		-		7
Compañía Panameña de Bebidas, S.A.P.I. S.A. de C.V. [5]		2		-
Other payables [3]		395		429
Liabilities (non-current liabilities)				
BBVA Bancomer, S.A. [2] [6]		979		981
	Ps.	10,068	Ps.	6,797

(1) Presented within accounts receivable.

(2) Recorded within bank loans.

(3) Recorded within accounts payable.

(4) Holding

(5) Joint venture

(6) Board member

Balances due from related parties are considered to be recoverable. Accordingly, for the years ended December 31, 2013 and 2012, there was no expense resulting from the uncollectibility of balances due from related parties.

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

Transactions		2013		2012		2011
Income:						
Sales to affiliated parties	Ps.	3,271	Ps.	5,111	Ps.	2,186
Interest income received from Compañía Panameña de Bebidas, S.A.P.I. S.A. de C.V.		61		58		40
Interest income received from Grupo Financiero Banamex S.A. de C.V.		34		-		-
Interest income received from BBVA Bancomer S.A. de C.V.		36		-		-
Expenses:						
Purchases and other expenses of FEMSA		5,200		4,484		3,652
Purchases of concentrate from The Coca-Cola Company		22,988		23,886		20,882
Purchases of raw material, beer and operating expenses from Heineken		3,734		2,598		3,343
Advertisement expense paid to The Coca-Cola Company		1,291		1,052		872
Interest expense and fees paid to BBVA Bancomer, S.A. de C.V. (1)		46		51		51
Purchases from Jugos del Valle		1,814		1,577		1,248
Purchase of sugar from Promotora Industrial Azucarera, S.A. de C.V.		956		423		52
Purchase of sugar from Beta San Miguel		1,557		1,439		1,398
Purchase of sugar, cans and aluminum lids from Promotora Mexicana de Embotelladores, S.A. de C.V.		670		711		701
Purchase of canned products from IEQSA		615		483		262
Purchases of raw material and operating expenses from afiliated companies of Grupo Tampico		-		-		175
Interest expense paid to Grupo Financiero Banamex, S.A. de C.V. (1)		19		-		6
Purchase of plastic bottles from Embotelladora del Atlantico, S.A. (formerly Complejo Industrial Pet, S.A.)		124		99		56
Purchases of juice and milk powder from Compañía Panameña de Bebidas, S.A.P.I. S.A. de C.V.		-		-		60
Donations to Instituto Tecnologico y de Estudios Superiores de Monterrey, A.C. (1)		69		68		37
Interest expense paid to The Coca-Cola Company		60		24		7
Insurance premiums for policies with Grupo Nacional Provincial, S.A.B. (1)		16		17		20
Other expenses with related parties		44		191		83

(1) One or more members of the Board of Directors or senior management of the Company are also members of the Board of Directors or senior management of the counterparties to these transactions.

Also as disclosed in Note 10, during January 2013, the Company purchased its 51% interest in CCBPI from The Coca-Cola Company. The remainder of CCBPI is owned by The Coca Cola Company and the Company has currently outstanding certain call and put options related to CCBPI's equity interests.

The benefits and aggregate compensation paid to executive officers and senior management of the Company were as follows:

		2013		2012		2011
Current employee benefits	Ps.	770	Ps.	635	Ps.	426
Termination benefits		5		13		10
Shared based payments		273		253		331

NOTE 15. Balances and Transactions in Foreign Currencies

Assets, liabilities and transactions denominated in foreign currencies are those realized in a currency different from the functional currency of the Company. As of December 31, 2013, 2012 and 2011, assets, liabilities and transactions denominated in foreign currencies, expressed in Mexican pesos (contractual amounts) are as follows:

	Assets		Liabilities	
Balances	Current	Non-current	Current	Non-current
As of December 31, 2013				
U.S. dollars	3,163	793	5,479	40,852
Euros	-	-	36	-
As of December 31, 2012				
U.S. dollars	13,379	723	6,304	14,493
Euros	-	-	38	-

Transactions	Revenues	Purchases of Raw Materials	Interest Expense	Assets Acquisitions	Other
Year ended December 31, **2013**					
U.S. dollars	409	13,068	432	-	731
Year ended December 31, 2012					
U.S. dollars	307	10,715	254	-	870
Year ended December 31, 2011					
U.S. dollars	418	8,753	338	226	623

Mexican peso exchange rates in effect at the dates of the consolidated statements of financial position and at the issuance date of the Company's consolidated financial statements were as follows:

	December 31, **2013**	December 31, 2012	December 31, 2011	February 19, 2014
U.S. dollar	13.0765	13.0101	13.9787	13.2714

NOTE 16. Post-Employment and Other Non-current Employee Benefits

The Company has various labor liabilities for employee benefits in connection with pension and retirement plans, seniority premiums and post-employments benefits. Benefits vary depending upon the country where the individual employees are located. Presented below is a discussion of the Company's labor liabilities in Mexico, Brazil and Venezuela, which comprise the substantial majority of those recorded in the consolidated financial statements.

16.1 Assumptions

The Company annually evaluates the reasonableness of the assumptions used in its labor liability for post-employment and other non-current employee benefits computations. Actuarial calculations for pension and retirement plans and seniority premiums, as well as the associated cost for the period, were determined using the following long-term assumptions to non-hyperinflationary most significant countries:

Mexico	**2013**	2012	2011
Financial:			
Discount rate used to calculate the defined benefit obligation	7.50%	7.10%	7.64%
Salary increase	4.79%	4.79%	4.79%
Future pension increases	3.50%	3.50%	3.50%
Biometric:			
Mortality	EMSSA82-89 [1]	EMSSA82-89 [1]	EMSSA82-89 [1]
Disability	IMSS-97 [2]	IMSS-97 [2]	IMSS-97 [2]
Normal retirement age	60 years	60 years	60 years
Rest of employee turnover	BMAR2007 [3]	BMAR2007 [3]	BMAR2007 [3]

(1) EMSSA. Mexican Experience of Social Security
(2) IMSS. Mexican Experience of Instituto Mexicano del Seguro Social
(3) BMAR. Actuary experience

Brazil	**2013**	2012	2011
Financial:			
Discount rate used to calculate the defined benefit obligation	10.70%	9.30%	9.70%
Salary increase	6.80%	5.00%	5.00%
Future pension increases	5.80%	4.00%	4.00%
Biometric:			
Disability	IMSS-97	IMSS-97 [1]	IMSS-97 [1]
Mortality	UP84	UP84 [2]	UP84 [2]
Normal retirement age	65years	65 years	65 years
Rest of employee turnover	Brazil [3]	Brazil [3]	Brazil [3]

(1) IMSS. Mexican Experience of Instituto Mexicano del Seguro Social
(2) UP84. Unisex mortality table
(3) Rest of employee turnover bases on the experience of the Company's subsidiary in Brazil

Venezuela is a hyper-inflationary economy. The actuarial calculations for post-employment benefit (termination indemnity), as well as the associated cost for the period, were determined using the following long-term which are real assumptions (excluding inflation):

Venezuela	2013	2012
Financial:		
Discount rate used to calculate the defined benefit obligation	1.00%	1.50 %
Salary increase	1.50%	1.50 %
Biometric:		
Mortality	EMSSA82-89 [(1)]	EMSSA82-89 [(1)]
Disability	IMSS-97 [(2)]	IMSS-97 [(2)]
Normal retirement age	65 years	65 years
Rest of employee turnover	BMAR2007 [(3)]	BMAR2007 [(3)]

(1) EMSSA. Mexican Experience of Social Security

(2) IMSS. Mexican Experience of Instituto Mexicano del Seguro Social

(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 Mexican Federal Government Treasury Bond (known as CETES in Mexico).

In Brazil the methodology used to determine the discount rate was the Yield or Internal Rate of Return ("IRR") which involves a yield curve. In this case, the expected rates of each period were taken from a yield curve of fixed long term bonds of Federal Republic of Brazil.

In Venezuela the methodology used to determine the discount rate started with reference to the interest rate bonds of similar denomination issued by the Republic of Venezuela, with subsequent consideration of other economic assumptions appropriate for hyper-inflationary economy. Ultimately, the discount rates disclosed in the table below are calculated in real terms (without inflation).

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

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		Post .employment Benefits
2014	Ps.	254	Ps.	16	Ps.	32
2015		119		14		30
2016		126		15		35
2017		169		16		45
2018		154		17		51
2019 to 2023		1,091		126		445

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

		2013		2012
Pension and Retirement Plans:				
Vested benefit obligation	Ps.	773	Ps.	800
Non-vested benefit obligation		1,187		849
Accumulated benefit obligation		1,960		1,649
Excess of projected defined benefit obligation over accumulated benefit obligation		706		745
Defined benefit obligation		2,666		2,394
Pension plan funds at fair value		(1,211)		(1,113)
Effect due to asset ceiling		94		105
Net defined benefit liability	Ps.	1,549	Ps.	1,386
Seniority Premiums:				
Vested benefit obligation	Ps.	20	Ps.	13
Non-vested benefit obligation		202		142
Accumulated benefit obligation		222		155
Excess of projected defined benefit obligation over accumulated benefit obligation		131		71
Defined benefit obligation		353		226
Seniority premium plan funds at fair value		(90)		(18)
Net defined benefit liability	Ps.	263	Ps.	208
Post-employment:				
Vested benefit obligation	Ps.	32	Ps.	36
Non-vested benefit obligation		113		79
Accumulated benefit obligation		145		115
Excess of projected defined benefit obligation over accumulated benefit obligation		598		479
Net defined benefit liability	Ps.	743	Ps.	594
Total post-employment and other non-current employee benefits	Ps.	2,555	Ps.	2,188

The net defined benefit liability of the pension and retirement plan includes an asset generated in Brazil (the following information is included in the consolidated information of the tables above), which is as follows:

		2013		2012
Pension and retirement plans:				
Vested benefit obligation	Ps.	165	Ps.	193
Non-vested benefit obligation		101		73
Accumulated benefit obligation		266		266
Excess of projected defined benefit obligation over accumulated benefit obligation		47		47
Defined benefit obligation		313		313
Pension plan funds at fair value		(498)		(589)
Net defined benefit asset		(185)		(276)
Effect due to asset ceiling		94		105
Net defined benefit asset after asset ceiling	Ps.	(91)	Ps.	(171)

16.3 Trust assets

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

Type of instrument	2013	2012
Fixed return:		
Traded securities	20%	10%
Life annuities	5%	4%
Bank instruments	2%	3%
Federal government instruments	48%	60%
Variable return:		
Publicly traded shares	25%	23%
	100%	100%

In Mexico, the regulatory framework for pension plans is established in the Income Tax Law and its Regulations, the Federal Labor Law and the Mexican Social Security Institute Law. None of these laws establish minimum funding levels or a minimum required level of contributions.

In Brazil, the regulatory framework for pension plans is established by the Brazilian Social Security Institute (INSS), which indicates that the contributions must be made by the company and the workers. There are not minimum funding requirements of contributions in Brazil neither contractual nor given.

In Venezuela, the regulatory framework for post-employment benefits is established by the Organic Labor Law for Workers (LOTTT). The organic nature of this law means that its purpose is to defend constitutional rights, and therefore has precedence over other laws.

In Mexico, the Income Tax Law requires that, in the case of private plans, certain notifications must be submitted to the authorities and a certain level of instruments must be invested in the Federal Government, among others.

The Company's various pension plans have a technical committee that is responsible for verifying the correct operation of the plan with regard to the payment of benefits, actuarial valuations of the plan, and the monitoring and supervision of the trust beneficiary. The committee is responsible for determining the investment portfolio and the types of instruments the fund will be invested in. This technical committee is also responsible for reviewing the correct operation of the plan in all of the countries in which the Company has these benefits.

The risks related to the Company's employee benefit plans are primarily attributable to the plan assets. The Company's plan assets are invested in a diversified portfolio, which considers the term of the plan so as to invest in assets whose expected return coincides with the estimated future payments.

Since the Mexican Tax Law limits the plan asset investment to 10% for related parties, this risk is not considered to be significant for purposes of the Company's Mexican subsidiaries.

In Mexico, the Company's policy is to invest at least 30% of the fund assets in Mexican Federal Government instruments. Guidelines for the target portfolio have been established for the remaining percentage and investment decisions are made to comply with these guidelines insofar as the market conditions and available funds allow.

In Brazil, the investment target is to obtain the consumer price index (inflation), plus six percent. Investment decisions are made to comply with this guideline insofar as the market conditions and available funds allow.

On May 7, 2012, the President of Venezuela amended the Organic Law for Workers (LOTTT), which establishes a minimum level of social welfare benefits to which workers have a right when their labor relationship terminates with or without cause. This benefit is computed based on the last salary received by the worker and retroactive to June 19, 1997 for any employee who joined the Company prior to that date. For employees who joined the Company after June 19, 1997, the benefit is computed based on the date on which the employee joined the Company. An actuarial computation must be performed using the projected unit credit method to determine the amount of the labor obligations that arise. As a result of the initial calculation, there was an amount of Ps. 381 to other expenses caption in the consolidated statement of income reflecting past service costs during the year ended December 31, 2012 (See Note 19).

In Mexico, the amounts and types of securities of the Company in related parties included in plan assets are as follows:

		2013		2012
Mexico				
Portfolio:				
Debt:				
Grupo Televisa, S.A.B. de C.V.	Ps.	3	Ps.	3
Grupo Financiero Banorte, S.A.B. de C.V.		-		8
Grupo Industrial Bimbo, S.A.B. de C. V.		3		3
Grupo Financiero Banamex, S.A.B. de C.V.		22		21
El Puerto de Liverpool		5		5
Teléfonos de México, S.A. de C.V.		4		-
Capital:				
Fomento Económico Mexicano, S.A.B de C.V.		11		1
Coca-Cola FEMSA, S.A.B. de C. V.		19		8
Grupo Televisa, S.A.B. de C.V.		3		10
Grupo Aeroportuario del Sureste, S.A.B. de C.V.		1		8
Alfa, S.A.B. de C.V.		4		5
Grupo Industrial Bimbo, S.A.B. de C.V.		1		-

In Brazil, the amounts and types of securities of the Company included in plan assets are as follows:

		2013		2012
Brazil				
Portfolio:				
Debt:				
HSBC - Sociedad de inversión Atuarial INPC (Brazil)	Ps.	383	Ps.	485
Capital:				
HSBC - Sociedad de inversión Atuarial INPC (Brazil)		114		104

During the years ended December 31, 2013 and 2012, the Company did not make significant contributions to the plan assets and does not expect to make material contributions to the plan assets during the following fiscal year.

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

	Income statement								OCI	
2013		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.	139	Ps.	8	Ps.	(7)	Ps.	90	Ps.	178
Seniority premiums		28		-		-		15		25
Post-employment		48		-		-		67		205
Total	Ps.	215	Ps.	8	Ps.	(7)	Ps.	172	Ps.	408

	Income statement								OCI	
2012		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.	119	Ps.	-	Ps.	-	Ps.	71	Ps.	174
Seniority premiums		22		-		-		11		18
Post-employment		49		381		-		63		71
Total	Ps.	190	Ps.	381	Ps.	-	Ps.	145	Ps.	263

	Income statement								OCI	
2011		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.	103	Ps.	-	Ps.	-	Ps.	82	Ps.	139
Seniority premiums		15		-		-		8		(1)
Total	Ps.	118	Ps.	-	Ps.	-	Ps.	90	Ps.	138

For the years ended December 31, 2013, 2012 and 2011, of service cost of Ps. 215, Ps. 190 and Ps. 118 has been included in the consolidated statements of income as cost of goods sold, administration and selling expenses.

Remeasurements of the net defined benefit liability recognized in other comprehensive income are as follows (amounts are net of tax):

		2013		2012		2011
Amount accumulated in other comprehensive income as of the beginning of the periods	Ps.	263	Ps	138	Ps	132
Recognized during the year (obligation liability and plan assets)		180		99		67
Actuarial gains and losses arising from changes in financial assumptions		(19)		48		-
Changes in the effect of limiting a net defined benefit asset to the asset ceiling		-		(9)		(60)
Foreign exchange rate valuation (gain)		(16)		(13)		(1)
Amount accumulated in other comprehensive income as of the end of the period, net of tax	Ps.	408	Ps	263	Ps	138

Remeasurements of the net defined benefit liability include the following:

- The return on plan assets, excluding amounts included in interest expense.
- Actuarial gains and losses arising from changes in demographic assumptions.
- Actuarial gains and losses arising from changes in financial assumptions.
- Changes in the effect of limiting a net defined benefit asset to the asset ceiling, excluding amounts included in interest expense.

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

		2013		2012		2011
Pension and Retirement Plans:						
Initial balance	Ps.	2,394	Ps.	2,160	Ps.	1,636
Current service cost		139		119		103
Gain or loss on settlement		(7)		-		-
Interest expense		171		159		139
Actuarial gains or losses		(73)		81		60
Foreign exchange (gain) loss		(55)		(69)		49
Benefits paid		(85)		(87)		(77)
Amendments		8		-		-
Acquisitions		174		31		250
	Ps.	2,666	Ps.	2,394	Ps.	2,160
Seniority Premiums:						
Initial balance		226		167		95
Current service cost		28		22		15
Interest expense		19		11		8
Actuarial gains or losses		7		24		(2)
Benefits paid		(26)		(12)		(11)
Acquisitions		99		14		62
		353		226		167
Post-employment:						
Initial balance	Ps.	594	Ps.	-	Ps.	-
Current service cost		48		49		-
Interest expense		67		63		-
Actuarial gains or losses		237		108		-
Foreign exchange gain		(187)		(1)		-
Benefits paid		(16)		(6)		-
Past service cost		-		381		-
	Ps.	743	Ps.	594	Ps.	-

16.6 Changes in the balance of trust assets

		2013		2012		2011
Pension and retirement plans:						
Balance at beginning of year	Ps.	1,113	Ps.	1,068	Ps.	774
Actual return on trust assets		8		100		40
Foreign exchange (gain) loss		(73)		(91)		5
Life annuities		18		-		32
Benefits paid		-		(12)		(12)
Amendments		16		-		-
Acquisitions		129		48		229
Balance at end of year	Ps.	1,211	Ps.	1,113	Ps.	1,068
Seniority premiums						
Balance at beginning of year	Ps.	18	Ps.	19	Ps.	-
Actual return on trust assets		-		(1)		(1)
Acquisitions		72		-		20
Balance at end of year	Ps.	90	Ps.	18	Ps.	19

As a result of the Company's investments in life annuities plan, management does not expect the Company will need to make material contributions to the trust assets in order to meet its future obligations.

16.7 Variation in assumptions

The Company decided that the relevant actuarial assumptions that are subject to sensitivity and valuated through the projected unit credit method, are the discount rate and the salary increase rate. The reasons for choosing these assumptions are as follows:

- Discount rate: The rate that determines the value of the obligations over time.
- Salary increase rate: The rate that considers the salary increase which implies an increase in the benefit payable.

The following table presents the impact in absolute terms of a variation of 0.5% on the net defined benefit liability associated with the Company's defined benefit plans. The sensibility of this 0.5% on the significant actuarial assumptions is based on a projected long-term discount rates to Mexico and a yield curve projections of long-term sovereign bonds:

+0.5%:	Income Statement				OCI
Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability (asset)	Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest on the Net Defined Benefit Liability	Remeasurements of the Net Defined Benefit Liability
Pension and retirement plans	Ps. 131	Ps. (8)	Ps. (7)	Ps. 74	Ps. 35
Seniority premiums	27	-	-	15	18
Post-employment	44	-	-	64	253
Total	Ps. 202	Ps. (8)	Ps. (7)	Ps. 153	Ps. 306

Expected salary increase	Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest on the Net Defined Benefit Liability	Remeasurements of the Net Defined Benefit Liability
Pension and retirement plans	Ps. 148	Ps. (8)	Ps. (7)	Ps. 88	Ps. 270
Seniority premiums	30	-	(1)	16	54
Post-employment	56	-	-	76	411
Total	Ps. 234	Ps. (8)	(8)	Ps. 180	Ps. 735

-0.5%:					
Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability (asset)	Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest on the Net Defined Benefit Liability	Remeasurements of the Net Defined Benefit Liability
Pension and retirement plans	Ps. 147	Ps. (8)	Ps. (7)	Ps. 85	Ps. 326
Seniority premiums	30	-	(1)	14	59
Post-employment	52	-	-	72	382
Total	Ps. 229	Ps. (8)	Ps. (8)	Ps. 171	Ps. 767

Expected salary increase	Current Service Cost	Past Service Cost	on Settlement	Net Interest on the Net defined Benefit Liability	Remeasurements of the Net Defined Benefit Liability
Pension and retirement plans	Ps. 133	Ps. (9)	Ps. (7)	Ps. 73	Ps. 48
Seniority premiums	27	-	-	14	22
Post-employment	42	-	-	57	231
Total	Ps. 202	Ps. (9)	Ps. (7)	Ps. 144	Ps. 301

16.8 Employee benefits expense

For the years ended December 31, 2013, 2012 and 2011, employee benefits expenses recognized in the consolidated income statements are as follows:

		2013		2012		2011
Included in cost of goods sold:						
Wages and salaries	Ps.	5,978	Ps.	4,590	Ps.	3,733
Social security costs		837		603		475
Employee profit sharing		399		323		246
Pension and seniority premium costs (Note 16.4)		51		43		35
Share-based payment expense (Note 17.2)		3		7		2
Included in selling and distribution expenses:						
Wages and salaries		12,878		8,417		7,783
Social security costs		2,416		1,210		1,018
Employee profit sharing		1,181		1,015		751
Pension and seniority premium costs (Note 16.4)		56		47		27
Share-based payment expense (Note 17.2)		6		9		4
Included in administrative expenses:						
Wages and salaries		3,939		5,877		5,033
Social security costs		504		462		436
Employee profit sharing		81		76		62
Pension and seniority premium costs (Note 16.4)		60		51		56
Post-employment benefits other (Note 16.4)		48		49		-
Share-based payment expense (Note 17.2)		184		165		115
Included in other expenses:						
Post-employment (Note 16)		-		381		-
Total employee benefits expense	Ps.	28,621	Ps.	23,325	Ps.	19,776

NOTE 17. Bonus Programs

17.1 Quantitative and qualitative objectives

The bonus program for executives is based on achieving certain goals established annually by management, which include quantitative and qualitative objectives and special projects.

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

The bonus amount is determined based on each eligible participant's level of responsibility and based on the EVA generated by the applicable business unit the employee works for. This formula is established by considering the level of responsibility within the organization, the 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, 2013, 2012 and 2011 the bonus expense recorded amounted to Ps. 533, Ps. 375 and Ps. 599, respectively.

17.2 Share-based payment bonus plan

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

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

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

At December 31, 2013, 2012 and 2011, the shares granted under the Company´ s executive incentive plans are as follows:

	Number of shares		
Incentive Plan	FEMSA	KOF	Vesting period
2006	169,445	497,075	2007-2011
2007	290,880	819,430	2008-2012
2008	1,901,108	1,267,490	2009-2013
2009	1,888,680	1,340,790	2010-2014
2010	1,456,065	1,037,610	2011-2015
2011	968,440	656,400	2012-2016
2012	956,685	741,245	2013-2017
2013	539,020	370,200	2014-2018
Total	8,170,323	6,730,240	

For the years ended December 31, 2013, 2012 and 2011, the total expense recognized for the period arising from share-based payment transactions, using the grant date model, was of Ps. 193, Ps.181 and Ps.122, respectively.

As of December 31, 2013 and 2012, the asset recorded by Coca-Cola FEMSA in its consolidated statements of financial position amounted to Ps. 306 and Ps. 306, respectively, see Note 13.

NOTE 18. Bank Loans and Notes Payables

(In millions of Mexican pesos)	2014	2015	At December 31, 2013 2016	2017	2018	2019 and Thereafter	Carrying Value December 31, 2013	Fair Value at December 31, 2013	Carrying Value December 31, 2012
Short-term debt:									
Fixed rate debt:									
Argentine pesos									
Bank loans	Ps. 495	Ps. -	Ps -	Ps. -	Ps. -	Ps. -	Ps. 495	Ps. 489	Ps. 291
Interest rate	25.4%	-	-	-	-	-	25.4%	25.4%	19.2%
Variable rate debt:									
U.S. dollars									
Bank loans	-	-	-	-	-	-	-	-	3,903
Interest rate	-	-	-	-	-	-	-	-	0.6%
Total short-term debt	Ps. 495	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 495	Ps. 489	Ps. 4,194
Long-term debt:									
Fixed rate debt:									
Argentine pesos									
Bank loans	Ps. 259	Ps. 71	Ps. 28	Ps. -	Ps. -	Ps. -	Ps. 358	Ps. 327	Ps. 529
Interest rate	21.8%	16.8%	15.3%	-	-	-	20.3%	20.3%	19.9%
Brazilian reais									
Bank loans	8	15	16	16	15	41	111	85	65
Interest rate	4.3%	3.5%	3.5%	3.5%	3.5%	3.1%	3.4%	3.4%	4.5%
Capital leases	238	214	184	157	84	82	959	811	11
Interest rate	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.5%
U.S. dollars									
Senior notes	-	-	-	-	13,022	21,250	34,272	35,327	6,458
Interest rate	-	-	-	-	2.4%	4.4%	3.7%	3.7%	4.6%
Bank loans	97	26	-	-	-	-	123	125	-
Interest rate	3.8%	3.8%	-	-	-	-	3.8%	3.8%	-
Mexican pesos									
Domestic bonds	-	-	-	-	-	9,987	9,987	9,427	2,495
Interest rate	-	-	-	-	-	6.2%	6.2%	6.2%	8.3%
Subtotal	602	326	228	173	13,121	31,360	45,810	46,102	9,558
(In millions of Mexican pesos)	2014	2015	At December 31, 2013 2016	2017	2018	2019 and Thereafter	Carrying Value December 31, 2013	Fair Value at December 31, 2013	Carrying Value December 31, 2012
Variable rate debt:									
U.S. dollars									
Bank loans	-	-	1,566	-	4,277	-	5,843	5,897	7,990
Interest rate	-	-	1.1%	-	0.8%	-	0.9%	0.9%	0.9%
Mexican pesos									
Domestic bonds	-	-	2,517	-	-	-	2,517	2,500	2,511
Interest rate	-	-	3.9%	-	-	-	3.9%	3.9%	5.0%
Bank loans	1,368	2,764	-	-	-	-	4,132	4,205	4,380
Interest rate	4.0%	4.0%	-	-	-	-	4.0%	4.0%	5.1%
Argentine pesos									
Bank loans	180	-	-	-	-	-	180	179	106
Interest rate	25.7%	-	-	-	-	-	25.7%	25.7%	22.9%
Brazilian reais									
Bank loans	28	-	-	-	-	-	28	28	-
Interest rate	9.8%	-	-	-	-	-	9.8%	9.8%	-
Colombian pesos									
Bank loans	913	543	-	-	-	-	1,456	1,451	990
Interest rate	5.6%	5.6%	-	-	-	-	5.6%	5.6%	6.8%
Capital leases	-	-	-	-	-	-	-	-	185
Interest rate	-	-	-	-	-	-	-	-	6.8%
Subtotal	2,489	3,307	4,083	-	4,277	-	14,156	14,260	16,162
Long-term debt	3,091	3,633	4,311	173	17,398	31,360	59,966	60,362	25,720
Current portion of long term debt	3,091	-	-	-	-	-	3,091	-	945
Long-term debt	Ps. -	Ps. 3,633	Ps. 4,311	Ps. 173	Ps. 17,398	Ps. 31,360	Ps. 56,875	Ps. 60,362	Ps. 24,775

[1] All interest rates shown in this table are weighted average contractual annual rates.

For the years ended December 31, 2013, 2012 and 2011, the interest expense related to the bank loans and notes payable is comprised as follows and included in the consolidated income statement under the interest expense caption:

		2013		2012		2011
Interest on debts and borrowings	Ps.	2,397	Ps.	1,603	Ps	1,497
Finance charges payable under finance leases		5		21		13
	Ps.	2,402	Ps.	1,624	Ps.	1,510

Coca-Cola FEMSA has the following bonds: a) registered with the Mexican stock exchange: i) Ps. 2,500 (nominal amount) with a maturity date in 2016 and a variable interest rate, ii) Ps. 2,500 (nominal amount) with a maturity date in 2021 and fixed interest rate of 8.3% and iii) Ps. 7,500 (nominal amount) with a maturity date in 2023 and fixed interest rate of 5.5%; b) registered with the SEC : i) Senior notes of US. $500 with interest at a fixed rate of 4.6% and maturity date on February 15, 2020, ii)Senior notes of US. $1,000 with interest at a fixed rate of 2.4% and maturity date on November 26, 2018, iii)Senior notes of US. $750 with interest at a fixed rate of 3.9% and maturity date on November 26, 2023 and iv)Senior notes of US. $400 with interest at a fixed rate of 5.3% and maturity date on November 26, 2043 which are guaranteed by its subsidiaries: Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V. and Yoli de Acapulco, S.A. de C.V. (herein "the 100% - owned Guarantors Subsidiaries"). Presented in Note 28 is supplemental subsidiary guarantor consolidating financial information.

During 2013, Coca-Cola FEMSA contracted and prepaid in part the following Bank loans denominated in U.S. million dollars: i) $500 (nominal amount) with a maturity date in 2016 and variable interest rate and prepaid $380 (nominal amount) in November 2013, the outstanding amount of this loan is $120 (nominal amount) and ii) $1,500 (nominal amount) with a maturity date in 2018 and variable interest rate and prepaid $1,170 (nominal amount) in November 2013, the outstanding amount of this loan is $330 (nominal amount). In December 2013, Coca-Cola FEMSA prepaid in full outstanding Bank loans denominated in U.S. million dollars for a total amount of $600 (nominal amount

The Company has financing from different financial institutions under agreements that stipulate different restrictions and covenants, which mainly consist of maximum levels of leverage and capitalization as well as minimum consolidated net worth and debt and interest coverage ratios. As of the date of these consolidated financial statements, the Company was in compliance with all restrictions and covenants contained in its financing agreements.

On November 26, 2013, the Company issued U.S.$1,000 in aggregate principal amount of 2.375% Senior Notes due 2018, U.S.$750 in aggregate principal amount of 3.875% Senior Notes due 2023 and U.S.$400 in aggregate principal amount of 5.250% Senior Notes due 2043, in an SEC registered offering. These notes are guaranteed by the Guarantors Subsidiaries.

NOTE 19. Other Income and Expenses

		2013		2012		2011
Other income:						
Gain on sale of long-lived assets	Ps.	194	Ps.	293	Ps.	376
Cancellation of contingencies		114		76		72
Other		170		176		237
	Ps.	478	Ps.	545	Ps.	685
Other expenses:						
Provisions for contingencies from past acquisitions	Ps.	201	Ps.	157	Ps.	175
Loss on the retirement of long-lived assets		39		14		625
Loss on sale of long-lived assets		167		194		411
Other taxes from Colombia		-		5		180
Severance payments		190		342		236
Donations		103		148		120
Effect of new labor law in Venezuela (LOTTT) (See Note 16)		-		381		-
Other		401		256		313
	Ps.	1,101	Ps.	1,497	Ps.	2,060

NOTE 20. Financial Instruments

Fair Value of Financial Instruments

The Company uses a three-level fair value hierarchy to prioritize the inputs used to measure the fair value of its financial instruments. The three input levels are described as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- **Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company measures the fair value of its financial assets and liabilities classified as level 1 and 2, applying the income approach method, which estimates the fair value based on expected cash flows discounted to net present value. The following table summarizes the Company's financial assets and liabilities measured at fair value, as of December 31, 2013 and as of December 31, 2012:

	2013		2012	
	Level 1	Level 2	Level 1	Level 2
Derivative financial instruments (asset)	Ps. 2	Ps. 276	Ps. -	Ps. 123
Derivative financial instruments (liability)	272	1,153	200	208
Trust assets of labor obligations	1,301	-	1,131	-
Marketable securities	-	-	12	-

20.1 Total debt

The fair value of bank and syndicated loans is calculated based on the discounted value of contractual cash flows whereby the discount rate is estimated using rates currently offered for debt of similar amounts and maturities, which is considered to be level 2 in the fair value hierarchy. The fair value of the Company's publicly traded debt is based on quoted market prices as of December 31, 2013 and 2012, which is considered to be level 1 in the fair value hierarchy (See Note 18).

20.2 Interest rate swaps

The Company uses interest rate swaps to offset the interest rate risk associated with its borrowings, pursuant to which it pays amounts based on a fixed rate and receives amounts based on a floating rate. These instruments have been designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value. The fair value is estimated using market prices that would apply to terminate the contracts at the end of the period. Changes in fair value are recorded in "cumulative other comprehensive income" until such time as the hedged amount is recorded in the consolidated income statements

At December 31, 2013, the Company has the following outstanding interest rate swap agreements:

Maturity Date	Notional Amount	Fair Value (Liability) Dec. 31, 2013
2014	Ps. 575	Ps. (18)
2015	1,963	(122)

At December 31, 2012, the Company has the following outstanding interest rate swap agreements:

		Fair Value	
Maturity Date	Notional Amount	(Liability) Dec.31, 2012	Asset
2013	Ps. 1,287	Ps. (8)	Ps. 5
2014	575	(33)	2
2015	1,963	(160)	5

The net effect of expired contracts treated as hedges are recognized as interest expense within the consolidated income statements.

20.3 Forward agreements to purchase foreign currency

The Company has entered into forward agreements to reduce its exposure to the risk of exchange rate fluctuations between the Mexican peso and other currencies.

These instruments have been designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value which is determined based on prevailing market exchange rates to terminate the contracts at the end of the period. Changes in the fair value of these forwards are recorded as part of "cumulative other comprehensive income". Net gain/loss on expired contracts is recognized as part of foreign exchange or cost of goods sold, depending on the nature of the hedge in the consolidated income statements.

Net changes in the fair value of forward agreements that do not meet hedging criteria for hedge accounting are recorded in the consolidated income statements under the caption "market value gain/(loss) on financial instruments".

At December 31, 2013, the Company had the following outstanding forward agreements to purchase foreign currency:

Maturity Date		Notional Amount		Fair Value Asset Dec.31, **2013**
2014	Ps.	1,518	Ps.	28

At December 31, 2012, the Company had the following outstanding forward agreements to purchase foreign currency:

Maturity Date		Notional Amount		Fair Value Asset Dec.31, 2012
2013	Ps.	1,118	Ps.	11

20.4 Options to purchase foreign currency

The Company has executed collar strategies to reduce its exposure to the risk of exchange rate fluctuations. A collar is a strategy that limits the exposure to the risk of exchange rate fluctuations in a similar way as a forward agreement.

These instruments have been designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value which is determined based on prevailing market exchange rates to terminate the contracts at the end of the period. Changes in the fair value of these options, corresponding to the intrinsic value, are initially recorded as part of "cumulative other comprehensive income". Changes in the fair value, corresponding to the extrinsic value, are recorded in the consolidated income statements under the caption "market value gain/ (loss) on financial instruments," as part of the consolidated net income. Net gain/(loss) on expired contracts including the net premium paid, is recognized as part of cost of goods sold when the hedged item is recorded in the consolidated income statements.

At December 31, 2013, the Company had no outstanding collars to purchase foreign currency.

At December 31, 2012, the Company had the following outstanding collars to purchase foreign currency (composed of a call and a put option with different strike levels with the same notional amount and maturity):

Maturity Date		Notional Amount		Fair Value Asset Dec.31, 2012
2013	Ps.	982	Ps.	47

20.5 Cross-currency swaps

The Company has contracted for a number of cross-currency swaps to reduce its exposure to risks of exchange rate and interest rate fluctuations associated with its borrowings denominated in U.S. dollars. The estimated fair value is estimated using market prices that would apply to terminate the contracts at the end of the period. The fair value changes related to exchange rate fluctuations of the notional of those cross currency swaps and the accrued interest are recorded in the consolidated income statements. The remaining portion of the fair value changes, when designated as *Cash Flow Hedges*, are recorded in the consolidated balance sheet in "cumulative other comprehensive income". If they are designated as Fair Value *Hedges* the changes in this remaining portion are recorded in the income statements as "market value (gain) loss on financial instruments".

The Company has certain cross-currency swaps that do not meet the criteria for hedge accounting purposes. Consequently, changes in the estimated fair value were recorded in the income statements as "market value (gain) loss on financial instruments".

At December 31, 2013, the Company had the following outstanding cross currency swap agreements designated as Cash Flow Hedges:

			Fair Value			
Maturity Date		Notional Amount		(Liability) Dec.31, 2013		Asset
2014	Ps.	1,308	Ps.	-	Ps.	13
2018		18,046		(981)		-

At December 31, 2013, the Company had the following outstanding cross currency swap agreements designated as Fair Value Hedges:

Maturity Date	Notional Amount	Fair Value Asset Dec.31, **2013**
2014	Ps. 50	Ps. 5
2015	83	11
2018	5,884	156

At December 31, 2013, the Company had the following outstanding cross currency swap agreements that do not meet the criteria for hedge accounting.

Maturity Date	Notional Amount	Fair Value Asset Dec.31, 2013
2014	Ps. 2,615	Ps. 63

At December 31, 2012, the Company had the following outstanding cross currency swap agreements designated as Cash Flow Hedges:

Maturity Date	Notional Amount	Fair Value (Liability) Dec.31, 2012	Fair Value Asset
2014	Ps. 2,553	Ps. (7)	Ps. 53

20.6 Commodity price contracts

The Company has entered into various commodity price contracts to reduce its exposure to the risk of fluctuation in the costs of certain raw material. The fair value is estimated based on the market valuations to terminate the contracts at the end of the period. These instruments are designated as Cash Flow Hedges and the changes in their fair value are recorded as part of "cumulative other comprehensive income".

The fair value of expired or sold commodity contracts are recorded in cost of goods sold with the hedged items.

At December 31, 2013, the Company had the following sugar contracts:

Maturity Date	Notional Amount	Fair Value (Liability) Dec.31, **2013**	Fair Value Asset
2014	Ps. 1,183	Ps. (246)	Ps. -
2015	730	(48)	-
2016	103	-	2

At December 31, 2013, the Company had the following aluminum contracts:

Maturity Date	Notional Amount	Fair Value (Liability) Dec.31, **2013**
2014	Ps. 205	Ps. (10)

At December 31, 2012, the Company had the following sugar price contracts:

Maturity Date	Notional Amount	Fair Value (Liability) Dec.31, 2012
2013	Ps. 1,567	Ps. (151)
2014	856	(34)
2015	213	(10)

At December 31, 2012, the Company had the following aluminum price contracts:

Maturity Date	Notional Amount	Fair Value (Liability) Dec.31, 2012
2013	Ps. 335	Ps. (5)

20.7 Derivative financial Instruments for CCBPI acquisition:

The Company's call option related to the remaining 49% ownership interest in CCBPI is recorded at fair value in its financial statements using a Level 3 concept. The call option had an estimated fair value of approximately Ps. 859 million at inception of the option, and approximately Ps. 799 million as of December 31, 2013, with the change during that period being recorded through the income statement. Significant observable inputs into that Level 3 estimate include the call option's expected term (7 years at inception), risk free rate as expected return (LIBOR), implied volatility at inception (19.77%) and the underlying enterprise value of the CCBPI. The enterprise value of CCBPI for the purpose of this estimate was based on CCBPI's long-term business plan. The Company acquired its 51% ownership interest in CCBPI in January 2013 and continues to integrate CCBPI into its global operations using the equity method of accounting, and currently believes that the underlying exercise price of the call option is "out of the money". Accordingly, the Company does not anticipate exercising the call option during 2014 and it has thus not attempted to further disclose herein any narrative description of the sensitivity of the Level 3 fair value measurement to changes in unobservable inputs.

The Level 3 fair value of the Company's put option related to its 51% ownership interest approximates zero as its exercise price as defined in the contract adjusts proportionately to the underlying fair value of CCBPI.

20.8 Net effects of expired contracts that met hedging criteria

Type of Derivatives	Impact in Consolidated Income Statement		**2013**		2012		2011
Interest rate swaps	Interest expense	Ps.	105	Ps.	147	Ps.	120
Forward agreements to purchase foreign currency	Foreign exchange		(1,591)		-		-
Options to purchase foreign currency	Cost of goods sold		(9)		-		-
Forward agreements to purchase foreign currency	Cost of goods sold		(22)		-		-
Commodity price contracts	Cost of goods sold		362		(6)		(257)

20.9 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		**2013**		2012		2011
Forward agreements to purchase foreign currency	Market value gain (loss) on financial instruments	Ps.	(20)	Ps.	30	Ps.	(6)
Cross-currency swaps	Market value gain (loss) on financial instruments		66		-		(95)

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

Type of Derivatives	Impact in Consolidated Income Statement		**2013**		2012		2011
Options to purchase foreign currency	Cost of goods sold	Ps.	-	Ps.	(1)	Ps.	-
Cross-currency swaps	Market value gain (loss) on financial instruments		-		(43)		239

20.11 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices. The Company enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk, interest rates risk and commodity prices risk including:

- Forward Agreements to Purchase Foreign Currency in order to reduce its exposure to the risk of exchange rate fluctuations.
- Interest Rate Swaps in order to reduce its exposure to the risk of interest rate fluctuations.
- Cross-Currency Swaps in order to reduce its exposure to the risk of exchange rate fluctuations.
- Commodity price contracts in order to reduce its exposure to the risk of fluctuation in the costs of certain raw materials.

The Company tracks the fair value (mark to market) of its derivative financial instruments and its possible changes using scenario analyses. The following disclosures provide a sensitivity analysis of the market risks, which the Company is exposed to as it relates to foreign exchange rates, interests rates and commodity prices, which it considers in its existing hedging strategy:

Forward Agreements to Purchase USD (MXN/USD)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2013	(11%)	Ps.	(67)	Ps.	-
2012	(11%)	Ps.	(122)	Ps.	-

Forward Agreements to Purchase USD (BRL/USD)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2013	(13%)	Ps.	(86)	Ps.	–

Forward Agreements to Purchase USD (COP/USD)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2013	(6%)	Ps.	(19)	Ps.	–

Options to Purchase Foreign Currency	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2012	(11%)	Ps.	(82)	Ps.	–

Interest Rate Swaps	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2013	(50 bps)	Ps.	(16)	Ps.	–
2012	(50 bps)	Ps.	(28)	Ps.	–

Cross Currency Swaps (USD into MXN)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2013	(11%)	Ps.	–	Ps.	(392)
2012	(11%)	Ps.	–	Ps.	(234)

Cross Currency Swaps (USD into BRL)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2013	(13%)	Ps.	–	Ps.	(3,719)
2012	–	Ps.	–	Ps.	–

Sugar Price Contracts	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2013	(18%)	Ps.	(298)	Ps.	–
2012	(30%)	Ps.	(732)	Ps.	–

Aluminum Price Contracts	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2013	(19%)	Ps.	(36)	Ps.	–
2012	(20%)	Ps.	(66)	Ps.	–

20.12 Interest rate risk

The Company is exposed to interest rate risk because it and its subsidiaries borrow funds at both fixed and variable interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and variable rate borrowings, and by the use of the different derivative financial instruments. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The following disclosures provide a sensitivity analysis of the interest rate risks, management considered to be reasonably possible at the end of the reporting period, which the Company is exposed to as it relates to its fixed and floating rate borrowings, which considers its existing hedging strategy:

Interest Rate Risk	Change in U.S.$ Rate		Effect on Profit or Loss
2013	+100 bps	Ps.	(239)
2012	+100 bps	Ps.	(74)
2011	+100 bps	Ps.	(92)

20.13 Liquidity risk

The Company's principal source of liquidity has generally been cash generated from its operations. A significant majority of the Company's sales are on a short-term credit basis. The Company has traditionally been able to rely on cash generated from operations to fund its capital requirements and its capital expenditures. The Company's working capital benefits from the fact that most of its sales are made on a cash basis, while it´ s generally pays its suppliers on credit. In recent periods, the Company has mainly used cash generated operations to fund acquisitions. The Company has also used a combination of borrowings from Mexican and international banks and issuances in the Mexican and international capital markets.

Ultimate responsibility for liquidity risk management rests with the Company's board of directors, which has established an appropriate liquidity risk management framework for the evaluation of the Company's short-, medium- and long-term funding and liquidity requirements. The Company manages liquidity risk by maintaining adequate reserves and credit facilities, by continuously monitoring forecasted and actual cash flows and by maintaining a conservative debt maturity profile.

The Company has access to credit from national and international bank institutions in order to face treasury needs; besides, the Company has the highest rating for Mexican companies (AAA) given by independent rating agencies, allowing the Company to evaluate capital markets in case it needs resources.

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

The Company's management continuously evaluates opportunities to pursue acquisitions or engage in strategic transactions. The Company would expect to finance any significant future transactions with a combination of cash from operations, long-term indebtedness and capital stock.

See Note 18 for a disclosure of the Company's maturity dates associated with its non-current financial liabilities as of December 31, 2013.

The following table reflects all contractually fixed and variable pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. It includes expected gross cash outflows from derivative financial liabilities that are in place as per December 31, 2013.

Such expected net cash outflows are determined based on each particular settlement date of an instrument. The amounts disclosed are undiscounted net cash outflows for the respective upcoming fiscal years, based on the earliest date on which the Company could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on economic conditions (like interest rates and foreign exchange rates) existing at December 31, 2013.

(In millions of Ps)	2014	2015	2016	2017	2018	2019 and thereafter
Non-derivative financial liabilities:						
Notes and bonds	Ps. 1,971	Ps. 1,971	Ps. 4,407	Ps. 1,861	Ps. 14,937	Ps. 42,869
Loans from banks	3,800	3,646	1,678	72	4,366	43
Obligations under finance leases	274	240	202	168	89	87
Derivatives financial liabilities	95	26	-	-	-	-

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

20.14 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions is spread amongst approved counterparties.

The Company has a high receivable turnover; hence management believes credit risk is minimal due to the nature of its businesses, which have a large portion of their sales settled in cash.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company manages the credit risk related to its derivative portfolio by only entering into transactions with reputable and credit-worthy counterparties as well as by maintaining a Credit Support Annex (CSA) that establishes margin requirements. As of December 31, 2013, the Company concluded that the maximum exposure to credit risk related with derivative financial instruments is not significant given the high credit rating of its counterparties.

NOTE 21. Non-Controlling Interest in Consolidated Subsidiaries

An analysis of Coca-Cola FEMSA's non-controlling interest in its consolidated subsidiaries for the years ended December 31, 2013, 2012 and 2011 is as follows:

		2013		2012		2011
Mexico	Ps.	3,309	Ps.	2,782	Ps.	2,568
Colombia		16		24		21
Brazil		717		373		464
	Ps.	4,042	Ps.	3,179	Ps.	3,053

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

		2013		2012		2011
Balance at beginning of the year	Ps.	3,179	Ps.	3,053	Ps.	2,560
Net income of non controlling interest[(1)]		239		565		551
Exchange differences on translation of foreign operations		212		(307)		-
Remeasurements of the net defined employee benefit liability		(7)		6		8
Valuation of the effective portion of derivative financial instruments, net of taxes		(44)		(22)		(30)
Acquisitions effects		-		(7)		(28)
Increase in shares of non-controlling interest		515		-		-
Dividends paid		(52)		(109)		(8)
Balance at end of the year	Ps.	4,042	Ps.	3,179	Ps.	3,053

(1) For the years ended at 2013, 2012 and 2011, the Company's net income allocated to non-controlling interest was Ps. 239, Ps. 565, and 551, respectively.

NOTE 22. Equity

22.1 Equity accounts

As of December 31, 2013, the capital stock of Coca-Cola FEMSA is represented by 2,072,922,229 common shares, with no par value. Fixed capital stock is Ps. 922 (nominal value) and variable capital is unlimited.

The characteristics of the common shares are as follows:

- Series "A" and series "D" shares are ordinary, have unlimited voting rights, are subject to transfer restrictions, and at all times must represent a minimum of 75% of subscribed capital stock;
- Series "A" shares may only be acquired by Mexican individuals and may not represent less than 51% of the ordinary shares.
- Series "D" shares have no foreign ownership restrictions and may not represent more than 49% of the ordinary shares.
- Series "L" shares have no foreign ownership restrictions and have limited voting rights and other corporate rights.

As of December 31, 2013, 2012 and 2011, the number of each share series representing Coca-Cola FEMSA's capital stock is comprised as follows:

	Thousands of Shares		
Series of shares	2013	2012	2011
"A"	992,078	992,078	992,078
"D"	583,546	583,546	583,546
"L"	497,298	454,920	409,830
	2,072,922	2,030,544	1,985,454

The changes in the share are as follows:

	Thousands of Shares		
Series of shares	2013	2012	2011
Initial shares	2,030,544	1,985,454	1,846,530
Shares issuance	42,378	45,090	138,924
Final shares	2,072,922	2,030,544	1,985,454

The net income of the Company is subject to the legal requirement that 5% thereof be transferred to a legal reserve until such reserve equals 20% of capital stock at nominal value. This reserve may not be distributed to shareholders during the existence of the Company. As of December 31, 2013, 2012 and 2011, this reserve is Ps. 164 for the three years.

Retained earnings and other reserves distributed as dividends, as well as the effects derived from capital reductions, are subject to income tax at the rate in effect at the date of distribution, except for restated shareholder contributions and distributions made from net consolidated taxable income, denominated "Cuenta de Utilidad Fiscal Neta" ("CUFIN").

Dividends paid in excess of CUFIN are subject to income tax at a grossed-up rate based on the current statutory rate. Since 2003, this tax may be credited against the income tax of the year in which the dividends are paid, and in the following two years against the income tax and estimated tax payments. As of December 31, 2013, the Company's balances of CUFIN amounted to Ps. 22.

For the years ended December 31, 2013, 2012 and 2011 the dividends declared and paid per share by the Company are as follows:

Series of shares		2013		2012		2011
"A"	Ps.	2,877	Ps.	2,747	Ps.	2,341
"D"		1,692		1,617		1,377
"L"		1,381		1,260		640
	Ps.	5,950 [1]	Ps.	5,624	Ps.	4,358

[1] At an ordinary shareholders' meeting of Coca-Cola FEMSA held on February 26, 2013, the shareholders declared a dividend ofPs. 5,950 that was paid in May 2, 2013 and November 5, 2013. Represents a dividend of Ps. 2.90 per each ordinary share.

22.2 Capital management

The Company manages its capital to ensure that its subsidiaries will be able to continue as going concerns while maximizing the return to shareholders through the optimization of its debt and equity balance in order to obtain the lowest cost of capital available. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2013 and 2012.

The Company is not subject to any externally imposed capital requirements, other than the legal reserve and debt covenants (see Note 18 and Note 22.1).

The Company's finance committee reviews the capital structure of the Company on a quarterly basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. In conjunction with this objective, the Company seeks to maintain the highest achievable credit rating both nationally and internationally and is currently rated AAA in a national scale and A- in a global scale. To maintain the current ratings, the company has to at least stay at a debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio of 2. A sustained increase above this level could result in a one notch downgrade. As a result, prior to entering into new business ventures, acquisitions or divestures, management evaluates the optimal ratio of debt to EBITDA in order to maintain its high credit rating.

NOTE 23. Earnings per Share

Basic earnings per share amounts are calculated by dividing consolidated net income for the year attributable to controlling interest by the weighted average number of shares outstanding during the period adjusted for the weighted average of own shares purchased in the period.

Basic earnings per share amounts are as follows:

	2013					
		Per Series "A" Shares		Per Series "D" Shares		Per Series "L" Shares
Consolidated net income	Ps.	5,685	Ps.	3,343	Ps.	2,754
Consolidated net income attributable to equity holders of the parent		5,569		3,276		2,698
Weighted average number of shares for basic earnings per share (millions of shares)		992		584		481

	2012					
		Per Series "A" Shares		Per Series "D" Shares		Per Series "L" Shares
Consolidated net income	Ps.	6,842	Ps.	4,025	Ps.	3,031
Consolidated net income attributable to equity holders of the parent		6,564		3,861		2,908
Weighted average number of shares for basic earnings per share (millions of shares)		992		584		439

	2011					
		Per Series "A" Shares		Per Series "D" Shares		Per Series "L" Shares
Consolidated net income	Ps.	5,963	Ps.	3,507	Ps.	1,743
Consolidated net income attributable to equity holders of the parent		5,670		3,335		1,657
Weighted average number of shares for basic earnings per share (millions of shares)		992		584		290

NOTE 24. Income Taxes

24.1 Income Tax

The major components of income tax expense for the years ended December 31, 2013, 2012 and 2011 are:

		2013		2012		2011
Current tax expense:						
Current year	Ps.	5,889	Ps.	5,371	Ps.	5,652
Deferred tax expense:						
Origination and reversal of temporary differences		(4)		606		7
(Benefit) utilization of tax losses recognized		(154)		297		8
Total deferred tax expense		(158)		903		15
Total income tax expense in consolidated net income	Ps.	5,731	Ps.	6,274	Ps.	5,667

2013		Mexico		Foreign		Total
Current tax expense:						
Current year	Ps.	2,949	Ps.	2,940	Ps.	5,889
Deferred tax expense:						
Origination and reversal of temporary differences		(311)		307		(4)
Benefit of tax losses recognized		(24)		(130)		(154)
Total deferred tax expense (benefit)		(335)		177		(158)
Total income tax expense in consolidated net income	Ps.	2,614	Ps.	3,117	Ps.	5,731

2012		Mexico		Foreign		Total
Current tax expense:						
Current year	Ps.	3,030	Ps.	2,341	Ps.	5,371
Deferred tax expense:						
Origination and reversal of temporary differences		(318)		924		606
Utilization of tax losses recognized		214		83		297
Total deferred tax expense (benefit)		(104)		1,007		903
Total income tax expense in consolidated net income	Ps.	2,926	Ps.	3,348	Ps.	6,274

2011		Mexico		Foreign		Total
Current tax expense:						
Current year	Ps.	2,011	Ps.	3,641	Ps.	5,652
Deferred tax expense:						
Origination and reversal of temporary differences		(132)		139		7
Utilization/(benefit) of tax losses recognized		(32)		40		8
Total deferred tax expense (benefit)		(164)		179		15
Total income tax expense in consolidated net income	Ps.	1,847	Ps.	3,820	Ps.	5,667

Recognized in Consolidated Statement of Other Comprehensive Income (OCI)

Income tax related to items charged or recognized directly in OCI during the year:		2013		2012		2011
Unrealized gain on cash flow hedges	Ps.	(147)	Ps.	(95)	Ps.	(15)
Unrealized gain on available for sale securities		(1)		(2)		3
Remeasurements of the net defined benefit liability		(75)		(62)		3
Total income tax recognized in OCI	Ps.	(223)	Ps.	(159)	Ps.	(9)

Balance of income tax of Other Comprehensive Income (OCI) as of:

Income tax related to items charged or recognized directly in OCI as of year end:		2013		2012		2011
Unrealized gain on derivative financial instruments	Ps.	(208)	Ps.	(67)	Ps.	28
Unrealized gain on available for sale securities		-		1		2
Comprehensive income to be reclassified to profit or loss in subsequent periods		(208)		(66)		30
Re-measurements of the net defined benefit liability		(196)		(120)		(59)
Comprehensive income not being reclassified to profit or loss in subsequent periods		(196)		(120)		(59)
Balance of income tax in OCI		(404)		(186)		(29)

A reconciliation between tax expense and income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method multiplied by the Mexican domestic tax rate for the years ended December 31, 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Mexican statutory income tax rate	30%	30%	30%
Income tax from prior years	(0.96)	(0.75)	0.48
Loss (gain) on monetary position for subsidiaries in hyperinflationary economies	0.68	-	(0.11)
Annual inflation tax adjustment	0.05	0.24	0.99
Non-deductible expenses	0.77	0.61	0.97
Non-taxable income	(0.19)	(0.24)	(0.46)
Income taxed at a rate other than the Mexican statutory rate	1.85	1.59	2.31
Effect of restatement of tax values	(1.39)	(1.04)	(0.99)
Effect of change in statutory rate	(0.21)	0.14	(0.03)
Effect of changes in Mexican Tax Law	0.48	-	-
Other	2.19	0.67	0.52
	33.27%	31.22%	33.68%

Deferred income tax

An analysis of the temporary differences giving rise to deferred income tax liabilities (assets) is as follows:

	Consolidated Statement of Financial Position as of				Consolidated Income Statement					
Consolidated Statement of Financial Position		2013		2012		2013		2012		2011
Allowance for doubtful accounts	Ps.	(127)	Ps.	(109)	Ps.	(8)	Ps.	(14)	Ps.	(21)
Inventories		31		18		22		76		(86)
Prepaid expenses		106		(10)		108		(118)		77
Property, plant and equipment, net		920		821		(537)		(53)		148
Investments in associates companies and joint ventures		-		(3)		3		7		(3)
Other assets		(160)		(304)		110		584		(116)
Finite useful lived intangible assets		223		112		111		(34)		53
Indefinite useful lived intangible assets		227		61		166		46		39
Post-employment and other non-current employee benefits		(255)		(308)		48		26		(32)
Derivative financial instruments		13		(12)		19		(14)		(5)
Contingencies		(851)		(620)		(109)		91		(8)
Employee profit sharing payable		(164)		(146)		(12)		(9)		(32)
Tax loss carryforwards		(178)		(24)		(154)		297		8
Cumulative other comprehensive income		(404)		(186)		-		-		-
Other liabilities		180		113		75		18		(7)
Deferred tax expense (income)					Ps.	(158)	Ps.	903	Ps.	15
Deferred tax, asset	Ps.	(1,326)	Ps.	(1,576)						
Deferred tax, liability		887		979						
Deferred income taxes, net	Ps.	(439)	Ps.	(597)						

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

		2013		2012		2011
Balance at beginning of the year	Ps.	(597)	Ps.	(1,238)	Ps.	(1,469)
Deferred tax provision for the year		(121)		876		20
Change in the statutory rate		(37)		27		(5)
Acquisition of subsidiaries, see Note 4		-		(77)		218
Effects in equity		491		-		-
Unrealized gain on derivative financial instruments		(147)		(95)		(17)
Unrealized gain on available for sale securities		(1)		(2)		5
Cumulative translation adjustment		(2)		(17)		-
Remeasurements of the net defined benefit liability		(75)		(62)		3
Restatement effect of beginning balances associated with foreign exchanges effects		50		(9)		7
Balance at end of the year	Ps.	(439)	Ps.	(597)	Ps.	(1,238)

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same tax authority.

Tax Loss Carryforwards

The subsidiaries in Mexico and Brazil have tax loss carryforwards. The tax losses carryforwards and their years of expiration are as follows:

		Tax Loss Carryforwards
2014	Ps.	-
2015		-
2017		2
2018		1
2020		-
2022 and thereafter		108
No expiration (Brazil)		426
	Ps.	537

NOL's in Brazil have no expiration, but their usage is limited to 30% of Brazilian taxable income in any given year.

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

		2013		2012		2011
Balance at beginning of the year	Ps.	75	Ps.	1,087	Ps.	1,094
Increases		641		852		121
Usage of tax losses		(177)		(1,813)		(154)
Translation effect of beginning balances		(2)		(51)		26
Balance at end of the year	Ps.	537	Ps.	75	Ps.	1,087

There were no withholding taxes associated with the payment of dividends in either 2013, 2012 or 2011 by the Company to its shareholders.

The Company has determined that undistributed profits of its subsidiaries, joint ventures or associates will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, associates and joint ventures that have not been recognised, aggregate to December 31, 2013: Ps. 8,852, December 31, 2012: Ps. 7,501 and, December 31, 2011:Ps6,157.

On January 1, 2013 an amendment to the Mexican income tax law became effective. The most important effects in the Company involve changes in the income tax rate, which shall be of 30% in 2013.

In Colombia, the tax reform (Law 1607) was enacted on December 26, 2012 and took effect during fiscal year 2013. The main changes in this legislation include a reduction in the corporate tax rate from 33% to 25% and the introduction of a new income tax (CREE tax) of 9% of taxable income (taxable base) and 8% starting 2016. Tax losses and excess presumptive income, among other items, may not be applied against the CREE tax base. The payable tax for a taxpayer in a given year is the higher of CREE or income tax computed under the Colombian income tax law.

24.2 Other taxes

The operations in Guatemala, Nicaragua, Colombia and Argentina are subject to a minimum tax, which is based primary on a percentage of assets. Any payments are recoverable in future years, under certain conditions.

24.3 Tax Reform

On January 1, 2014, the Mexican Tax Reform was effective. The most important changes are described as follows: New withholding tax of 10 % on dividends and / or earnings generated in 2014 and beyond; New taxes of 1 Mexican peso per liter on the sale of flavored beverages with added sugar; the tax on cash deposits (IDE) and the Business Flat Tax (IETU) are eliminated; the income tax deduction of exempt payroll items for workers is limited to 53%; and the income tax rate remains at 30 % for 2014 and subsequent years. Management is still in the process of evaluating the impact that these tax law changes might have on its business.

NOTE 25. Other Liabilities, Provisions and Commitments

25.1 Other current financial liabilities

		2013		2012
Sundry creditors	Ps.	1,439	Ps.	1,071
Derivative financial instruments		304		200
Total	Ps.	1,743	Ps.	1,271

25.2 Provisions and other liabilities

		2013		2012
Provisions	Ps.	4,479	Ps.	2,134
Taxes payable		253		244
Others		802		929
Total	Ps.	5,534	Ps.	3,307

25.3 Other non-current financial liabilities

		2013		2012
Derivative financial instruments	Ps.	1,121	Ps.	208
Security deposits		142		268
Total	Ps.	1,263	Ps.	476

25.4 Provisions recorded in the consolidated statement of financial position

The Company has various loss contingencies, and has recorded reserves as other liabilities for those legal proceedings for which it believes an unfavorable resolution is probable. The following table presents the nature and amount of the loss contingencies recorded as of December 31, 2013 and 2012:

		2013		2012
Taxes	Ps.	3,147	Ps.	921
Labor		1,021		934
Legal		311		279
Total	Ps.	4,479	Ps.	2,134

25.5. Changes in the balance of provisions recorded

25.5.1 Taxes

		2013		2012		2011
Balance at beginning of the year	Ps.	921	Ps.	925	Ps.	799
Penalties and other charges		1		107		16
New contingencies		217		-		7
Cancellation and expiration		(5)		(124)		(42)
Contingencies added in business combinations		2,108		117		170
Payments		(31)		(15)		(102)
Restatement of the beginning balance of subsidiaries in hyperinflationary economies		(64)		(89)		77
Balance at end of the year	Ps.	3,147	Ps.	921	Ps.	925

25.5.2 Labor

		2013		2012		2011
Balance at beginning of the year	Ps.	934	Ps.	1,128	Ps.	1,134
Penalties and other charges		139		189		105
New contingencies		187		134		122
Cancellation and expiration		(226)		(359)		(261)
Contingencies added in business combinations		114		15		8
Payments		(69)		(91)		(71)
Restatement of the beginning balance of subsidiaries in hyperinflationary economies		(58)		(82)		91
Balance at end of the year	Ps.	1,021	Ps.	934	Ps.	1,128

A roll forward for legal contingencies is not disclosed because the amounts are not considered to be material.

While provision for all claims has already been made, the actual outcome of the disputes and the timing of the resolution cannot be estimated by the Company at this time.

25.6 Unsettled lawsuits

The Company has entered into several proceedings with its labor unions, tax authorities and other parties that primarily involve Coca-Cola FEMSA and its subsidiaries. These proceedings have resulted in the ordinary course of business and are common to the industry in which the Company operates. Such contingencies were classified by the Company as less than probable, the estimated amount as of December 31, 2013 of these lawsuits is Ps. 15,793, however, the Company believes that the ultimate resolution of such proceedings will not have a material effect on its consolidated financial position or result of operations.

In recent years in its Mexican, Costa Rican and Brazilian territories, Coca-Cola FEMSA has been requested to present certain information regarding possible monopolistic practices. These requests are commonly generated in the ordinary course of business in the soft drink industry where this subsidiary operates. The Company does not expect any material liability to arise from these contingencies.

25.7 Collateralize contingencies

As is customary in Brazil, the Company has been required by the tax authorities there to collateralize tax contingencies currently in litigation amounting to Ps. 2,248, Ps. 2,164 and Ps. 2,418 as of December 31, 2013, 2012 and 2011, respectively, by pledging fixed assets and entering into available lines of credit covering the contingencies.

25.8 Commitments

As of December 31, 2013, the Company has contractual commitments for finance leases for machinery and transport equipment and operating lease for the rental of production machinery and equipment, distribution and computer equipment.

The contractual maturities of the operating lease commitments by currency, expressed in Mexican pesos as of December 31, 2013, are as follows:

	Mexican pesos	U.S. dollars	Other
Not later than 1 year	Ps. 211	Ps. 65	Ps. 76
Later than 1 year and not later than 5 years	801	257	84
Later than 5 years	439	128	6
Total	Ps. 1,451	Ps. 450	Ps. 166

Rental expense charged to consolidated net income was Ps. 949, Ps. 1,019 and Ps. 850 for the years ended December 31, 2013, 2012 and 2011, respectively.

Future minimum lease payments under finance leases with the present value of the net minimum lease payments are as follows:

	2013 Minimum payments	Present value of payments	2012 Minimum payments	Present value of payments
Not later than 1 year	Ps. 278	Ps. 237	Ps. 195	Ps. 189
Later than 1 year and not later than 5 years	775	717	8	7
Later than 5 years	4	5	–	–
Total minimum lease payments	1,057	959	203	196
Less amount representing finance charges	98	–	7	–
Present value of minimum lease payments	Ps. 959		Ps. 196	

The Company has firm commitments for the purchase of property, plant and equipment of Ps. 1,828 as December 31, 2013.

25.9 Restructuring provision

Coca-Cola FEMSA recorded a restructuring provision. This provision relates principally to reorganization in the structure of the Company. The restructuring plan was drawn up and announced to the employees of the Company in 2011 when the provision was recognized in its consolidated financial statements. The restructuring of the Company was completed by 2013.

	2013	2012	2011
Balance at beginning of the year	Ps. 90	Ps. 153	Ps. 230
New	179	191	46
Payments	(234)	(254)	(74)
Cancellation	(35)	–	(49)
Balance at end of the year	Ps. –	Ps. 90	Ps. 153

NOTE 26. Information by Segment

The Company's Chief Operating Decision Maker ("CDOM") is the Chief Executive Officer. The Company aggregated operating segments into the following reporting segments for the purposes of its consolidated financial statements: (i) Mexico and Central America division (comprising the following countries: Mexico (including corporate operations), Guatemala, Nicaragua, Costa Rica and Panama) and (ii) the South America division (comprising the following countries: Brazil, Argentina, Colombia and Venezuela). Venezuela operates in an economy with exchange control and hyper-inflation; and as a result, IAS 29, "Financial Reporting in Hyperinflationary Economies" does not allow its aggregation into the South America segment and (iv) the Asian division comprised of the Company's equity method investment in CCBPI (Philippines) which was acquired in January 2013 (see Note 10).. The Company is of the view that the quantitative and qualitative aspects of the aggregated operating segments are similar in nature for all periods presented.

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

2013	Mexico and Central America (1)	South America (2)	Venezuela	Consolidated
Total revenues	Ps. 70,679	Ps. 53,774	Ps. 31,558	Ps. 156,011
Intercompany revenue	3,186	-	-	3,186
Gross profit	34,941	22,374	15,620	72,935
Income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method	9,089	4,622	3,513	17,224
Depreciation and amortization (3)	3,806	2,285	1,041	7,132
Non cash items other than depreciation and amortization (3)	(72)	(133)	217	12
Equity in earnings of associated companies and joint ventures (5)	239	49	1	289
Total assets (5)	121,685	72,451	22,529	216,665
Investments in associate companies and joint ventures (5)	14,251	2,516	-	16,767
Total liabilities	72,077	19,255	8,180	99,512
Capital expenditures, net (4)	5,287	4,447	1,969	11,703

2012	Mexico and Central America (1)	South America (2)	Venezuela	Consolidated
Total revenues	Ps. 66,141	Ps. 54,821	Ps. 26,777	Ps. 147,739
Intercompany revenue	2,876	4,008	-	6,884
Gross profit	31,643	23,667	13,320	68,630
Income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method	9,577	7,353	3,061	19,991
Depreciation and amortization (3)	3,037	1,906	749	5,692
Non cash items other than depreciation and amortization (3)	15	150	110	275
Equity in earnings of associated companies and joint ventures	55	125	-	180
Total assets	108,768	40,046	17,289	166,103
Investments in associate companies and joint ventures	4,002	1,349	1	5,352
Total liabilities	42,387	13,161	5,727	61,275
Capital expenditures, net (4)	5,350	3,878	1,031	10,259

2011	Mexico and Central America [(1)]	South America [(2)]	Venezuela	Consolidated
Total revenues	Ps. 51,662	Ps. 51,451	Ps. 20,111	Ps. 123,224
Intercompany revenue	2,105	3,920	–	6,025
Gross profit	24,576	22,205	9,750	56,531
Income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method	7,279	6,912	2,603	16,794
Depreciation and amortization	2,053	1,623	543	4,219
Non-cash items other than depreciation and amortization [(3)]	64	442	106	612
Equity in earnings of associated companies and joint ventures	(15)	101	–	86
Total assets	86,497	42,550	12,691	141,738
Investments in associate companies and joint ventures	2,217	1,438	1	3,656
Total liabilities	32,123	13,074	3,460	48,657
Capital expenditures, net [(4)]	4,120	3,109	633	7,862

(1) Central America includes Guatemala, Nicaragua, Costa Rica and Panama. Domestic (Mexico only) revenues were Ps. 62,364, Ps. 57,945 and Ps. 44,560 during the years ended December 31, 2013, 2012 and 2011, respectively. Domestic (Mexico only) total assets were Ps. 114,254, Ps. 101,635 and Ps. 79,283 as of December 31, 2013, 2012 and 2011, respectively. Domestic (Mexico only) total liabilities were Ps. 70,805, Ps. 40,661and Ps. 30,418 as of December 31, 2013, 2012 and 2011, respectively.

(2) South America includes Brazil, Argentina, Colombia and Venezuela, although Venezuela is shown separately above. South America revenues include Brazilian revenues of Ps. 30,265, Ps. 30,578 and Ps. 31,131 during the years ended December 31, 2013, 2012 and 2011, respectively. Brazilian total assets were Ps. 53,441, Ps. 21,955 and Ps. 26,060 as of December 31, 2013, 2012 and 2011, respectively. Brazilian total liabilities Ps. 12,484, Ps. 6,544 and Ps. 6,478 as of December 31, 2013, 2012 and 2011, respectively. South America revenues also include Colombian revenues of Ps. 12,780, Ps. 13,973 and Ps. 11,921 during the years ended December 31, 2013, 2012 and 2011, respectively. Colombian total assets were Ps. 15,512, Ps. 14,557 and Ps. 13,166 as of December 31, 2013, 2012 and 2011, respectively. Colombian total liabilities were Ps. 3,974, Ps. 3,885 and Ps. 3,794 as of December 31, 2013, 2012 and 2011, , respectively. South America revenues also include Argentine revenues of Ps, 10,729, Ps. 10,270 and Ps. 8,399 during the years ended December 31, 2013, 2012 and 2011, respectively. Argentine total assets were Ps. 3,498, Ps. 3,534 and Ps. 3,324 as of December 31, 2013, 2012 and 2011, respectively. Argentine total liabilities were Ps. 2,797, Ps. 2,732 and Ps. 2,802 as of December 31, 2013, 2012 and 2011, respectively.

(3) Includes foreign exchange loss, net; gain on monetary position, net; and market value (gain) loss on financial instruments.

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

(5) The Asian division consists of the 51% equity investment in CCBPI (Philippines) which was acquired in 2013, and is accounted for using the equity method of accounting (see Note 10). The equity in earnings of the Asian division were Ps. 108 in 2013 and are presented as part of the Company's corporate operations in 2013 and thus disclosed net in the table above as part of the "equity in earnings of associated companies" in the Mexico & Central America division, as is the equity method investment in CCBPI Ps. 9,398. However, the Asian division represents a separate reporting segment under IFRS 8 and is represented by the following investee level amounts, prior to reflection of the Company's 51% equity interest in the accompanying consolidated financial statements: revenues Ps. 13,438, gross profit Ps. 4,285, income before income taxes Ps. 310, depreciation and amortization Ps. 1,229, total assets Ps. 17,232, total liabilities Ps. 4,488, capital expenditures Ps. 1,889.

NOTE 27. Future Impact of Recently Issued Accounting Standards not yet in Effect:

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective as of December 31, 2013.

> IFRS 9, "Financial Instruments" issued in November 2009 and amended in October 2010, introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. The standard requires all recognized financial assets that are within the scope of IAS 39, "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

> The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at FVTPL) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was recognized in profit or loss.

- IFRS 9, "Financial Instruments" issued in November 2013, introduces a new chapter on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. As well, permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss.
- As IFRS 9 (2013) removes the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalization of the impairment and classification and measurement requirements, the Company has decided that the adoption of this standard will take place until IFRS 9 is completed. It is not practicable to provide a reasonable estimate of the effect of IFRS 9 until these phases have been concluded in their final version to be issued.
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities, clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation, of whether this standard will have a material impact on its consolidated financial statements.
- Amendments to IAS 36 "Impairment of Assets", reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation, of whether this standard will have a material impact on its consolidated financial statements.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation, of whether this standard will have a material impact on its consolidated financial statements.
- Annual Improvements 2010-2012 Cycle makes amendments to: IFRS 2 "Share-based payment", by amending the definitions of vesting condition and market condition, and adding definitions for performance condition and service condition; IFRS 3 "Business combinations", which require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date; IFRS 8 "Operating segments", requiring disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly; IFRS 13 Fair value measurement", clarifying that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only); IAS 16 Property, plant and equipment" and IAS 38 "Intangible assets" clarifying that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount; and IAS 24 Related party Disclosures", clarifying how payments to entities providing management services are to be disclosed. These improvements are applicable to annual periods beginning on or after 1 July 2014. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation, of whether this standard will have a material impact on its consolidated financial statements.
- Annual Improvements 2011-2013 Cycle makes amendments to the following applicable standards to the Company: IFRS 3 clarifying that the standard excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; IFRS 13, clarifying the scope of the portfolio exception of paragraph 52, which permits an entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position for a particular risk exposure or to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. These improvements are applicable to annual periods beginning on or after 1 July 2014. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation, of whether this standard will have a material impact on its consolidated financial statements.
- IFRIC 21 Levies, provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides guidance on recognition of a liability to pay levies, where the liability is recognized progressively if the obligating event occurs over a period of time; and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This interpretation is effective for accounting periods beginning on or after 1 January 2014, with early adoption permitted. The Company has not early adopted this IFRIC. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation, of whether this standard will have a material impact on its consolidated financial statements.

NOTE 28. Supplemental Guarantor Information

Consolidating Condensed Financial Information

The following consolidating information presents consolidating condensed statements of financial position as of December 31, 2013 and 2012 and condensed consolidating statements of income, other comprehensive income and cash flows for each of the three years in the period ended December 31, 2013, 2012 and 2011 of the Company and Propimex, Comercializadora la Pureza de Bebidas, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V., Grupo Embotellador CIMSA, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V. and Yoli de Acapulco, S.A. de C.V. (the Guarantors).

These statements are prepared in accordance with IFRS, as issued by the IASB, with the exception that the subsidiaries are accounted for as investments under the equity method rather than being consolidated. The guarantees of the Guarantors are full and unconditional.

The Company's consolidating condensed financial information for the (i) Company; (ii) its 100% owned guarantors subsidiaries (on standalone basis), which are wholly and unconditional guarantors under both prior years debt and current year debt referred to as "Senior Notes" in Note 18; (iii) the combined non-guarantor subsidiaries; iv) eliminations and v) the Company's consolidated financial statements are as follows:

Consolidated Statement of Financial Position
As of December 31, **2013**

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
Assets:					
Current assets:					
Cash and cash equivalents	Ps. 5,485	Ps. 1,220	Ps. 8,601	Ps. -	Ps. 15,306
Accounts receivable, net	46,093	16,155	24,552	(76,842)	9,958
Inventories	-	3,740	5,390	-	9,130
Recoverable taxes	305	1,142	2,673	-	4,120
Other current assets and financial assets	47	427	4,243	-	4,717
Total current assets	51,930	22,684	45,459	(76,842)	43,231
Non-current assets:					
Investments in associates and joint Ventures	93,089	57,404	14,032	(147,758)	16,767
Property, plant and equipment, net	-	17,043	34,742	-	51,785
Intangible assets, net	29,348	38,020	31,606	-	98,974
Other non-current assets and financial assets	1,107	6,385	3,619	(5,203)	5,908
Total non-current assets	123,544	118,852	83,999	(152,961)	173,434
Total assets	Ps. 175,474	Ps. 141,536	Ps. 129,458	Ps.(229,803)	Ps. 216,665
Liabilities:					
Current liabilities:					
Short-term bank loans and notes payable and current portion of non-current debt	Ps. 1,679	Ps. -	Ps. 2,231	Ps. -	Ps. 3,910
Suppliers	16	3,146	13,058	-	16,220
Other current liabilities and financial liabilities	5,038	75,941	8,131	(76,842)	12,268
Total current liabilities	6,733	79,087	23,420	(76,842)	32,398
Non-current liabilities:					
Bank loans and notes payable	55,384	-	1,491	-	56,875
Other non-current liabilities	246	1,137	14,059	(5,203)	10,239
Total non-current liabilities	55,630	1,137	15,550	(5,203)	67,114
Total liabilities	62,363	80,224	38,970	(82,045)	99,512
Equity:					
Equity attributable to equity holders of the Parent	113,111	61,312	86,446	(147,758)	113,111
Non-controlling interest in consolidated subsidiaries	-	-	4,042	-	4,042
Total equity	113,111	61,312	90,488	(147,758)	117,153
Total liabilities and equity	Ps. 175,474	Ps. 141,536	Ps. 129,458	Ps. (229,803)	Ps. 216,665

Consolidated Statement of Financial Position
As of December 31, 2012

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
Assets:					
Current assets:					
Cash and cash equivalents	Ps. 14,394	Ps. 981	Ps. 7,847	Ps. -	Ps. 23,222
Marketable securities	-	-	12	-	12
Accounts receivable, net	17,306	22,335	43,436	(73,748)	9,329
Inventories	-	3,885	4,218	-	8,103
Recoverable taxes	1	1,671	1,001	-	2,673
Other current assets and financial assets	32	236	2,290	-	2,558
Total current assets	31,733	29,108	58,804	(73,748)	45,897
Non-current assets:					
Investments in associates and joint Ventures	105,837	41,152	3,446	(145,083)	5,352
Property, plant and equipment, net	-	15,239	27,278	-	42,517
Intangible assets, net	21,712	38,262	7,039	-	67,013
Other non-current assets and financial assets	880	954	3,490	-	5,324
Total non-current assets	128,429	95,607	41,253	(145,083)	120,206
Total assets	Ps. 160,162	Ps. 124,715	Ps. 100,057	(218,831)	166,103
Liabilities:					
Current liabilities:					
Short-term bank loans and notes payable and current portion of non-current debt	Ps. 4,548	Ps. -	Ps. 785	Ps. -	5,333
Suppliers	14	3,060	11,147	-	14,221
Other current liabilities	30,340	44,728	8,676	(73,748)	9,996
Total current liabilities	34,902	47,788	20,608	(73,748)	29,550
Non-current liabilities:					
Bank loans and notes payable	23,372	-	1,403	-	24,775
Other non-current liabilities	239	945	5,766	-	6,950
Total non-current liabilities	23,611	945	7,169		31,725
Total liabilities	58,513	48,733	27,777	(73,748)	61,275
Equity:					
Equity attributable to equity holders of the Parent	101,649	75,982	69,101	(145,083)	101,649
Non-controlling interest in consolidated subsidiaries	-	-	3,179	-	3,179
Total equity	101,649	75,982	72,280	(145,083)	104,828
Total liabilities and equity	Ps. 160,162	Ps. 124,715	Ps. 100,057	Ps. (218,831)	Ps. 166,103

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed consolidating income statements: For the year ended December 31, **2013**				
Total revenues	Ps. -	Ps. 62,750	Ps. 109,054	Ps. (15,793)	Ps. 156,011
Cost of goods sold	-	30,398	53,779	(1,101)	83,076
Gross profit	-	32,352	55,275	(14,692)	72,935
Administrative expenses	111	8,459	6,504	(8,587)	6,487
Selling expenses	-	16,293	34,640	(6,105)	44,828
Other expenses, net	(3)	107	519	-	623
Interest expense (income), net	353	2,744	(410)	-	2,687
Foreign exchange gain (loss), net	(160)	(98)	(481)	-	(739)
Other financing revenues (cost), net	82	(26)	(403)	-	(347)
Income taxes	75	1,896	3,760	-	5,731
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	12,157	5,528	216	(17,612)	289
Consolidated net income	Ps. 11,543	Ps. 8,257	Ps. 9,594	Ps. (17,612)	Ps. 11,782
Attributable to:					
Equity holders of the parent	Ps. 11,543	Ps. 8,257	Ps. 9,355	Ps. (17,612)	Ps. 11,543
Non-controlling interest	-	-	239	-	239
Consolidated net income	Ps. 11,543	Ps. 8,257	Ps. 9,594	Ps. (17,612)	Ps. 11,782

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed consolidating income statements: For the year ended December 31, 2012				
Total revenues	Ps. 14	Ps. 58,087	Ps. 106,885	Ps. (17,247)	Ps. 147,739
Cost of goods sold	-	29,460	53,125	(3,476)	79,109
Gross profit	14	28,627	53,760	(13,771)	68,630
Administrative expenses	166	7,378	5,875	(7,202)	6,217
Selling expenses	-	14,001	32,791	(6,569)	40,223
Other expenses, net	46	198	708	-	952
Interest expense (income), net	(85)	2,669	(1,053)	-	1,531
Foreign exchange gain (loss), net	424	(55)	(97)	-	272
Other financing revenues (cost), net	32	(19)	-	-	13
Income taxes	269	1,961	4,044	-	6,274
Share of the profit of subsidiaries, associates and joint ventures accounted for using the equity method, net of taxes	13,259	7,642	156	(20,877)	180
Consolidated net income	Ps. 13,333	Ps. 9,988	Ps. 11,454	Ps. (20,877)	Ps. 13,898
Attributable to:					
Equity holders of the parent	Ps. 13,333	Ps. 9,988	Ps. 10,889	Ps. (20,877)	Ps. 13,333
Non-controlling interest	-	-	565	-	565
Consolidated net income	Ps. 13,333	Ps. 9,988	Ps. 11,454	Ps. (20,877)	Ps. 13,898

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed consolidating income statements: For the year ended December 31, 2011				
Total revenues	Ps. 13	Ps. 44,479	Ps. 92,846	Ps. (14,114)	Ps. 123,224
Cost of goods sold	-	22,798	44,982	(1,087)	66,693
Gross profit	13	21,681	47,864	(13,027)	56,531
Administrative expenses	146	6,263	5,015	(6,284)	5,140
Selling expenses	-	10,578	28,258	(6,743)	32,093
Other (income) expenses, net	(15)	67	1,323	-	1,375
Interest (income) expense, net	(242)	2,266	(911)	-	1,113
Foreign exchange (loss) gain, net	(480)	(49)	590	-	61
Other financing (cost) revenues, net	(144)	7	60	-	(77)
Income taxes	(51)	945	4,773	-	5,667
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	11,111	6,811	97	(17,933)	86
Consolidated net income	Ps. 10,662	Ps. 8,331	Ps. 10,153	Ps. (17,933)	Ps. 11,213
Attributable to:					
Equity holders of the parent	Ps. 10,662	Ps. 8,331	Ps. 9,602	Ps. (17,933)	Ps. 10,662
Non-controlling interest	-	-	551	-	551
Consolidated net income	Ps. 10,662	Ps. 8,331	Ps. 10,153	Ps. (17,933)	Ps. 11,213

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed consolidating statements of comprehensive income For the year ended December 31, **2013**				
Consolidated net income	Ps. 11,543	Ps. 8,257	Ps. 9,594	Ps. (17,612)	Ps. 11,782
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Unrealized gain on available-for sale securities, net of taxes	-	-	(2)	-	(2)
Valuation of the effective portion of derivative financial instruments, net of taxes	(279)	(220)	(256)	476	(279)
Exchange differences on translation of foreign operations	(1,618)	(1,455)	(110)	1,618	(1,565)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	(1,897)	(1,675)	(368)	2,094	(1,846)
Items not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of the net defined benefit liability, net of taxes	(145)	(131)	(146)	277	(145)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods:	(145)	(131)	(146)	277	(145)
Total comprehensive (loss) income, net of tax	(2,042)	(1,806)	(514)	2,371	(1,991)
Consolidated comprehensive income for the year, net of tax	Ps. 9,501	Ps. 6,451	Ps. 9,080	Ps. (15,241)	Ps. 9,791
Attributable to:					
Equity holders of the parent	Ps. 9,501	Ps. 6,451	Ps. 8,680	Ps. (15,241)	Ps. 9,391
Non-controlling interest	-	-	400	-	400
Consolidated comprehensive income for the year, net of tax	Ps. 9,501	Ps. 6,451	Ps. 9,080	Ps. (15,241)	Ps. 9,791

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed consolidating statements of comprehensive income For the year ended December 31, 2012				
Consolidated net income	Ps. 13,333	Ps. 9,988	Ps. 11,454	Ps. (20,877)	Ps. 13,898
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Unrealized gain on available-for sale securities, net of taxes	(2)	-	(2)	2	(2)
Valuation of the effective portion of derivative financial instruments, net of taxes	(179)	(292)	(166)	436	(201)
Exchange differences on translation of foreign operations	(2,055)	(6,264)	(2,361)	8,319	(2,361)
Net other comprehensive income to be reclassified to profit or loss in subsequentperiods:	(2,236)	(6,556)	(2,529)	8,757	(2,564)
Items not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of the net defined benefit liability, net of taxes	(131)	(25)	(145)	176	(125)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods:	(131)	(25)	(145)	176	(125)
Total comprehensive (loss) income, net of tax	(2,367)	(6,581)	(2,674)	8,933	(2,689)
Consolidated comprehensive income for the year, net of tax	Ps. 10,966	Ps. 3,407	Ps. 8,780	Ps. (11,944)	Ps. 11,209
Attributable to:					
Equity holders of the parent	Ps. 10,966	Ps. 3,407	Ps. 8,538	Ps. (11,944)	Ps. 10,967
Non-controlling interest	-	-	242	-	242
Consolidated comprehensive income for the year, net of tax	Ps. 10,966	Ps. 3,407	Ps. 8,780	Ps. (11,944)	Ps. 11,209

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed consolidating statements of comprehensive income For the year ended December 31, 2011				
Consolidated net income	Ps. 10,662	Ps. 8,331	Ps. 10,153	Ps. (17,933)	Ps. 11,213
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Unrealized gain on available-for sale securities, net of taxes	4	-	4	(4)	4
Valuation of the effective portion of derivative financial instruments, net of taxes	27	212	(171)	(71)	(3)
Exchange differences on translation of foreign operations	4,073	2,268	1,805	(4,073)	4,073
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	4,104	2,480	1,638	(4,148)	4,074
Items not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of the net defined benefit liability, net of taxes	(14)	(135)	(9)	152	(6)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods:	(14)	(135)	(9)	152	(6)
Total comprehensive (loss) income, net of tax	4,090	2,345	1,629	(3,996)	4,068
Consolidated comprehensive income for the year, net of tax	Ps. 14,752	Ps. 10,676	Ps. 11,782	Ps (21,929)	Ps. 15,281
Attributable to:					
Equity holders of the parent	Ps. 14,752	Ps. 10,676	Ps. 11,253	Ps. (21,929)	Ps. 14,752
Non-controlling interest	-	-	529	-	529
Consolidated comprehensive income for the year, net of tax	Ps. 14,752	Ps. 10,676	Ps. 11,782	Ps. (21,929)	Ps. 15,281

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed Consolidated Statements of Cash Flows For the year ended December 31, **2013**				
Cash flows from operating activities:					
Income before income taxes	Ps. 11,618	Ps. 10,153	Ps. 13,354	Ps. (17,612)	Ps 17,513
Non-cash items	(13,719)	(1,420)	5,699	20,604	11,164
Changes in working capital	(358)	2,211	(8,433)	-	(6,580)
Net cash flows from operating activities	(2,459)	10,944	10,620	2,992	22,097
Investing activities:					
Acquisitions	(1,078)	46	(36,621)	-	(37,653)
Interest received	3,524	1,940	(827)	(3,983)	654
Acquisition of long-lived assets, net	-	(3,302)	(7,118)	-	(10,420)
Acquisition of intangible assets and other investing activities	(53,740)	(214)	60,168	(8,205)	(1,991)
Investments in shares	684	(12,581)	11,826	-	(71)
Dividends received	23,372	1,115	-	(24,487)	-
Net cash flows (used in)/from investing activities	(27,238)	(12,996)	27,428	(36,675)	(49,481)
Financing activities:					
Proceeds from borrowings	61,752	-	4,996	-	66,748
Repayment of borrowings	(32,567)	-	(4,177)	-	(36,744)
Interest paid	(1,538)	(3,358)	(1,414)	3,982	(2,328)
Dividends paid	(5,950)	(20,986)	(3,553)	24,487	(6,002)
Acquisition of non-controlling interests	-	-	515	-	515
Other financing activities	(268)	26,672	(30,301)	5,214	1,317
Net cash flows from / (used in) financing activities	21,429	2,328	(33,934)	33,683	23,506
Net increase (decrease) in cash and cash equivalents	(8,268)	276	4,114	-	(3,878)
Equivalents	14,394	981	7,847	-	23,222
Effects of exchange rate changes and inflation effects on the balance sheet of cash held in foreign currencies	(641)	(37)	(3,360)	-	(4,038)
Ending balance of cash and cash equivalents	Ps. 5,485	Ps. 1,220	Ps. 8,601	Ps. -	Ps 15,306

Condensed Consolidated Statements of Cash Flows For the year ended December 31, 2012

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
Cash flows from operating activities:					
Income before income taxes	Ps. 13,602	Ps. 11,949	Ps. 15,498	Ps. (20,877)	Ps. 20,172
Non-cash items	(13,854)	(2,758)	424	23,640	7,452
Changes in working capital	(32)	(3,083)	(859)	-	(3,974)
Net cash flows from operating activities	(284)	6,108	15,063	2,763	23,650
Investing activities:					
Acquisitions	(1,221)	87	20	-	(1,114)
Proceeds from the sale of marketable securities	-	-	273	-	273
Interest received	1,993	517	4,791	(6,877)	424
Acquisition of long-lived assets, net	-	(3,278)	(6,170)	-	(9,448)
Acquisition of intangible assets and other investing activities	-	6,735	(4,353)	(3,037)	(655)
Investments in shares	29	(65)	(433)	-	(469)
Dividends received	5,085	1,569	-	(6,654)	-
Net cash flows (used in)/from investing activities	5,886	5,565	(5,872)	(16,568)	(10,989)
Financing activities:					
Proceeds from borrowings	11,837	-	4,592	-	16,429
Repayment of borrowings	(3,394)	(40)	(5,030)	-	(8,464)
Interest paid	(1,761)	(3,382)	(3,428)	6,877	(1,694)
Dividends paid	(5,625)	(4,838)	(1,925)	6,654	(5,734)
Acquisition of non-controlling interests	-	-	(6)	-	(6)
Other financing activities	3,623	(3,083)	(1,285)	274	(471)
Net cash flows from / (used in) financing activities	4,680	(11,343)	(7,082)	13,805	60
Net increase in cash and cash equivalents	10,282	330	2,109	-	12,721
Initial balance of cash and cash Equivalents	4,046	676	7,121	-	11,843
Effects of exchange rate changes and inflation effects on the balance sheet of cash held in foreign currencies	66	(25)	(1,383)	-	(1,342)
Ending balance of cash and cash equivalents	Ps. 14,394	Ps. 981	Ps. 7,847	Ps. -	Ps. 23,222

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed Consolidated Statements of Cash Flows For the year ended December 31, 2011				
Cash flows from operating activities:					
Income before income taxes	Ps. 10,611	Ps. 9,276	Ps. 14,926	Ps. (17,933)	Ps 16,880
Non-cash items	(10,726)	(3,224)	(650)	20,370	5,770
Changes in working capital	(27)	(2,804)	(5,926)	-	(8,757)
Net cash flows (used in)/from operating activities	(142)	3,248	8,350	2,437	13,893
Investing activities:					
Acquisitions	(4,326)	(3,478)	3,478	-	(4,326)
Purchase of marketable securities	-	-	(326)	-	(326)
Interest received	2,195	608	4,902	(7,066)	639
Acquisition of long-lived assets, net	-	(2,262)	(4,218)	-	(6,480)
Acquisition of intangible assets and other investing activities	(671)	5,231	(1,453)	(4,191)	(1,084)
Investments in shares	(4,327)	(5,259)	755	8,211	(620)
Dividends received	3,605	926	-	(4,531)	-
Net cash flows (used in)/from investing activities	(3,524)	(4,234)	3,138	(7,577)	(12,197)
Financing activities:					
Proceeds from borrowings	5,000	-	1,934	-	6,934
Repayment of borrowings	-	-	(2,733)	-	(2,733)
Interest paid	(939)	(2,955)	(4,752)	7,066	(1,580)
Dividends paid	(4,359)	(3,186)	(1,352)	4,531	(4,366)
Acquisition of non-controlling interests	-	-	(115)	-	(115)
Proceeds from issue of share capital	-	4,344	3,867	(8,211)	-
Other financing activities	989	2,965	(6,920)	1,754	(1,212)
Net cash flows (used in)/from financing activities	691	1,168	(10,071)	5,140	(3,072)
Net (decrease) increase in cash and cash equivalents	(2,975)	182	1,417	-	(1,376)
Initial balance of cash and cash equivalents	6,620	396	5,126	-	12,142
Effects of exchange rate changes and inflation effects on the balance sheet of cash held in foreign currencies	401	98	578	-	1,077
Ending balance of cash and cash equivalents	Ps. 4,046	Ps. 676	Ps. 7,121	Ps. -	Ps. 11,843

NOTE 29. Subsequent Events

On January 13, 2014 the Company issued a U.S. dollar-denominated 10-year bonds and 30-year bonds that were placed on November 19, 2013 (the "Original Senior Notes") in the international capital markets, to increase the total principal amount to U.S,$2.5 billion (in three tranches), placing an additional US $150 million for 10-year bonds at a yield of US Treasury +107 basis points, with a coupon of 3.875%; and an additional US$200 million for 30-year bonds at a yield of US Treasury +122 basis points, with a coupon of 5.250% (the "Additional Senior Notes"). The Company's 10-year bonds now have an aggregate principal amount of US $900 million and 30-year bonds now have an aggregate principal amount of US $600 million. The Additional Senior Notes have the same CUSIP and the same coupon as the respective Original Senior Notes. The Additional Senior Notes have the same CUSIP and the same coupon as the respective Original Senior Notes. These notes are guaranteed by the Guarantors Subsidiaries.

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

In January 2014, the Venezuelan government announced that certain transactions, such as the importation of finished goods and raw materials for some product categories, would be transacted at the state-run Supplementary Foreign Currency Administration System (SICAD) currency rate. As per the most recent SICAD auction such currency rate is approximately 11.70 bolivars per U.S. dollar; however the Venezuelan government has authorized the use of SICAD rates only for certain entities and certain transactions, and confirmed that the official exchange rate continues to be 6.30 bolivars per U.S. Dollar.

In February 2014, the Company prepaid in full the following Bank loans denominated in pesos: i) Ps. 292 (nominal amount) with a maturity date in 2015, ii) Ps. 1,000 (nominal amount) with a maturity date in 2015, iii) Ps. 375 (nominal amount) with a maturity date in 2015 and, iv) Ps. 1,100 (nominal amount) with a maturity date in 2014.

Glossary

The Coca-Cola Company: Founded in 1886, The Coca-Cola Company is the world's largest beverage company, refreshing consumers with more than 500 sparkling and still brands. The Coca-Cola Company's corporate headquarters are in Atlanta with local operations in more than 200 countries around the world.

Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA): FEMSA is a leading company that participates in the beverage industry through Coca-Cola FEMSA, the largest franchise bottler of Coca-Cola products in the world; and in the beer industry, through its ownership of the second largest equity stake in Heineken, one of the world's leading brewers with operations in over 70 countries. In the retail industry it participates with FEMSA Comercio, operating various small-format chain stores, including OXXO, the largest and fastest-growing chain of stores in Latin America. All of which is supported by a Strategic Business unit.

Consumer: Person who consumes Coca-Cola FEMSA products.

Customer: Retail outlet, restaurant or other operation that sells or serves the company's products directly to consumers.

Per Capita Consumption: The average number of eight-ounce servings consumed per person, per year in a specific market. To calculate per capita consumption, the company multiplies its unit case volume by 24 and divides by the population.

Serving: Equals eight fluid ounces of a beverage.

Unit Case: Unit of measurement that equals 24 eight fluid ounce servings.

Sparkling beverage: A non-alcoholic carbonated beverage containing flavorings and sweeteners. It excludes flavored waters and carbonated or non-carbonated tea, coffee and sports drinks.

Still beverage: Non-carbonated beverages.

Board Practices

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

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

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

audit committee annual report

To the Board of Directors of 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 2013. 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 the Sarbanes–Oxley Act. We met at least on a quarterly basis and, based on a work program, we carried out the activities described below:

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. 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 the Sarbanes–Oxley Act regarding the self-assessment of internal controls performed by the Company and to be reported for the year 2013. Throughout this process, we verified the preventive and corrective measures implemented.

RISK ASSESSMENT

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

We reviewed with 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.

EXTERNAL AUDIT

We recommended to the Board of Directors to approve the external auditors for the Company and its subsidiaries for the fiscal year 2013. For this purpose, we verified their independence and their compliance with the requirements established by applicable laws and regulations. We analyzed their approach and work program as well as their coordination with the Internal Audit department of the Company.

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 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 audit and other permitted services, and made sure 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 the fiscal year 2013.

INTERNAL AUDIT

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 SAROX. For its preparation, the Internal Audit area participated in the process of identifying risks, reviewing controls and testing them.

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

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

We confirmed the existence of an Annual Training program.

We reviewed the evaluations of the Internal Audit service performed by the responsible person of each business unit and the Audit Committee.

FINANCIAL INFORMATION, ACCOUNTING POLICIES AND REPORTS TO THIRD PARTIES

We reviewed the quarterly and annual financial statements of the Company with the individuals responsible for their preparation and recommended to the Board of Directors its approval and authorization for their publication. As a part of this process, we took into account the opinions and remarks of the external auditors and made sure that the criteria, accounting policies, and information used by Management to prepare financial information were adequate, sufficient, and consistently applied with the previous year. As a consequence, the information submitted by Management reasonably reflects the Company's financial situation, its operating results and cash flows for the fiscal year ending on December 31, 2013.

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 used to prepare 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 to authorize the release of such information.

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

We reviewed and approved the accounting standards for the Company, which became effective in 2013, and recommended their approval to the Board of Directors.

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 the compliance with Anti-Corruption laws (FCPA), recommending their approval to the Board of Directors.

With the support from 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.

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 to the Board of Directors for their approval.

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 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 25, 2014

Executive officers

Carlos Salazar Lomelín [1]
Chief Executive Officer
13 years as an Officer

Héctor Treviño Gutiérrez
Chief Financial and Administrative Officer
20 years as an Officer

John Santa Maria Otazua
Chief Operating Officer South America
17 years as an Officer

Ernesto Silva Almaguer
Chief Operating Officer Mexico & Central America
16 years as an Officer

Juan Ramón Félix Castañeda
Chief Operating Officer Philippines
4 years as an Officer

Rafael Suárez Olaguibel
New Business & Commercial Development Officer
19 years as an Officer

Eulalio Cerda Delgadillo
Human Resources Officer
12 years as an Officer

Alejandro Duncan Ancira
Technical Officer
11 years as an Officer

Hermilo Zuart Ruíz
Strategic Supply Officer
10 years as an Officer

Gabriel Coindreau Montemayor
Strategic Planning Officer
2 years as an Officer

[1] On October 24, 2013, our Board of Directors appointed John Santa Maria Otazua as Chief Executive Officer, succeeding Carlos Salazar Lomelín, who in turn was appointed by FEMSA's Board of Directors as Chief Executive Officer of FEMSA, both effective January 1, 2014.

Directors

Directors Appointed by Series A Shareholders

José Antonio Fernández Carbajal
Chairman of the Board, Coca-Cola FEMSA. Chairman of the Board and Chief Executive Officer, FEMSA
21 years as a Board Member
Alternate: Alfredo Livas Cantú

Alfonso Garza Garza
Executive Vicepresident, Procurement and Technology, FEMSA
18 years as a Board Member
Alternate: Eva María Garza Lagüera Gonda

Carlos Salazar Lomelín
Chief Executive Officer, Coca-Cola FEMSA
13 years as a Board Member
Alternate: Max Michel González

Ricardo Guajardo Touché
Chairman of the Board of Directors, SOLFI, S.A.
21 years as a Board Member
Alternate: Eduardo Padilla Silva

Paulina Garza Lagüera Gonda
Private Investor
5 years as a Board Member
Alternate: Mariana Garza Lagüera Gonda

Federico Reyes García
Corporate Development Officer, FEMSA
22 years as a Board Member
Alternate: Alejandro Bailleres Gual

Javier Gerardo Astaburuaga Sanjines
Chief Corporate Officer and Chief Financial Officer, FEMSA
8 years as a Board Member
Alternate: Francisco José Calderón Rojas

Alfonso González Migoya [2]
Chairman of the Board and Chief Executive Officer, Grupo Industrial Saltillo, S.A.B. de C.V.
8 years as a Board Member
Alternate: Ernesto Cruz Velázquez de León

Daniel Servitje Montull [2]
Chief Executive Officer, Grupo Bimbo
16 years as a Board Member
Alternate: Sergio Deschamps Ebergenyi

Enrique F. Senior Hernández
Managing Director of Allen & Company
10 years as a Board Member
Alternate: Herbert Allen III

José Luis Cutrale
Chief Executive Officer of Sucrocítrico Cutrale, Ltda.
10 years as a Board Member
Alternate: José Luis Cutrale Jr.

Directors Appointed by Series D Shareholders

Gary Fayard
Chief Financial Officer, The Coca-Cola Company
11 years as a Board Member
Alternate: Wendy Clark

Irial Finan
President of Bottling Investments Group and Supply Chain, The Coca-Cola Company
10 years as a Board Member
Alternate: Sunil Ghatnekar

Charles H. McTier [2]
Trustee, Robert W. Woodruff
16 years as a Board Member

Bárbara Garza Lagüera Gonda
Private Investor
13 years as a Board Member
Alternate: Kathy Waller

Marie Quintero-Johnson
Vice-President of Mergers and Acquisitions, The Coca-Cola Company
2 years as a Board Member
Alternate: Gloria Bowden

Directors Appointed by Series L Shareholders

Herman Harris Fleishman Cahn
Chief Executive Officer, Grupo Tampico S.A. de C.V.
2 years as a Board Member
Alternate: Robert A. Fleishman Cahn

José Manuel Canal Hernando [2]
Private Consultant
11 years as a Board Member
Alternate: Helmut Paul

Francisco Zambrano Rodríguez [2]
Chief Executive Officer of Desarrollo de Fondos Inmobiliarios, S.A. de C.V. (DFI) and Vice-president of Desarrollos Inmobiliarios y de Valores, S.A. de C.V. (DIV)
11 years as a Board Member
Alternate: Karl Frei Buechi

Secretario

Carlos Eduardo Aldrete Ancira
General Counsel, FEMSA
21 years as Secretary
Alternate: Carlos Luis Díaz Sáenz

[2] Independent

Shareholder and analyst information

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Stock Exchange Information
Coca-Cola FEMSA's common stock is traded on the Bolsa Mexicana de Valores, (the Mexican Stock Exchange) under the symbol KOF L and on the New York Stock Exchange, Inc. (NYSE) under the symbol KOF.

Transfer Agent and Registrar
Bank of New York
101 Barclay Street 22W
New York, New York 10286, U.S.A.
Phone: (212) 815 2206

KOF

New York Stock Exchange
Quarterly Stock Information

U.S. Dollars per ADS — **2013**

Quarter Ended	$ High	$ Low	$ Close
dec-31	129.55	111.66	121.77
sep-30	149.0	120.02	125.98
jun-30	178.66	128.1	140.29
mar-31	168.64	149.99	163.77

U.S. Dollars per ADS — 2012

Quarter Ended	$ High	$ Low	$ Close
dec-31	149.43	123.73	149.04
sep-30	133.32	111.19	129.00
jun-30	130.88	101.83	130.88
mar-31	105.91	94.30	105.91

KOF L

Mexican Stock Exchange
Quartery Stock Information

Mexican pesos per share — **2013**

Quarter Ended	$ High	$ Low	$ Close
dec-31	171.0	146.23	157.92
sep-30	189.32	159.17	164.93
jun-30	219.7	170.37	182.46
mar-31	215.88	191.81	199.99

Mexican pesos per share — 2012

Quarter Ended	$ High	$ Low	$ Close
dec-31	191.34	163.59	191.34
sep-30	184.71	148.17	166.53
jun-30	174.46	134.28	174.46
mar-31	135.92	125.61	135.92

design: www.signi.com.mx

KOF L

KOF LISTED NYSE

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

EMPRESA SOCIALMENTE RESPONSABLE

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

(BMV: KOF L; NYSE: KOF) is the largest Coca-Cola franchise bottler in the world, delivering approximately 4.0 billion unit cases a year.

Coca-Cola FEMSA, S.A.B. de C.V. produces and distributes Coca-Cola, Fanta, Sprite, del Valle, and other trademark beverages of The Coca-Cola Company in Mexico (a substantial part of central Mexico, including Mexico City, as well as southeast and northeast Mexico), Guatemala (Guatemala City and surrounding areas), Nicaragua (nationwide), Costa Rica (nationwide), Panama (nationwide), Colombia (most of the country), Venezuela (nationwide), Brazil (greater São Paulo, Campiñas, Santos, the state of Mato Grosso do Sul, the state of Paraná, part of the state of Goias, part of the state of Rio de Janeiro, and part of the state of Minas Gerais), Argentina (federal capital of Buenos Aires and surrounding areas) and Philippines (nationwide), along with bottled water, juices, teas, isotonics, beer, and other beverages in some of these territories.

The company's capital stock is owned 47.9% by Fomento Económico Mexicano S.A.B. de C.V. (FEMSA), 28.1% by wholly-owned subsidiaries of The Coca-Cola Company, and 24.0% by the public. The publicly traded shares of KOF are Series L shares with limited voting rights that are listed on the Bolsa Mexicana de Valores (BMV: KOF L) and as American Depository Shares (ADSs) on the New York Stock Exchange (NYSE: KOF). Each ADS represents 10 Series L shares.

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Consistent with its commitment to preserve the environment and benefit the communities where it operates, Coca-Cola FEMSA selected the materials to produce this report, using paper certified by the Forest Stewardship Council™ (FSC®). The FSC®'s principles and criteria encompass economic, social, and environmental concerns, and its measures are implemented through "chain-of-custody" certification. Furthermore, the document used soy- and vegetable-based inks.

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