COCA-COLA FEMSA

ANNUAL REPORT 2015

EXCELLENCE IN EVOLUTION

CONTENTS

02 / Financial highlights

04 / Letter to our shareholders

10 / Commercial excellence in evolution

14 / Distribution and logistics excellence in evolution

18 / Manufacturing excellence in evolution

22 / Market excellence in evolution

28 / Sustainability excellence in evolution

32 / Operating highlights

36 / Letter from the Chief Financial Officer

40 / Financial section

At Coca-Cola FEMSA, every day we face the changing composition of our sales channels, emerging beverage alternatives, and a rapidly evolving consumer environment. To successfully transform these challenges into value opportunities, we continue to evolve culturally, attract, develop, and retain the best talent globally, magnify our diversified beverage portfolio, invest in our markets' organic growth potential, and convert our geographic expansion into promising long-term growth, while building a sustainable, competitive advantage through the capabilities we develop at our centers of excellence…

…With our consumers central to everything we do, we strategically evolve in the pursuit of excellence in our manufacturing, distribution and logistics, and commercial practices to become the preferred beverage choice for all of our customers and consumers, while generating significant positive growth, operating efficiencies, and savings.


RETORNABLE
Coca-Cola


POR
88
fanta
fanta

FINANCIAL HIGHLIGHTS

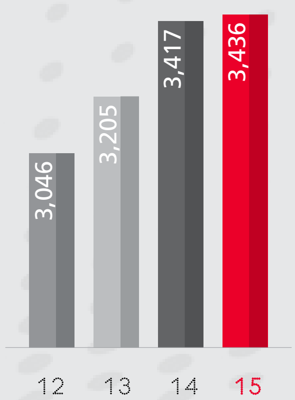
Millions of Mexican pesos and U.S. dollars as of December 31, 2015 (except volume, transactions and per share data).
Results under International Financial Reporting Standards. Figures do not include results of Coca-Cola FEMSA Philippines, Inc.
The 2015 results of our Venezuelan operation were translated using the SIMADI[3] exchange rate of 198.70 bolivars per U.S. dollar. The 2014 results of our Venezuelan operation were translated using the SICAD II[4] alternate exchange rate of 49.99 bolivars per U.S. dollar.

	(U.S.$) 2015 [1]	(Ps.) 2015	(Ps.) 2014	% change
Sales volume (million unit cases)	**3,435.6**	**3,435.6**	3,417.3	0.5%
Transactions (million transactions)	**20,279.6**	**20,279.6**	20,131.1	0.7%
Total revenues	**8,861**	**152,360**	147,298	3.4%
Income from operations	**1,317**	**22,645**	20,743	9.2%
Controlling interest net income	**595**	**10,235**	10,542	-2.9%
Total assets	**12,228**	**210,249**	212,366	-1.0%
Long-term bank loans and notes payable	**3,679**	**63,260**	64,821	-2.4%
Controlling interest	**6,092**	**104,749**	105,717	-0.9%
Capital expenditures	**668**	**11,484**	11,313	1.5%
Book value per share [2]	**2.94**	**50.53**	51.00	-0.9%
Controlling interest earnings per share [2]	**0.29**	**4.94**	5.09	-2.9%

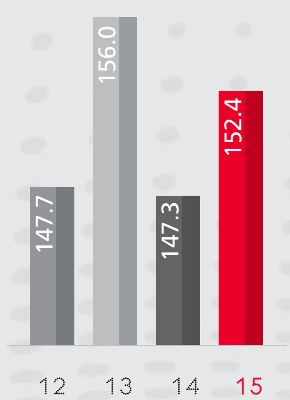
(1) U.S. dollar figures are converted from Mexican pesos using the exchange rate for Mexican pesos published by the U.S. Federal Reserve Board on December 31, 2015, which exchange rate was Ps.17.195 to U.S.$1.00.
(2) Based on 2,072.9 million outstanding ordinary shares in 2015 and 2014.
(3) Sistema Marginal de Divisas (Marginal Currency Administration System).
(4) Sistema Cambiario Alternativo de Divisas (Supplementary Currency Administration System).

As always, we continue to take proactive steps to further strengthen our capital structure and financial flexibility. On top of our emphasis on operating efficiency and our increased focus on financial discipline across our organization, we maintain a disciplined approach to capital allocation, optimizing our capital expenditures to maximize our return on invested capital, while maintaining our strong cash flow generation to deliver sustainable, profitable growth for our shareholders.

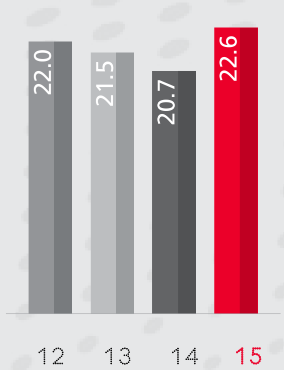
Overall, excluding the effects of negative currency translations and the results of hyperinflationary economies such as Venezuela, we delivered comparable revenue growth of 8.6%, operating income growth of 13.5%, and operating cash flow growth of 10.2%, with margin expansions in almost every operation for the year.



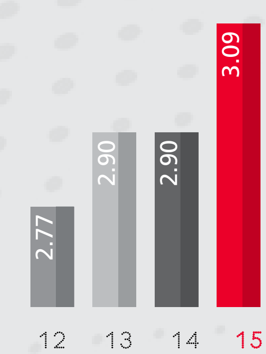
sales volume
million unit cases



total revenues
billion Mexican Ps.



income from operations
billion Mexican Ps.



dividend per share
Mexican Ps.

+120 BPS

REPORTED EBITDA MARGIN EXPANSION

MORE TRANSACTIONS

Our focus on affordable packaging innovation generated close to 670 million incremental transactions of sparkling beverages in Mexico, Colombia, Argentina, Central America, and the Philippines.

José Antonio
Fernández Carbajal
Chairman of the Board

John
Santa Maria Otazua
Chief Executive Officer

+2.3%

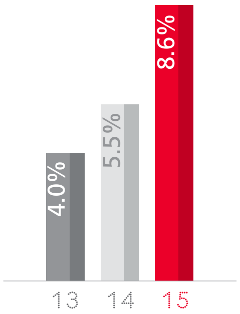
COCA-COLA SINGLE-SERVE, ONE-WAY VOLUME GROWTH

WE CLOSE 2015 PROUD OF OUR OPERATIONS' ACHIEVEMENTS IN A CHALLENGING YEAR, DELIVERING INCREASED TRANSACTIONS AND TOP-LINE GROWTH, WHILE EXPANDING MARGINS ACROSS ALMOST EVERY COUNTRY.

Dear Fellow Shareholders

Our industry faces global trends that are rapidly shaping the evolution of our consumers, channels, and categories. Two years ago, we ignited our most aggressive transformation in years to create a truly leading multinational, multi-category beverage company. With this in mind, we have focused on building a leaner, more agile, and flexible organization, with the skills, capabilities, and operating models to address our customers and consumers' ever-changing needs.

In order to capture this important value opportunity, we are focused on the short-, medium-, and long-term opportunities that we envision in our markets. In the short term, to interact more closely with our consumers—with whom we connect more than 72 million times daily—we are transforming our diversified product portfolio, including a wider array of sparkling beverages, waters, teas, juices, isotonics, and dairy products. Over the course of the year, we revitalized our sparkling beverage growth. We accelerated our profitable growth throughout the still beverage category, which accounted for 43% of our incremental transactions in 2015. And we made a quantum leap in our dairy business, as we more than doubled the volume of Santa Clara products across our franchise territories. Furthermore, we fostered our consumers' healthy lifestyles, benefiting more than 1 million people over the past three years through our company's health, nutritional, and physical activity programs and alliances.



comparable revenues

% vs. previous year

In the medium term, to achieve the full potential of our business, we have reinforced our commitment to invest in the growth of each of our markets. Over the past three years, we have enhanced our production capacity in Argentina. We have invested more than US$500 million to build new state-of-the-art, eco-friendly bottling plants in Colombia and Brazil that offer the flexibility for future expansion, while yielding substantial gains in operating productivity and efficiency. Additionally, we have modernized and optimized our supply chain across our operations, highlighted by our new mega-distribution center in Brazil and improvements in our warehousing capacity in Argentina. Significantly, we have made these capital investments while maintaining our financial flexibility, continuing to deleverage our company's balance sheet, and paying record dividends to our shareholders.

In the long term, our geographic footprint offers one of the most attractive growth opportunities in the beverage industry, and we are capitalizing on it through our operation in the Philippines. When we entered the Philippines three years ago, we embarked on a profound evolution of this business. As a result of our successful turnaround, we delivered positive transaction and revenue growth and, more importantly, improved profitability for the year. Among our strategic initiatives, we have transformed our portfolio and our route to market. We have also strengthened our supply chain—modernizing our production capacity with some of the fastest production lines in the world—through investments of more than US$400 million. Overall, we are on the right path to profitably capture the full growth potential that we envision in this region.

IN THE MEDIUM TERM, TO ACHIEVE OUR FULL OPERATING POTENTIAL, WE HAVE REINFORCED OUR COMMITMENT TO INVEST IN THE GROWTH OF EACH OF OUR MARKETS.

To complement this medium- and long-term growth opportunity, we are building a sustainable, competitive advantage through capability development. Focused on our commercial, distribution and logistics, manufacturing, and IT areas, our centers of excellence provide significant opportunities to generate top-line growth, operating efficiencies and savings, while driving innovation and fostering talent development across our organization.

Excellence In Evolution: Operating Highlights

For the year, our company delivered solid results on the back of a recovering consumer landscape in Mexico and despite strong headwinds—marked by weak macroeconomic and consumer dynamics in Brazil, an exceptionally demanding operating environment in Venezuela, and currency volatility across our markets.

For 2015, our consolidated total revenues grew 3.4% to Ps.152.4 billion, despite a negative translation effect due to the depreciation of most of our operations' currencies. Our transactions outpaced volume growth to reach close to 20.3 billion transactions throughout Latin America, while our reported total sales volume increased 0.5% to more than 3.4 billion unit cases. Our reported consolidated operating income grew 9.2% to Ps.22.6 billion, with an 80 basis point margin expansion, and our consolidated net controlling interest income was Ps.10.2 billion, resulting in earnings per share of Ps.4.94 and earnings per ADS of Ps.49.37. On a comparable basis, excluding negative currency translation effects and the results of hyperinflationary economies such as Venezuela, we achieved high single-digit revenue growth, double-digit operating income and operating cash flow growth, and expanded margins across almost every country.

We achieved balanced portfolio growth as our consumers enjoyed a wider variety of beverage choices. Building on the strength of the world's most beloved brand, Coca-Cola—which generated close to 180 million incremental transactions in Mexico and Colombia—we reinforced our flavored sparkling beverage portfolio. Through innovative products such as our sparkling orangeade and lemonade in Mexico, our new premium Schweppes Guarana in Brazil, and our game-changing one-way, single-serve "Mismo" presentation for Sprite and Royal in the Philippines, we delivered more than 420 million incremental transactions of flavored sparkling beverages across our operations.

Moreover, we escalated the growth of our still beverage portfolio, recording more than 240 million incremental transactions. Among our operating highlights for the year, we achieved double-digit growth in the still beverage category in Colombia and Argentina, and 7% growth in Mexico, led by del Valle juices, Powerade, and Santa Clara dairy products.

Our intensified consumer interaction and relentless focus on point-of-sale execution captured positive market share across our operations. In Mexico, we not only defended our leading market position in the sparkling beverage category, but also achieved gains across the still beverage category—strengthening our leading position in orangeades, juices, teas, and isotonics. In Central America, we increased our market share in sparkling beverages across both colas and flavors.

Despite Brazil's tough competitive and macroeconomic environment, we continued to build share in the sparkling beverage category—now reaching 20 consecutive months of market share growth. We further reinforced our offering in the still beverage category, yielding month-over-month market share gains in juices, teas, and water in the latter half of the year. In Colombia, we extended our positive track record of transaction growth for the third consecutive year. In the process, we improved our market share in flavored sparkling beverages, juices, and teas, while maintaining our leading position with brand Coca-Cola.

In Argentina, we enjoyed a banner year, gaining market share in every single category. The year's highlights included Sprite, now the leading lemon flavored sparkling beverage, and Powerade, which reached more than 30% share of the isotonics segment. Despite Venezuela's extremely complex market environment, we continued to gain share in the sparkling beverage category, driven by brand Coca-Cola.

Furthermore, in the Philippines, as we focused on a more balanced portfolio of presentations, our core sparkling beverage transactions grew 9% to 4.3 billion during 2015.

+14.7

MILLION LITERS SANTA CLARA DAIRY

Supported by an 11 percentage point increase in point-of-sale coverage, we significantly expanded the presence of Santa Clara dairy products in the traditional trade channel.

THE MANUCTURING CoE LOOKS TO CUT COSTS, GAIN EFFICIENCY, AND RAISE THE PRODUCTIVITY OF OUR MANUFACTURING ASSETS.

Thanks to our popular "Mismo," "Kasalo," and new "Time-out" presentations, we have gained more than 8 percentage points of share over the past three years—extending our lead in the sparkling beverage category to a 56% share of the greater Manila metropolitan market.

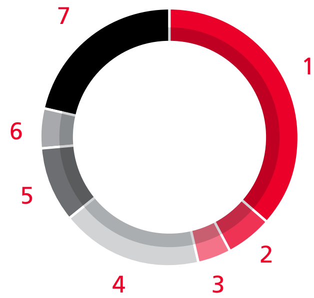
Excellence In Evolution: Strategic Priorities

In pursuit of our long-term objectives, we continued the evolutionary transformation of our operating model: capitalizing on our companywide knowledge and scale to better enable us to identify, share, and replicate best-in-class business practices, processes, and platforms throughout our organization to create greater value for our company and our stakeholders. To help propel this transformation, our centers of excellence (CoEs) are focused on aligning our vision across key functions; enabling centralized collaboration; driving innovation throughout our operations; and working with our countries to help bolster our operations' performance.

Our CoEs' efforts are perhaps best exemplified by the development of our KOFmmercial Digital Platform. A core part of our company's overall digital strategy, this flexible new platform is designed to encompass the evolution of our commercial processes, tools, and technology on such major fronts as back office transformation, advanced revenue growth management, next generation trade marketing, and sales force automation. Through this platform, we aim to magnify our commercial capabilities, enhance our consumers' experience and point-of-sale execution, and capture competitive advantage in an increasingly complex multi-category, multi-channel industry environment.

We are further inspiring a cultural evolution. To this end, we are creating a strong, unified corporate culture founded on the cornerstones of cooperation and collaboration. Whatever the challenges, every member of our organization must stay aware of market conditions, set realistic goals, and remain bold and aggressive in achieving them. We also must all share a passion for excellence, while continuing to embrace diversity across our increasingly multicultural operations.

Importantly, we will advance our company's strategic commitment to sustainable development—which is good for our business and good for our planet. Among our targets, we aim to increase our water use efficiency to 1.5 liters of water per liter of beverage produced; achieve a 20% reduction of our carbon footprint in the value chain; and ensure that clean energy covers 85% of our Mexican operations' energy requirements by 2020.



transactions per operation

millions

1. Mexico: **9,429**
2. Central America: **1,448**
3. Argentina: **1,095**
4. Brazil: **4,579**
5. Colombia: **2,411**
6. Venezuela: **1,318**
7. Philippines: **5,451**

As we close a challenging year, we enter 2016 with a renewed focus on every aspect of our business. With this in mind, we will focus on strengthening our operating discipline and continually improving our execution standards, commercial practices, and business models. We will focus on further strengthening our financial position and maintaining a disciplined approach to capital allocation—optimizing maintenance and strategic capital expenditures—to maximize our return on invested capital and deliver sustainable profitable growth for our shareholders. We will focus on enriching our close, accretive relationship with The Coca-Cola Company, a longstanding partnership that is integral to our business' success. Finally, we will focus on attracting and retaining the best talent in the industry, providing a multicultural environment for innovation while sharing best practices to foster operating excellence throughout our organization.

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 in our capability to deliver economic, social, and environmental value for you all. •

José Antonio
Fernández Carbajal
Chairman of the Board

John
Santa Maria Otazua
Chief Executive Officer

RECOGNIZING THAT PEOPLE ARE THE MOST IMPORTANT ELEMENT OF ANY SUCCESSFUL COMPANY, WE WISH TO TAKE A MOMENT TO MOURN THE PASSING OF A GREAT FRIEND AND EXCELLENT HUMAN BEING,

Max Michel Suberville

Max
Michel Suberville
Member of the Board of
Directors of FEMSA

For decades, Max was an invaluable colleague, partner, and shareholder in our group, where he contributed his extraordinary knowledge and capability as a member of the Board of Directors of FEMSA. As a devoted family man, he was committed to his community and his country, Mexico. According to his successful business philosophy, an enterprise was merely an instrument for the well-being of others. A caring man, Max provided a true example for the next generation of leaders. We will always remember him with great respect, profound affection, admiration, and gratitude.

COMMERCIAL EXCELLENCE IN EVOLUTION

+9%

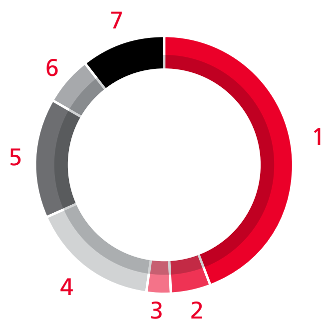
POWERADE
VOLUME GROWTH

US$1 BILLION

MARKETPLACE INVESTMENTS

Over the past three years, we have invested more than US$1 billion in cooler placement and returnable bottles and cases.

COMMERCIAL EXCELLENCE IN EVOLUTION



coolers per operation

thousands

1. Mexico: **724**
2. Central America: **78**
3. Argentina: **54**
4. Brazil: **262**
5. Colombia: **242**
6. Venezuela: **99**
7. Philippines: **172**

As the complexity and demands of our business grow, our company is evolving into a leaner, more agile, and flexible organization with the right capabilities to drive our competitiveness and prepare for the next wave of growth. To foster this evolution, we established centers of excellence across the value chain—from our commercial to our distribution and logistics and manufacturing functions. These centers not only enable centralized collaboration, but also drive standards of excellence in these key strategic capabilities.

OUR COMMERCIAL MODEL WILL ENCOMPASS GRANULAR CLIENT SEGMENTATION AND A MORE IN-DEPTH ANALYSIS TO PRIORITIZE TARGETED INITIATIVES, ENHANCING POINT-OF-SALE EXECUTION AND CLIENT SERVICE.

Our Commercial Center of Excellence (CoE) is designed to build deep expertise and drive excellence across key commercial disciplines over the mid- to long-term. To this end, the CoE establishes and aligns our commercial vision across key functional areas; identifies and replicates best commercial practices and processes, while developing and enforcing commercial performance standards; drives innovation across the full spectrum of commercial activities; acts as a magnet for professional talent globally, providing a path for the next generation of leaders across core commercial responsibilities; and works with our country leadership to manage commercial performance through project and capability building progress assessments, program reporting, and benefit tracking.

With these objectives in mind, the CoE focuses on three pillars: **1)** revenue growth and category management; **2)** trade marketing and channel support; and **3)** sales platforms. First, we look to improve and implement advanced revenue management capabilities across the organization in an increasingly complex multi-category, multi-channel environment. Second, we aim to enhance our shopper experience and point-of-sale profitability and execution by defining segmentation, picture of success, and value proposition methodologies, tools, and guides for our countries. Third, we work to develop and deploy new sales and route to market models to reach customers in core and new business categories.

The CoE's efforts are best exemplified by the development of our KOFmmercial Digital Platform. A core part of our company's overall digital strategy, this flexible new platform encompasses a dramatic evolution of our commercial and marketing processes, procedures, tools, and technology on four major fronts—back office transformation, advanced revenue growth management, next generation trade marketing, and sales force automation—to capture competitive advantage in our industry, while maximizing our sales and improving our profitability. Among the examples of our enhanced back office speed and agility, we streamlined cooler installation from a paper-intensive, two-to-three-week procedure into an expedited, digitalized, five-day end-to-end process. With this platform, we can also significantly increase the impact and penetration of targeted initiatives

in the market, generating greater availability, better in-store execution, and consequently, higher net sales and volumes.

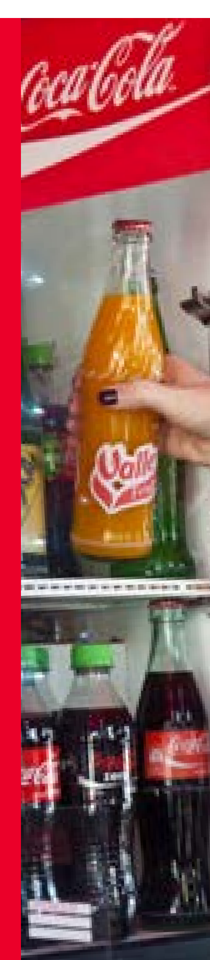
Thanks to our KOFmmercial Digital Platform, we are also evolving our segmentation model to encompass granular client segmentation, a more in-depth analysis of our customers through such internal and external variables as weather, census data, ecosystems, and store profiles. Through granular segmentation, we are able to prioritize targeted initiatives for specific clients that enable our sales force to enhance point-of-sale execution, while maximizing the value of their 65 customer visits per day. Moreover, our new mobile devices—connected directly to our digital platform—will offer our sales force significantly improved functionality, from dashboards and a 360° view of our customers to the ability to perform surveys, fully service orders, and offer the optimal picture of success to maximize execution.

Furthermore, our KOFmmercial Digital Platform will enable us to perform advanced, predictive analytics, enabling us to sell more, save time, and act faster. Specifically, our integrated analytics platform will allow us to increase our revenue through pattern detection and opportunity identification; lower our costs and gain robust insights through increased, cohesive data collection and agile, timely information management; and maximize our market results through real-time indicators, early warning systems, and performance alerts. At this point, we will initially test and roll out our KOFmmercial Digital Platform in Mexico over the course of 2016. Thereafter, we expect to deploy the platform across the rest of the countries in which we operate. •

27%
NARANJA&NADA AND LIMON&NADA

Launched in October 2015, our sparkling orangeade and lemonade represented more than a quarter of the incremental volume from our flavored sparkling beverage portfolio in Mexico for the year. Notably, these brands have captured close to 30% of the market share in their category in just a few months.

COMMITTED TO EXCELLENCE IN OUR POINT-OF-SALE EXECUTION, WE ADDED MORE THAN 120,000 COOLER DOORS ACROSS OUR TERRITORIES DURING 2015.



DISTRIBUTION AND LOGISTICS EXCELLENCE IN EVOLUTION

+11%

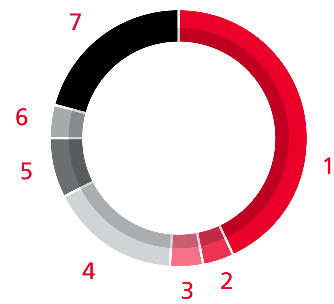
SIDRAL MUNDET VOLUME GROWTH IN MEXICO

+US$260

MILLION LOGISTICS INVESTMENTS

Over the past three years, we have invested more than US$260 million to reinforce our distribution and logistics infrastructure.

DISTRIBUTION AND LOGISTICS EXCELLENCE IN EVOLUTION



routes per operation

1. Mexico: **6,439**
2. Central America: **598**
3. Argentina: **618**
4. Brazil: **2,464**
5. Colombia: **1,114**
6. Venezuela: **631**
7. Philippines: **3,072**

Through our Distribution and Logistics Center of Excellence (CoE), our team of specialists is working to drive excellence across our end-to-end distribution and logistics capabilities to ensure best-in-class customer service over the near, medium, and long term. In close collaboration with the countries in which we do business, the CoE is spearheading the evolution of our distribution and logistics network by optimizing our performance across four main areas: **1)** supply chain planning; **2)** transport engineering and equipment design; **3)** warehouse optimization; and **4)** secondary distribution.

THE CoE WORKS TO OPTIMIZE OUR PERFORMANCE ACROSS OUR SUPPLY CHAIN TO INCREASE MARKET TIME AND IMPROVE CUSTOMER SERVICE.

The CoE looks to foster holistic supply chain planning and optimization to improve customer service across all channels. In this regard, our primary focus is our evolution to centralized logistics planning—extending from the plant to the market. Centralized logistics planning, which comprises a transformation of processes and technology, will potentially enable us to leverage our organization's pool of supply chain experts, gain economies of scale, and facilitate continuous order processing through our KOFmmercial Digital Platform. At this point, after conducting a proof of concept of the underlying tools in Mexico, Brazil, and Colombia, we expect to begin centralized logistics planning in Mexico during 2016.

The CoE also aims to streamline product transport; lower operating costs; and ensure safety by designing the right vehicles for our sales channels, territories, and localities. Among our initiatives in this area, we redesigned our primary distribution trucks' trailer in Colombia. By expanding the trailer's capacity from 26 to 30 full pallets, we increased our trucks' productivity, while enabling us to transport full and picked pallets efficiently. We are also working with the Instituto Tecnológico de Monterrey (ITESM) to re-engineer our secondary delivery trucks for enhanced safety, improved ergonomics, reduced emissions and fuel consumption, increased durability, and reduced maintenance over the life of the truck. During the second quarter of 2016, we expect to introduce a prototype of this new truck for the traditional sales channel in Mexico.

The CoE further identifies and deploys innovative processes, technologies, and systems to optimize our warehouse layout, space, flow, and material handling. To this end, we are changing our picking process from a layer picking to a columnar picking method. Under the columnar picking method, we align our trucks' loads with their respective stops, so at each successive stop, we unload the truck without the necessity of moving product around the truck. Thanks to this new picking process, we improve our route productivity, expedite our trucks exit and return to our distribution centers, and simplify loading and unloading of our trucks.

Moreover, we continue to optimize the productivity and efficiency of our distribution centers through our vertical warehouse automation, voice picking, and warehouse management systems. Instead of traditional forklifts, which stack pallets up to three levels, our vertical warehouse automation system uses laser-guided vehicles that stack pallets significantly higher. Consequently, we gain greater inventory capacity, while deferring the need to construct new distribution facilities as our plants' productivity grows. Similarly, our warehouse management system enables us to improve the efficiency of our distribution facilities, assure the freshness of products sent to the marketplace, and reduce inventories required to fulfill sales. Additionally, our voice picking system eliminates paper, minimizes errors, and tracks and improves productivity.

Finally, the CoE works to optimize our secondary distribution by maximizing our delivery trucks' time in the market, perfecting our deliveries, and increasing our service levels. To this end, we are transforming our secondary distribution network, so we are closer to the market. To bridge the gap between our larger distribution centers and our customers, we are identifying opportunities to partially shift our secondary product distribution to an innovative system of cross docks and cross trucks to get closer to our markets and, thereby, increase our market time, reduce our stem times and working hours, and serve a wider area, while satisfying our customers more efficiently.

We are also improving the control and visibility of our secondary delivery routes with the installation of advanced integrated digital technology on our trucks. This technology includes truck telemetrics for the automatic measurement and transmission of such data as fuel levels, speed, and emergencies; GPS for route control and planning; and a route device to facilitate delivery process management. Initially, we plan to roll out this interconnected digital technology on approximately 2,000 routes in Mexico during 2016. •

+20% GROWTH MANANTIAL

During the year, Manantial volume grew 20% as we relaunched our premium water in Colombia. Manantial spring water is the result of a natural filtration process that makes every drop unique.

THE CoE WORKS TO OPTIMIZE OUR SECONDARY DISTRIBUTION BY MAXIMIZING OUR DELIVERY TRUCKS' TIME IN THE MARKET, PERFECTING OUR DELIVERIES, AND INCREASING OUR SERVICE LEVELS.

MANUFACTURING EXCELLENCE IN EVOLUTION

+24%

AQUARIUS VOLUME GROWTH IN ARGENTINA

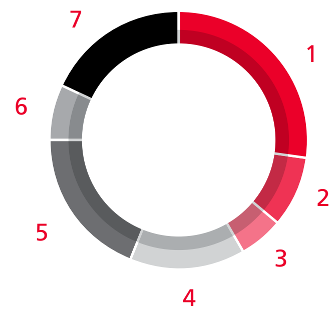
US$900

MILLION INVESTED IN OUR PLANTS

Over the past three years, we have invested more than US$900 million to reinforce our manufacturing infrastructure.

MANUFACTURING EXCELLENCE IN EVOLUTION

By virtue of our Manufacturing Center of Excellence (CoE), we are enlarging the scope and impact of our highly experienced team of specialists to magnify our manufacturing capabilities in order to develop and deploy best-in-class operating models, practices, and processes across our organization. To facilitate this manufacturing evolution, we're developing an innovation management model to streamline our efforts, tap multiple resources from inside and outside of our company, and maximize the flow of innovation into our mainstream operations.



production lines per operation

1. Mexico: **87**
2. Central America: **28**
3. Argentina: **18**
4. Brazil: **46**
5. Colombia: **60**
6. Venezuela: **22**
7. Philippines: **57**

OUR MANUFACTURING CoE DRIVES INCREASED COST OPTIMIZATION, MANUFACTURING EFFICIENCIES AND OPPORTUNITIES TO DEFER CAPITAL EXPENDITURES ACROSS OUR OPERATIONS.

Among its priorities, the CoE looks to bolster the efficiency and productivity of our manufacturing assets. With this in mind, we are incorporating our proprietary Plant Operating Model into a comprehensive new Manufacturing Management Model. With our Plant Operating Model, we are matching our experts' technical skills with each of the different areas of the plant such as fillers, packers, palletizers, and auxiliary services. We are also working to make our production crews' self-sufficient, with the skills to produce, sanitize, change over bottling lines, and perform preventive maintenance at any hour of the day or night.

Moreover, through our broader Manufacturing Management Model, we intend to centralize our plants' maintenance planning and budgeting—including assigning resources for predictive or preventative maintenance—at the country level. We are further integrating a new Manufacturing Execution System. This digital platform will enable us to map and monitor our plants' performance, including all of the critical data from our production equipment and processes. Through our inclusive new Manufacturing Management Model, parts of which are in operation at different plants within our manufacturing network, our goal is to cut costs, gain efficiency, improve employee motivation, and raise productivity.

Another main priority of the CoE is resource optimization. In this regard, our goal is to get the most out of every resource in the production process—from each kilowatt of energy to each liter of water to each pound of resin. To this end, we are working to leverage new technology and identify and replicate best practices to eliminate waste across our organization. Additionally, we are taking the opportunity to standardize the different materials that our plants use to produce the same SKU's. Our target is for all of our plants to use the optimal material authorized for each SKU over the short to medium term. Through these and other initiatives, we look to increase our operating efficiency, minimize our waste, and optimize the materials we use to manufacture our products.

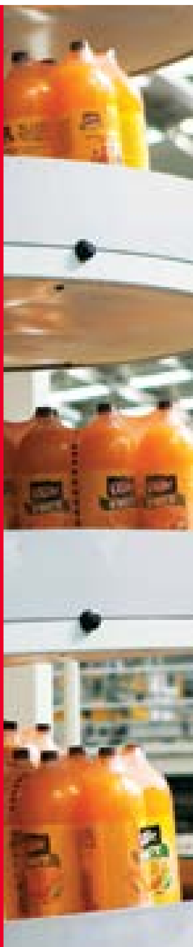
Consistent with our commitment to resource optimization, the CoE is focused on evolving Coca-Cola FEMSA into a more sustainable, environmentally friendly manufacturer. With this in mind, we are concentrating on three main areas: **1)** increasing our percentage of clean and renewable sources of energy; **2)** increasing our percentage of recycled resin; and **3)** reducing watershed risk. By the end of 2020, our target is to expand our usage of clean, renewable energy from 30% today to 85% in Mexico. Also, our target is to increase the amount of recycled resin we use throughout our operations from 14.6% today to 25% by year-end 2020. Complementing our commitment to return to nature the same amount of water we use to produce our beverages, we are deploying tools to analyze any risks related to water sourced in every region where we operate a plant in order to guarantee our supply of water now and into the future.

Furthermore, we are dedicated to industrial quality and safety across our company's production network. Beyond compliance with applicable regulations and standards, we are ensuring that we possess the analytical tools and capabilities to drive excellence in industrial quality and product safety. A top priority, the safety and quality of our products are central to our business and directly linked to the success of our company. •

+8% GROWTH CIEL MINERALIZADA

Volume of our sparkling water in Mexico grew 8% during the year. To reinforce the category, in November we launched a new formula with longer lasting bubbles.

WE MANUFACTURE 1,461 SKUS ACROSS OUR DIFFERENT PRODUCTION FACILITIES IN ALL OUR COUNTRIES.



MARKET EXCELLENCE IN EVOLUTION

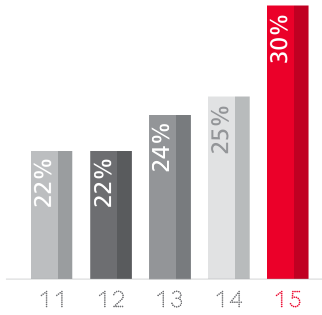
+26%

ROYAL VOLUME GROWTH IN THE PHILIPPINES

20 MONTHS SHARE GAINS IN BRAZIL

Our continued focus on portfolio evolution and excellence in point-of-sale execution has enabled 20 consecutive months of market share gains in Brazil's sparkling beverage category.

MARKET EXCELLENCE IN EVOLUTION



Brazil returnable presentation mix

% of Coca-Cola multi-serve volume

As we face a more demanding, complex operating environment, we are evolving to adapt to ever-changing market dynamics, successfully convert challenges into opportunities, and achieve long-term value creation—as exemplified by our franchises in Brazil and the Philippines.

DESPITE EXTREMELY DIFFICULT MARKET CONDITIONS, OVER THE PAST THREE YEARS, WE CONSOLIDATED OUR POSITION AS BRAZIL'S LEADING COCA-COLA BOTTLER.

Reaching close to 40% of the Coca-Cola system's volume in Brazil, we expanded the number of consumers we serve to 72 million. Most importantly, we successfully completed and integrated 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 provided an optimal link between our São Paulo and Minas Gerais territories. Serving close to 17 million consumers across the states of Paraná and São Paulo, Spaipa offered an ideal fit with our operations in the states of Mato Grosso do Sul and São Paulo. Their strategically important contiguous geographic footprint enabled us to smoothly consolidate and optimize our production and distribution system, multiply strategic alliances with customers and suppliers, generate synergies of approximately US$52 million, and capture greater market share through our combined scale.

Additionally, we bolstered our operational capacity along the supply chain to realize untapped market potential. Among our accomplishments, we modernized our Jundiaí mega-plant—the world's largest Coca-Cola bottling facility—including the installation of our advanced vertical warehouse automation system. We opened our new Sumaré mega-distribution center in São Paulo, Brazil. On top of offering additional warehouse capacity, we further enhanced the productivity and efficiency of this facility through our voice picking and warehouse management systems. Most recently, we opened our state-of-the-art bottling plant in Itabirito, Brazil. Built to LEED certification standards, this facility employs a tetra-cogeneration system, which uses up to 30% less energy to simultaneously generate electricity and heat to produce hot water, cold water, and carbon dioxide (CO_2). With an annual capacity of approximately 200 million unit cases, this new plant is already yielding considerable cost savings, significantly improved productivity and logistics, and the ability to serve the growing demand of our consumers in the state of Minas Gerais, Brazil.

Beyond strengthening our capacity along the supply chain, we substantially enhanced our point-of-sale execution through such strategic initiatives as our significantly expanded cooler coverage—a distinct competitive advantage—and our simplified picture of success. 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. Accordingly, over the past three years, we installed an additional 100 thousand coolers across our Brazilian operation. Thanks to these and other initiatives, we markedly improved our point-of-sale execution. For example, we increased our ICE score in the traditional trade channel by more than 14 percentage points over the past two years. Among other indicators, our ICE score measures the efficiency and effectiveness of our point-of-sale execution, including key SKU availability and portfolio display, commercial and promotional activity, price compliance and communication, and cooler execution metrics. Additionally, our fill rate grew by 10 percentage points to 95% over the last two years—providing us with 10 million unit cases of incremental volume to better serve our customers' needs.

To intensify our connection with increasingly cost-conscious consumers, we rolled out our innovative Magic Price Points strategy for our single-serve presentations of brand Coca-Cola in Brazil. Specifically, in order to offer consumers value for every size pocketbook at the relevant

price points of R$1.0, R$2.0, and R$3.0, we launched an affordable, entry-level 200-milliliter (ml), one-way PET presentation and a 300-ml, one-way PET package for frequent and on-the-go consumption to complement our popular 350-ml can across channels. As part of our proactive revenue management initiatives—designed to protect the profitability of our business, while maintaining affordability for our customers—we are moving our 200-ml presentation to R$1.25 to capture a better price point, and we launched a 310-ml, one-way sleek aluminum can to replace our 350-ml can at the R$3.0 price point. Moreover, we greatly expanded the coverage of our affordable, 2-liter multi-serve returnable presentation, enabling more consumers to enjoy the magic of Coca-Cola. Thanks to such initiatives, we not only navigated a tough market landscape, but also gained market share in sparkling beverages—leading the Coca-Cola system in Brazil—with the right portfolio of the right packages at the right prices for our consumers.

Our Brazilian consumers are also embracing our comprehensive sparkling flavor strategy. Designed to appeal to consumers across the economic spectrum, the strategy features our legacy Kuat Guarana brand; our 2-liter multi-serve returnable presentation of our Fanta brand—including our recently launched Fanta Green Apple in one-way packages; and our recently introduced premium Schweppes Guarana brand. We are further catering to low-, medium-, and high-income consumers in the non-carbonated beverage category through our innovative Leao FUZE tea brand platform and our segmented juice offerings, including our Reserva del Valle, Sucos del Valle, and Sucos Mais juices and nectars.

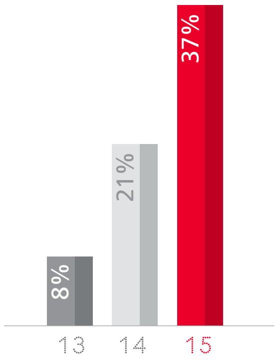
Driven by our broad portfolio of beverages and our affordable packaging system, combined with our substantially strengthened supply chain, improved operational indicators, and point-of-sale execution, we have achieved 20 consecutive months of market share gains in Brazil. Indeed, we closed the year with historically high market share numbers in both the share of sales and share of market indicators. We also enjoy a leading

29%

MARKET SHARE SPARKLING FLAVORS

Supported by the launch of Schweppes Guarana and Fanta Green Apple, we achieved market share leadership in Brazil's flavored sparkling beverage category in 2015.

MARKET EXCELLENCE IN EVOLUTION



Philippines one-way presentation mix

% of single-serve volume in the traditional trade

share of the sparkling beverage category—across colas and flavors—as well as leading positions in the iced tea, juices and nectars, and water segments. Importantly, despite the sluggish economic environment, our Brazilian operation delivered improved margins for the year. Looking forward, we continue to view challenges as opportunities to improve our operating efficiency and productivity, capitalize on evolving market dynamics, and gain market share across all of our beverage categories.

IN THE PHILIPPINES, WE CONTINUED THE PROFITABLE TRANSFORMATION OF A FRANCHISE THAT MARKED AN IMPORTANT STRATEGIC EXPANSION BEYOND LATIN AMERICA.

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. With this transaction, we not only entered a country with one of the fastest growing economies in the region, but also embarked on the profound transformation of this business, founded on the pillars of an ambitious new strategic framework: portfolio, route to market, and supply chain. To lay the foundation for this strategic journey, we further engaged in the ongoing cultural integration of our talented team of local professionals to instill a merit-based mindset, while developing the core and functional capabilities of our more than 15,300 employees in the Philippines.

Among our strategic initiatives, we streamlined the portfolio of predominantly returnable glass bottles, delisting approximately 20% of our SKUs, while concentrating on the fastest moving SKUs. To balance our portfolio with a broader mix of PET presentations, we launched "Mismo," our exceptionally popular 250- to 300-ml single-serve, one-way PET presentation for on-the-go consumption of brand Coca-Cola, Sprite, and Royal. A game-changing value proposition, "Mismo" enabled us to regain share in the Philippines' most important markets and develop the capacity, along with the flexibility, to expand our mix of one-way PET presentations.

Additionally, we are complementing our portfolio by refocusing on a simplified mix of core returnable glass presentations below the PHP20 and PHP10 price points. With this in mind, we reinforced the coverage of "Kasalo," our appealing 750-ml, multi-serve, returnable glass presentation at PHP18 for shared consumption of brand Coca-Cola, Sprite, and Royal. We also recently launched "Timeout," our new taller, slimmer 8-ounce, single-serve, returnable glass presentation at PHP7 for brand Coca-Cola, offering a more competitive value proposition for our customers and consumers.

Like our reconfigured portfolio, we are achieving a more balanced route to market across the country. To regain direct contact with our customers, we accomplished the goal we set for the rollout of our pre-sale platform, particularly in the Philippines' high-density urban areas. Implementation of this platform with our exclusive partners positions us to implement more targeted commercial initiatives, enhance our point-of-sale execution, and guide market evolution through our new commercial model. We also deployed a dedicated sales force for our wholesalers to build better relationships and capture greater competitive value from this important sales channel. Thanks to our more streamlined portfolio and our more robust route to market, our core sparkling beverage portfolio generated 8.7% growth in consumer transactions on top of 7.0% volume growth for 2015.

Furthermore, we strengthened our supply chain, modernizing our production capacity while gaining full control of distribution and logistics. Following our success at our Toluca mega-plant in Mexico, we installed four high-speed tri-block bottling lines in our Manila and Mindanao facilities. Indeed, two of our tri-block lines in the Philippines enjoy a maximum capacity of up to 81,000 bottles per hour, making them the fastest bottling lines in the world. Through our enhanced supply-chain capabilities, we are improving our productivity, maximizing our operating efficiency, and optimizing our warehouse management and logistics.

Thanks to this ongoing operational evolution, we substantially expanded our leading market share in the sparkling beverage category in the greater Manila metropolitan area. We successfully improved our mix of one-way, single-serve presentations by close to 30 percentage points—greatly enhancing our portfolio's pricing flexibility. We also generated important cost and expense savings by improving our logistics and manufacturing capacity. As a result, we delivered positive volume, transactions, revenue, and, more importantly, profitability for the year. Looking forward, we are better positioned to continue the profitable transformation of our business in the Philippines. •

+7% GROWTH CORE SPARKLING

Over the past three years, we have strengthened our core sparkling beverage portfolio in the Philippines with our "Mismo" one-way, single-serve PET presentation. In 2015, we also launched "Timeout," our 8-ounce returnable glass presentation.

SUSTAINABILITY EXCELLENCE IN EVOLUTION

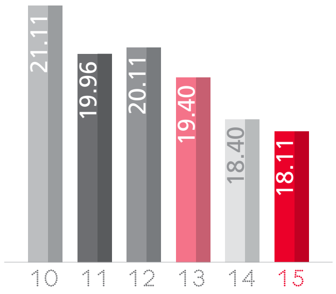
+21%

BRISA VOLUME GROWTH IN COLOMBIA

+1 MILLION PEOPLE ACTIVATED

Over the past three years, we have benefited more than 1 million people through our health, nutritional, and physical activity programs.

SUSTAINABILITY EXCELLENCE IN EVOLUTION



efficiency in greenhouse gas emissions

grams of CO_2 (eq) per liter of beverage produced

We embrace a holistic approach to sustainable development, strategically addressing the material issues that most impact our business. Focused on three core areas—our people, our community, and our planet—our vision is to ensure the sustainability of our business by contributing to the evolution of our communities through the creation of economic, social, and environmental value.

For the third consecutive year, Coca-Cola FEMSA was the only beverage company selected to comprise the Dow Jones Sustainability Emerging Markets Index and one of only nine beverage corporations in the Dow Jones Sustainability Index family. Moreover, the Mexican Stock Exchange chose our company to participate in its Social Responsibility and Sustainability Index for the fifth consecutive year.

WE ARE HELPING PEOPLE ACHIEVE HEALTHY, ACTIVE LIFESTYLES, WHILE REDUCING OUR OPERATIONS' ENVIRONMENTAL IMPACT.

Sustainable development begins with us. Hence, we are committed to offering our more than 100,000 employees the best place to work, founded on respect for human rights. To foster the comprehensive development of our employees, we invested US$10.2 million for more than 2 million hours of training—an average of 23 hours for each employee.

We also offer different initiatives, volunteer activities, and programs to reinforce our company's culture and values. Among our goals, we aim for our employees to generate 1 million volunteer hours from 2015 to 2020. In 2015, we enjoyed the support of 20,608 volunteers, devoting 105,564 hours, for a variety of community-based endeavors.

Building on our volunteer efforts, we are committed to the positive evolution of the communities we serve. During 2015, we invested more than US$7.5 million to benefit more than 550,000 people through our community development, healthy lifestyles, and local environmental programs.

We are committed to helping people achieve healthy and active lifestyles, including good nutrition habits and regular physical activity. For example, we launched "Time to Move," an initiative that promotes healthy lifestyles in public schools in Colombia, Costa Rica, Guatemala, and Panama. Through this initiative, we train and equip teachers to provide their students with at least 60 minutes of exercise every day. In 2015, more than 172,636 students and teachers participated in this program, in which we invested more than US$910,000.

We also develop projects and initiatives that positively impact our communities' development. Thanks to Zavaleta Intervention II, conducted by Coca-Cola FEMSA Argentina, the FEMSA Foundation, and the City of Buenos Aires, we are not only increasing the number of families with access to running water, sewage, and storm drainage services, but also building a common space—"The Ranch"—for neighbors to use as a dining and multi-purpose facility that fosters community togetherness. During 2015, more than 4,000 people benefited directly or indirectly from this program.

We further work to reduce the environmental impact and improve the social conditions of our value chain by ensuring our suppliers' operations are based on responsible business policies, principles, and practices. Through sustainable procurement, we supported 74 suppliers with improvement plans involving social and environmental risk mitigation projects.

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

As a beverage bottler, we recognize that efficient, sustainable water management is essential to ensuring the future of our business and our planet. Among our actions, we are engaged in water flow measurement, wastewater treatment, water conservation, and resource protection to

optimize our use of water. By 2020, we aim to increase our water use efficiency to 1.5 liters of water per liter of beverage produced. At year-end 2015, our global manufacturing efficiency was 1.77 liters of water per liter of beverage produced.

We also 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. With this in mind, we replenished more than 100% of the water used in the production of our beverages in Mexico and Brazil.

We further work to increase the energy efficiency of our operations, while simultaneously reducing our greenhouse gas emissions. By 2020, our goal is a 20% reduction of our carbon footprint in the value chain. Since 2004, we have reduced our emissions by 14.2%, reaching 18.11 grams of CO_2 emitted per liter of beverage produced in 2015. Additionally, we managed to increase our energy efficiency by 14% from 2004 to 2015.

Moreover, we are committed to ensuring that clean energy covers 85% of our Mexican operations' energy requirements by 2020. In 2015, the Dominica II Wind Farm, with a capacity of 100 megawatts, began supplying energy to our Mexican operations. Currently, a total of 30% of our Mexican operations' power supply comes from clean sources of energy.

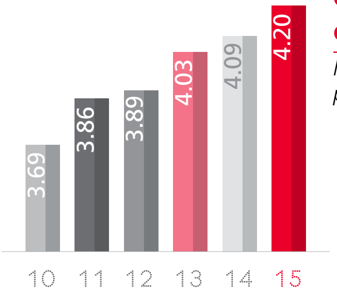
Finally, we look to reduce waste generation, promote recycling, and increase the efficient use of materials across our operations. To this end, our goal is to incorporate 25% recycled or renewable materials into all of our PET packages by 2020. In 2015, we used 14.6% of recycled and renewable materials in the production of our PET presentations—a total of almost 50,000 tons. Additionally, we aim to recycle at least 90% of our waste in every one of our bottling plants by 2020. We now recycle 94% of the waste generated in our manufacturing processes, and we have certified 10 of our plants as Zero Waste facilities. •

~3 PP
MARKET SHARE GAIN

Launched in October 2015, Ciel Exprim helped us gain close to three percentage points of market share in the flavored water category. Ciel Exprim offers four different flavors in 600-ml, 1-liter, and 1.5-liter one-way PET presentations for our Mexican consumers.

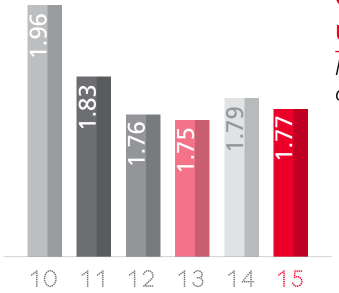
energy efficiency

liters of beverage produced per megajoule consumed



efficiency in the use of water

liters of water used per liter of beverage produced



OPERATING HIGHLIGHTS

Mexico

Population served (millions)	71.9
Points of sale	853,373
Plants	17
Distribution centers	143

Central America

Population served (millions)	21.9
Points of sale	113,400
Plants	5
Distribution centers	31

Philippines

Population served (millions)	101.8
Points of sale	806,369
Plants	19
Distribution centers	53

Colombia

Population served (millions)	46.7
Points of sale	446,236
Plants	7
Distribution centers	25

Venezuela

Population served (millions)	31.0
Points of sale	176,503
Plants	4
Distribution centers	33

Brazil

Population served (millions)	72.1
Points of sale	332,142
Plants	9
Distribution centers	38

Argentina

Population served (millions)	12.2
Points of sale	51,325
Plants	2
Distribution centers	4

+19%

KUAT VOLUME GROWTH

With a renewed competitive proposition and pricing, Kuat gained more than 10 percentage points of market share in the Guarana category in Belo Horizonte, Brazil, underscoring the great potential of this strategy as we roll it out in the rest of our markets.

OPERATING HIGHLIGHTS

volume million unit cases	**transactions** millions
sparkling beverages 2,680.4 0.5% growth vs. 2014	sparkling beverages 16,500.6 0.2% growth vs. 2014
water & bulk water 540.8 -0.8% growth vs. 2014	water & bulk water 1,738.1 1.9% growth vs. 2014
still beverages 214.3 4.9% growth vs. 2014	still beverages 2,040.9 4.4% growth vs. 2014

total volume

million unit cases

1. Mexico: **1,785**
2. Central America: **168**
3. Argentina: **234**
4. Brazil: **694**
5. Colombia: **320**
6. Venezuela: **236**

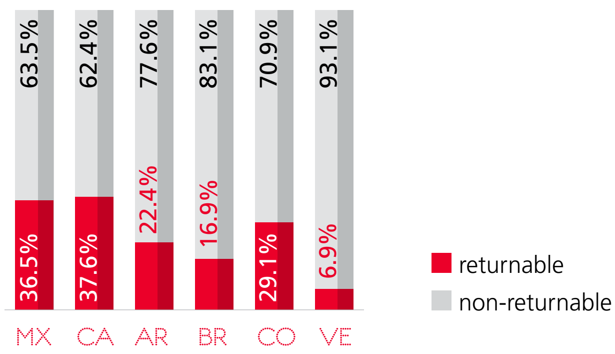
transactions

millions

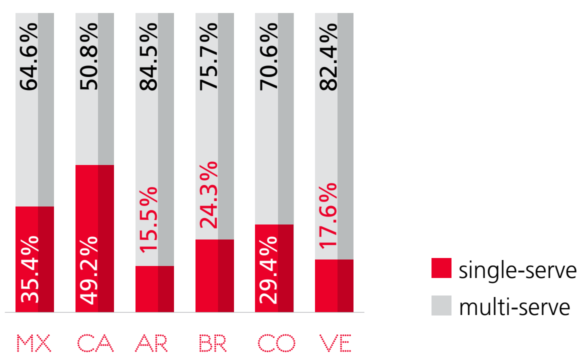
1. Mexico: **9,429**
2. Central America: **1,448**
3. Argentina: **1,095**
4. Brazil: **4,579**
5. Colombia: **2,411**
6. Venezuela: **1,318**

Volume and transaction information excludes the results from the Philippines

product mix by package
% of volume of sparkling beverages



product mix by size
% of volume of sparkling beverages



product mix by category
% of volume of total beverages

	sparkling	water (1)	bulk water (2)	still
Mexico	72.2%	6.2%	15.4%	5.2%
Central America	82.3%	5.9%	0.3%	11.5%
Argentina	83.4%	9.6%	1.0%	6.0%
Brazil	87.8%	6.4%	0.9%	5.0%
Colombia	71.3%	8.7%	8.5%	11.5%
Venezuela	86.2%	6.1%	0.7%	7.0%

(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.

+13%

SPRITE VOLUME GROWTH IN ARGENTINA

Over the past three years, Sprite gained 10.7 percentage points of market share in its segment in Argentina, importantly contributing to the growth of our flavored sparkling beverage portfolio in the country. Notably, Sprite has grown at double-digit rates for the third consecutive year.

OUR INCREASED FOCUS ON FINANCIAL AND OPERATING DISCIPLINE AND PRUDENT CAPITAL ALLOCATION ALLOWS US TO MAXIMIZE OUR RETURNS, WHILE MAINTAINING OUR STRONG CASH FLOW GENERATION.

Dear Fellow Shareholders

Héctor
Treviño Gutiérrez
Chief Financial Officer

This year we successfully navigated a challenging consumer environment, characterized by generally sluggish macroeconomic growth, a recessionary environment with weak consumer dynamics in Brazil, an exceptionally complex operating environment in Venezuela, and currency volatility across our markets—impacting our U.S. dollar denominated raw material prices and further negatively affecting our costs by Ps. 1.8 billion.

Despite these challenges, our company delivered robust comparable results—with increased top-line growth in every country, accelerated bottom-line results, and margin expansions in most of our operations. This performance was supported by our strong and committed team of professionals, our relentless focus on point-of-sale execution, our pricing power, our proactive currency and raw material hedging strategy, and our operating and financial discipline.

Overall—excluding the effects of negative currency translations and the results of hyperinflationary economies such as Venezuela—we delivered comparable revenue growth of 8.6%, operating income growth of 13.5%, and operating cash flow growth of 10.2%. We also delivered EBITDA margin expansion in almost every operation, highlighted by Mexico, Brazil, and Argentina.

On a reported basis, we produced the following results:

- Consolidated revenues grew 3.4% to Ps. 152.4 billion.
- Consolidated operating income increased 9.2% to Ps. 22.6 billion.
- Consolidated net controlling interest income was Ps. 10.2 billion, resulting in earnings per share of Ps. 4.94 or Ps. 49.37 per ADS.
- Total net debt at year-end was Ps. 50.7 billion.

Thanks to our team's ability to effectively manage a challenging macroeconomic, operating, and consumer environment, our comparable consolidated sales volume grew 0.7% to 3,200.0 million unit cases, while our comparable number of consumer transactions rose 1.1% to 19.0 billion for the year. Comparable volume of our sparkling beverage portfolio grew 0.7%, while our personal water and non-carbonated beverage portfolios grew 1.8% and 6.5%, respectively. These increases compensated for a 2.8% decline in our bulk water business. Our comparable consolidated revenues rose 8.6%, driven by average price per unit case growth in most of our operations and volume growth in Mexico, Colombia, Argentina, and Central America.

In the face of Mexico's recovering consumer landscape, our Mexico & Central America division's total sales volume improved 1.8%, totaling 1,952.4 million unit cases of beverages. Moreover, our transactions outperformed this growth, increasing 2.4% to close to 10.9 billion for the year. Volume of our sparkling beverage category increased 3.1%, and our non-carbonated beverage category grew 5.2%, while our personal and bulk water portfolios declined 3.9% and 3.2%, respectively.

Our Mexico & Central America division's comparable total revenues rose 6.9% to Ps. 78.7 billion, driven by volume growth in Mexico, Nicaragua, Panama, and Costa Rica, and average price per unit case increases across the region.

Our Mexico & Central America division's comparable operating income grew 13.0% to Ps. 13.2 billion, with a 90 basis point margin expansion to 16.8%. In the division, our operating expenses as a percentage of sales contracted 10 basis points, mainly driven by our operating leverage and our Mexico operation's continued tight control of expenses.

Our Mexico & Central America division's comparable operating cash flow increased 10.7% to Ps. 18.4 billion. Moreover, our comparable operating cash flow margin was 23.4%, an expansion of 80 basis points for the year.

Despite a very tough consumer environment in Brazil and a challenging economic environment across the region, our South America division's comparable total sales volume declined only 0.8% to 1,247.6 million unit cases of beverages, while comparable transactions decreased 0.7% to 8.1 billion for the year. Comparable volume of our personal water, bulk water, and non-carbonated beverage categories grew 10.1%, 0.9%, and 7.5%, respectively, while our sparkling beverage category decreased 2.3%, driven by a decline in Brazil.

Our South America division's comparable total revenues rose 10.8% to Ps. 64.8 billion, driven by average price per unit case growth across our territories and volume growth in Colombia and Argentina. Our beer revenues in Brazil contributed Ps. 6.5 billion during the year.

Our South America division's comparable operating income grew 16.0% to Ps. 8.0 billion, with a 60 basis point margin expansion to 12.4%. We maintained our marketing investments in Colombia, Argentina, and Brazil to further enhance our marketplace execution, expand our cooler coverage, and reinforce our returnable packaging portfolio.

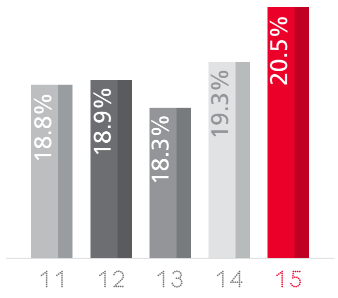
Our South America division's comparable operating cash flow increased 17.1% to Ps. 10.6 billion. Our comparable operating cash flow margin expanded 90 basis points to 16.4% for the year.

In Venezuela, the industry's volumes and transactions declined in the midst of an exceptionally difficult economic and consumer environment. Despite this complex operating landscape, we continued to gain market share in the sparkling beverage category, highlighted by a more than 3 percentage point increase in colas, and gains in water and isotonics. Our operation's primary focus is to protect our ability to continue operating in a challenging environment, marked by scarcity of key raw materials, higher levels of inflation, and substantial cost increases. To this end, we continue to focus our resources on yielding operating efficiency gains and producing the most profitable, fastest rotating SKUs.

In the Philippines, our operations' volume and transactions both rose by 1.9%, while our revenue increased by 7.9% for the year. Notably, volume of our core sparkling beverages grew 7.0%, while our consumer transactions in this category outperformed this growth—increasing 8.7%. This increase was mainly driven by the positive performance of our one-way, single-serve PET presentations for brands Coca-Cola, Sprite, and Royal. In addition, this performance was reinforced by our launch of "Timeout," a new affordable 8-ounce returnable glass presentation

4.4%

GROWTH IN COCA-COLA ZERO



operative cash flow margin

% of total revenues

for brand Coca-Cola, and "Kasalo", our 750-ml returnable glass presentation. We also turned around our route to market by regaining direct contact with our customers through the rollout of our pre-sale platform and deploying a dedicated sales force for our wholesalers to capture greater value from this important channel. As a result of our ongoing transformational initiatives, our business in the Philippines delivered positive operational and financial results for the year.

OUR OPERATIONS DELIVERED STRONG LOCAL CURRENCY RESULTS, GROWING TRANSACTIONS AND REVENUES, AND EXPANDING MARGINS IN ALMOST EVERY COUNTRY.

Our strong balance sheet, along with our investment-grade credit ratings, continues to underscore the financial strength and flexibility of our company. As of December 31, 2015, we had a cash balance of Ps. 16.0 billion, and our total debt was Ps. 66.7 billion. For the year, our operating cash flow was Ps. 31.2 billion, with an operating cash flow margin expansion of 120 basis points to 20.5%. In 2015, our operating cash flow-to-net interest coverage ratio was 5.27 times. Additionally, our net-debt-to-operating cash flow ratio, including hedges, improved to 1.57 times, down from 1.79 times at the end of 2014, highlighting our company's ability to deleverage our balance sheet.

Despite structural changes in recent years—from the more complex tax environment in Mexico to the changing tax landscape and increasingly restrictive distribution regulations in Brazil—and economic volatility across the region, we continue the evolutionary transformation of our organization's capabilities, skills, and operating models to capture profitable future growth, while relentlessly reinforcing our point-of-sale execution, our supply chain, and our innovative, diversified portfolio of products and packages to meet our consumers' ever-changing needs and successfully navigate an evolving, challenging market environment.

To this end, we maintain a disciplined approach to capital allocation, as we continue to optimize our maintenance, growth, and strategic capital expenditures—including a disciplined valuation approach to capture non-organic growth—to maximize our return on invested capital and deliver sustainable profitable growth for our shareholders. In this regard, our centers of excellence not only enable centralized collaboration and knowledge sharing to benefit our operations, but also provide the potential to generate significant operating efficiencies and savings, along with opportunities to defer capital expenditures through better asset management and innovative distribution models.

For example, instead of opening a new facility, we are bridging the gap between our larger distribution centers and our customers by shifting part of our secondary distribution to an innovative system of cross docks and cross trucks to get closer to our markets, generate cost savings, and serve a wider area with less capital investment. Moreover, through our new Manufacturing Management Model, we are centralizing our plants' maintenance planning and budgeting—including assigning resources for predictive maintenance—at the country level to improve our productivity, while optimizing our maintenance and replacement capital expenditures.

As always, we continue to take proactive steps to further strengthen our capital structure and financial flexibility. On top of our emphasis on operating efficiency, our increased focus on financial discipline across our organization—from

more efficient, prudent, and stricter working capital and capital investment management, to the development of the talent and capability to carry out in-depth financial and profitability analysis on many fronts, to the implementation of an organizational transformation, yielding increased efficiency in every process across our territories to make more, better informed decisions—enabled us to continue strengthening our company's balance sheet, while maintaining our strong cash flow generation.

During 2015, we made two dividend payments for a total amount of Ps. 6.4 billion, while deleveraging our balance sheet and capitalizing on our financial flexibility. Moreover, for 2016, we are proposing to our shareholders a further increase in this dividend payment by more than 8% to a record high dividend of Ps. 3.35 per share, underscoring our company's commitment to increase shareholder return.

As we enter 2016, we continue to enjoy a strong defensive profile thanks to our active currency and raw material hedging positions, balanced currency exposure on our balance sheet, and a solid overall financial position.

Going forward, our financial and operating discipline, our team's commercial strength, and our ability to adapt to the changing market dynamics of our geographically diversified portfolio of territories will enable us to capture the long-term growth opportunities that we envision in the non-alcoholic beverage industry and to continue creating sustainable value for you now and into the future.

Thank you for your continued trust and support in Coca-Cola FEMSA. •

Héctor
Treviño Gutiérrez
Chief Financial Officer

+3% GROWTH RETURNABLE MULTI-SERVE

During the year, our affordable multi-serve returnable presentations sold 15.5 million incremental unit cases across our countries, highlighted by 15% growth in Argentina and 7% growth in Brazil.

DURING 2015, STILL BEVERAGES REPRESENTED 43% OF TOTAL INCREMENTAL TRANSACTIONS ACROSS OUR TEN COUNTRIES.

CONTENTS

41 / Financial summary
42 / Management's discussion and analysis
46 / Corporate governance
46 / Environmental statement
46 / Management's responsibility for internal control
47 / Annual report of the audit committee
49 / Independent auditors' report
50 / Consolidated statements of financial position
52 / Consolidated income statements
53 / Consolidated statements of comprehensive income
54 / Consolidated statements of changes in equity
56 / Consolidated statements of cash flows
57 / Notes to the consolidated statements
130 / Glossary
130 / Board practices
131 / Directors and officers
132 / Shareholder information

FINANCIAL SUMMARY

Coca-Cola FEMSA, S.A.B. De C.V. and Subsidiaries
Amounts expresed in millions of U.S. dollars and mexican pesos,
except data per share and headcount.

	U.S. (*)	2015	2014	2013 (3)	2012 (2)	2011 (1)
INCOME STATEMENT						
Total revenues	8,861	**152,360**	147,298	156,011	147,739	123,224
Cost of goods solds	4,671	**80,330**	78,916	83,076	79,109	66,693
Gross profit	4,190	**72,030**	68,382	72,935	68,630	56,531
Operative expenses	2,808	**48,284**	46,850	51,315	46,440	37,233
Other expenses, net	102	**1,748**	158	623	952	1,375
Comprehensive financing result	424	**7,273**	6,422	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	856	**14,725**	14,952	17,224	19,992	16,794
Income taxes	265	**4,551**	3,861	5,731	6,274	5,667
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	9	**155**	(125)	289	180	86
Consolidated net income	600	**10,329**	10,966	11,782	13,898	11,213
Equity holders of the parent	595	**10,235**	10,542	11,543	13,333	10,662
Non-controlling interest net income	5	**94**	424	239	565	551
RATIOS TO REVENUES (%)						
Gross margin	47.3	**47.3**	46.4	46.7	46.5	45.9
Net income margin	6.8	**6.8**	7.4	7.6	9.4	9.1
CASH FLOW						
Operative cash flow	1,349	**23,202**	24,406	22,097	23,650	13,893
Capital expenditures (4)	668	**11,484**	11,313	11,703	10,259	7,862
Cash and cash equivalents	930	**15,989**	12,958	15,306	23,222	11,843
Marketable securities	–	**–**	–	–	12	330
Total cash, cash equivalents and marketable securities	930	**15,989**	12,958	15,306	23,234	12,173
BALANCE SHEET						
Current assets	2,456	**42,232**	38,128	43,231	45,897	32,724
Investment in shares	1,039	**17,873**	17,326	16,767	5,352	3,656
Property, plant and equipment, net	2,939	**50,532**	50,527	51,785	42,517	38,102
Intangible assets, net	5,278	**90,754**	97,024	98,974	67,013	62,163
Deferred charges and other assets, net	516	**8,858**	9,361	5,908	5,324	5,093
Total Assets	12,228	**210,249**	212,366	216,665	166,103	141,738
Liabilities						
Short-term bank loans and notes payable	202	**3,470**	1,206	3,586	5,139	5,540
Interest payable	24	**411**	371	324	194	206
Other current liabilities	1,547	**26,599**	26,826	28,488	24,217	20,029
Long-term bank loans and notes payable	3,679	**63,260**	64,821	56,875	24,775	16,821
Other long-term liabilities	452	**7,774**	9,024	10,239	6,950	6,061
Total Liabilities	5,904	**101,514**	102,248	99,512	61,275	48,657
Equity	6,324	**108,735**	110,118	117,153	104,828	93,081
Non-controlling interest in consolidated subsidiaries	232	**3,986**	4,401	4,042	3,179	3,053
Equity attributable to equity holders of the parent	6,092	**104,749**	105,717	113,111	101,649	90,028
FINANCIAL RATIOS (%)						
Current	1.39	**1.39**	1.34	1.33	1.55	1.27
Leverage	0.93	**0.93**	0.93	0.85	0.58	0.52
Capitalization	0.39	**0.39**	0.38	0.35	0.23	0.20
Coverage	3.92	**3.92**	4.72	8.22	15.45	12.48
DATA PER SHARE						
Book Value (5)	2.939	**50.532**	50.999	54.566	50.060	45.344
Income tributable to the holders of the parent (6)	0.287	**4.937**	5.086	5.614	6.616	5.715
Dividends paid (7)	0.179	**3,090**	2,900	2,870	2,824	2,365
Headcount (8)	83,712	**83,712**	83,371	84,922	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 two months 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 disposals of property, plant and equipment.
(5) Based on 2,072.92 million ordinary shares as of December 31, 2015, 2014 and 2013, and 2030.54 and 1,985.45 million ordinary shares as of December 31, 2012 and 2011, respectively.
(6) Computed based on the weighted average number of shares outstanding during the periods presented: 2,072.92 million on 2015 and 2014 and 2,056.20, 2,015.14 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 2072.92 million oustanding ordinary shares on 2015, 2014 and 2013 and 2,030.54 and 1846.53 million oustanding ordinary shares on 2012 and 2011, respectively.
(8) Includes third-party.
(*) Exchange; rate as of December 31st, 2015, Ps 17.20 per U.S. dollar, solely for the convenience of the reader.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results from our operations for the year ended December 31, 2015 compared to the year ended December 31, 2014.

The comparability of Coca-Cola FEMSA's underlying financial and operating performance in 2015 as compared to 2014 was affected by the following factors: (1) the ongoing integration of mergers, acquisitions and divestitures completed in recent years, (2) translation effects from fluctuations in exchange rates and (3) our results in territories that are considered hyperinflationary economies (currently, our only operation that is considered a hyperinflationary economy is Venezuela). To translate the full-year 2015 reported results of Venezuela, we used the SIMADI exchange rate of 198.70 bolivars per U.S. dollar, as compared to 49.99 bolivars per U.S. dollar used to translate our 2014 reported results. In addition, the average depreciation of currencies used in our main operations during 2015, as compared to 2014, was: Brazilian real 41.6%, Colombian peso 37.0%, Mexican peso 19.2% and the Argentine peso 14.1%.

CONSOLIDATED RESULTS

Total Revenues

Our reported consolidated total revenues increased 3.4% to Ps.152,360 million in 2015 despite the negative translation effect resulting from using the SIMADI exchange rate to translate the results of our Venezuelan operation and the depreciation of the Brazilian real, the Colombian peso, the Mexican peso and the Argentine peso. Excluding the effect of currency fluctuations and our Venezuelan operation described above, total revenues would have grown 8.6%, driven by the growth of the average price per unit case in all of our operations and volume growth in Mexico, Central America, Colombia and Argentina.

Total reported sales volume increased 0.5% to 3,435.6 million unit cases in 2015, as compared to 2014. Excluding the effect of our Venezuelan operation described above, total volume would have grown 0.7% in 2015, as compared to 2014. Our sparkling beverage portfolio grew 0.5% as compared to 2014. Excluding the effect of our Venezuelan operation described above, the sparkling beverage portfolio would have grown 0.7% as a result of positive performance of the brand Coca-Cola in Mexico, Colombia and Central America, and our flavored sparkling beverage portfolio in Mexico, Colombia, Argentina and Central America. The still beverage category grew 4.9% as compared to 2014. Excluding the effect of our Venezuelan operation described above, our still beverage category would have grown 6.5% driven by the positive performance of Jugos del Valle juice in Colombia, Mexico and Central America; ValleFrut orangeade in Mexico and Brazil; the Powerade brand across most of our territories and the Santa Clara dairy business in Mexico. Bottled water, excluding bulk water grew 2.3% as compared to 2014. Excluding the effect of our Venezuelan operation described above, bottled water, excluding bulk water, would have grown 1.8%, driven by growth in Colombia, Argentina, Brazil and Central America. Bulk water decreased 2.9% as compared with 2014, mainly driven by a contraction of the Ciel brand in Mexico.

The reported number of transactions grew 0.7% to 20,279.6 million. Excluding the effect of our Venezuelan operation described above, the number of transactions would have grown 1.1% to 18,961.5 million. Transactions of our sparkling beverage portfolio, excluding Venezuela, would have grown 0.4% mainly driven by the positive performance in Mexico, Colombia, Argentina and Central America. Our still beverage category, excluding Venezuela, would have increased transactions by 6.0%, mainly driven by Colombia, Mexico and Argentina. Transactions of water, including bulk water, and excluding Venezuela, would have increased 1.6% driven by the performance of Colombia and Argentina.

Consolidated reported average price per unit case grew 3.5% reaching Ps.42.34 in 2015, as compared to Ps.40.92 in 2014, despite the negative translation effect resulting from using the SIMADI exchange rate to translate the results of our Venezuelan operation and the depreciation of the Brazilian real, the Colombian peso and the Argentine peso. Excluding the effect of currency fluctuations and our Venezuelan operation described above, average price per unit case would have grown 8.8% in 2015, driven by average price per unit case increases in local currency in all of our operations.

Gross Profit

Our reported gross profit increased 5.3% to Ps.72,030 million in 2015 with a gross margin expansion of 90 basis points. Excluding the effect of currency fluctuations and our Venezuelan operation described above, gross profit would have grown 10.3% with a gross margin expansion of 70 basis points. In local currency, the benefit of lower sweetener and PET prices, in combination with our currency hedging strategy, was partially offset by the depreciation of the average exchange rate of the Brazilian real, the Colombian peso, the Mexican peso and the Argentine peso as applied to U.S. dollar-denominated raw material costs.

The components of cost of goods sold include raw materials (principally concentrate, sweeteners and packaging materials), depreciation costs attributable to our production facilities, wages and other employment costs associated with 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 the local currency, net of applicable taxes. Packaging materials, mainly PET and aluminum, and HFCS, used as a sweetener in some countries, are denominated in U.S. dollars.

Administrative and Selling Expenses

Reported administrative and selling expenses as a percentage of total revenues decreased 10 basis points to 31.7% in 2015 as compared to 2014. Reported administrative and selling expenses in absolute terms increased 3.1% as compared to 2014. Excluding the effect of currency fluctuations and our Venezuelan operation described above, administrative and selling expenses as a percentage of total revenues would have remained flat and absolute administrative and selling expenses would have grown 8.7% as compared to 2014. In local currency, operating expenses decreased as a percentage of revenues in Mexico, Venezuela and Argentina. In 2015, we continued investing across our territories to support marketplace execution, increase our cooler coverage and bolster returnable presentation base.

During 2015, the other operative expenses recorded an expense of Ps.1,099 million. Excluding the effect of currency fluctuations and our Venezuelan operation described above, the other operative expenses line would have recorded an expense of Ps.889 million, mainly due to certain restructuring charges and the negative currency fluctuation effects across our territories.

The reported share of the profits of associates and joint ventures line recorded a gain of Ps.155 million in 2015, mainly due to an equity-method gain from our participation in associated companies and gains from the Coca-Cola FEMSA's participation in CCFPI.

Comprehensive Financing Result

The term "comprehensive financing result" refers to the combined financial effects of net interest expenses, 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 reported comprehensive financing result in 2015 recorded an expense of Ps.7,273 million as compared to an expense of Ps.6,422 million in 2014. This increase was mainly driven by a foreign exchange loss as a result of the depreciation of the end-of-period exchange rate of the Mexican peso during the year, as applied to our U.S. dollar-denominated net debt position.

Income Taxes

During 2015, reported income tax, as a percentage of income before taxes, was 30.6% as compared to 26.0% in 2014. The lower effective tax rate registered during 2014 is mainly related to a one-time benefit resulting from the settlement of certain contingent tax liabilities under the tax amnesty program offered by the Brazilian tax authorities, which was registered during 2014.

Controlling Interest Net Income

Our reported consolidated controlling interest net income reached Ps.10,235 million in 2015 as compared to Ps.10,542 million in 2014. Earnings per share ("EPS") in the full year of 2015 were 4.94 (Ps.49.37 per ADS) computed on the basis of 2,072.9 million shares outstanding (each ADS represents 10 local shares). Excluding the effect of currency fluctuations and our Venezuelan operation described above, the consolidated controlling interest net income would have reached Ps.9,511 million in 2015 as compared to Ps.9,714 million in 2014. On the same basis, earnings per share would have been 4.59 (Ps.45.88 per ADS).

CONSOLIDATED RESULTS FROM OPERATIONS BY REPORTING SEGMENT

Mexico and Central America

Total Revenues. Reported total revenues from our Mexico & Central America division increased 9.4% to Ps.78,709 million in 2015. Excluding the effect of currency fluctuations, total revenues from our Mexico & Central America division would have increased 7.0%, driven by positive volume performance and average price increases in both Mexico and Central America.

Reported total sales volume increased 1.8% to 1,952.4 million unit cases in 2015, as compared to 2014. The sparkling beverage portfolio grew 3.0% driven by 2.4% growth of brand Coca-Cola and 5.5% growth of flavored sparkling beverages. Our water portfolio, including bulk water, decreased 3.5% driven by a contraction of Ciel water. The still beverage category grew 5.8%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The reported number of transactions for the Mexico and Central America division grew 2.4% to 10,877.1 million. Transactions of our sparkling beverage portfolio grew 2.8% driven by the positive performance in both colas and flavored sparkling beverages. Our still beverage category increased transactions by 6.1%. Transactions of water, including bulk water, decreased 6.4% driven by a contraction of water in Mexico.

Total sales volume in Mexico grew 1.7% to 1,784.6 million unit cases, as compared to 1,754.9 million unit cases in 2014. Volume of our sparkling beverage portfolio grew 3.1% driven by 2.6% growth of brand Coca-Cola and 5.8% growth in flavored sparkling beverages, mainly supported by the performance of Mundet, Fanta and the introduction of Naranja&Nada and Limon&Nada, our sparkling orangeade and lemonade. The still beverage portfolio grew 5.3% favored by del Valle portfolio, Powerade and our Santa Clara dairy business. Our bottled water portfolio, including bulk water, decreased 3.7% driven by a contraction in Ciel water.

The reported number of transactions for the Mexico operation grew 2.3% to 9,429.1 million. Transactions of our sparkling beverage portfolio grew 2.9%. Our still beverage category increased transactions by 6.5%. Transactions of water, including bulk water, decreased 7.4%.

Total sales volume in Central America increased 2.6% to 167.8 million unit cases, as compared to 163.6 million unit cases in 2014. The sales volume of our sparkling beverage portfolio grew 1.5% supported by the strong performance of the Coca-Cola brand and flavored sparkling beverages in Nicaragua and Panamá. Sales volume in the still beverage category increased 8.5%, due to the performance of Powerade in the four countries, Fuze tea in Costa Rica and Hi-C juice in Nicaragua. The bottled water business, including bulk water, grew 7.6% across the region.

The reported number of transactions for the Central America operation grew 2.8% to 1,448.0 million. Transactions of our sparkling beverage portfolio grew 2.1%. Our still beverage category increased transactions by 4.8%. Transactions of water, including bulk water, increased 7.6%.

Gross Profit. Our reported gross profit increased 10.1% to Ps.40,133 million in 2015 as compared to 2014, and reported gross margin expanded 30 basis points to reach 51.0% in 2015. Excluding the effect of currency fluctuations, gross profit would have grown 7.9% in 2015 with a margin expansion of 50 basis points. Lower sweetener and PET prices in the division, in combination with our currency hedging strategy, were partially offset by the depreciation of the average exchange rate of most of our division's currencies as applied to our U.S. dollar-denominated raw material costs.

Administrative and Selling Expenses. Reported administrative and selling expenses as a percentage of total revenues decreased 20 basis points to 33.2% in 2015, as compared with the same period in 2014. Reported administrative and selling expenses in absolute terms increased 8.6%, as compared to 2014. Excluding the effect of currency fluctuations, administrative and selling expenses in absolute terms would have grown 6.5% during the year, decreasing 10 basis points as a percentage of total revenues.

South America (excluding Venezuela)
Total Revenues. Reported total revenues, excluding Venezuela, decreased 2.4% to Ps.64,752 million in 2015, as compared to 2014, mainly driven by the negative translation effect resulting from the devaluation of the Brazilian real, the Colombian peso and the Argentine peso. Revenues of beer accounted for Ps.6,459.0 million. Excluding the effect of currency fluctuations and our Venezuelan operation, total revenues would have increased 10.8% driven by average price per unit case increases in local currency in each of the operations.

Total sales volume in our South America division, excluding Venezuela, decreased 0.8% to 1,247.6 million unit cases in 2015, as compared to 2014, as a result of a volume contraction in Brazil which was partially compensated by volume growth in Colombia and Argentina. The still beverage portfolio grew 7.5%, mainly driven by the Jugos del Valle line of business in Colombia, and Cepita and Hi-C in Argentina. Our bottled water portfolio, including bulk water, increased 7.5%, mainly driven Aquarius, Kin and Bonaqua in Argentina, Manantial and Brisa in Colombia, and Crystal in Brazil. The sparkling beverage portfolio decreased 2.3%, as compared to 2014.

The reported number of transactions for the South America division, excluding Venezuela, decreased 0.7% to 8,084.3 million. Transactions of our sparkling beverage portfolio decreased 2.7%, driven by the contraction in Brazil. Our still beverage category grew transactions by 5.9%. Transactions of water, including bulk water, increased 10.0%.

Total sales volume in Colombia increased 7.2% to 320.0 million unit cases in 2015, as compared to 298.4 million unit cases in 2014. The sales volume in the sparkling beverage category grew 6.2%, mainly driven by a 3.7% growth of the Coca-Cola brand and a 14.2% increase of flavored sparkling beverages. Sales volume in the still beverage category increased 19.1%, mainly driven by del Valle Fresh and Fuze tea. The bottled water business, including bulk water, increased 5.8% driven by Manantial and Brisa in single serve presentations.

The reported number of transactions for the Colombian operation increased 9.6% to 2,410.7 million. Transactions of our sparkling beverage portfolio grew 3.7%. Our still beverage category increased transactions by 34.7%. Transactions of water, including bulk water, increased 21.8%.

Total sales volume in Argentina increased 3.6% to 233.9 million unit cases in 2015, as compared to 225.8 million unit cases in 2014. The sales volume in the sparkling beverage category decreased 0.2%. A decrease in brand Coca-Cola was mostly compensated by the performance of Sprite and Schweppes. Sales volume in the still beverage category increased 31.9%, mainly driven by Hi-C, Cepita and Powerade. The bottled water business, including bulk water, increased 28.0% driven by Aquarius, Kin and Bonaqua.

The reported number of transactions for the Argentine operation increased 5.5% to 1,095.0 million. Transactions of our sparkling beverage portfolio grew 2.1% favored by the performance of our flavored sparkling beverages portfolio. Our still beverage category increased transactions by 24.1%. Transactions of water, including bulk water, increased 20.4%.

Reported total sales volume in Brazil decreased 5.4% to 693.6 million unit cases in 2015, as compared to 733.5 million unit cases in 2014. Volume in the bottled water business, including bulk water, increased 1.2% driven by Crystal. The volume of our sparkling beverage portfolio contracted 5.8%. The sales volume in the still beverages category decreased 8.8%.

The reported number of transactions for our Brazilian operation decreased 6.6% to 4,578.6 million. Transactions of our sparkling beverage portfolio decreased 6.4%. Our still beverage category decreased transactions by 12.8%. Transactions of water, including bulk water, decreased 1.8%.

Gross Profit. Reported gross profit, excluding Venezuela, reached Ps.27,532 million, an increase of 0.6% in 2015, as compared to 2014, with an expansion of 130 basis points to 42.5%. Excluding the effect of currency fluctuations and our Venezuelan operation, gross profit would have grown 14.0% during the year, expanding gross margin by 120 basis points. Lower sweetener and PET prices, in combination with our currency hedging strategy, were partially offset by the depreciation of the average exchange rate of each of our countries' currencies as applied to our U.S. dollar-denominated raw material costs.

Administrative and Selling Expenses. Reported administrative and selling expenses, excluding Venezuela, as a percentage of total revenues increased 40 basis points to 30.0% in 2015, as compared to 2014. Reported administrative and selling expenses in absolute terms decreased 1.3%, as compared to 2014, mainly driven by the negative translation effect resulting from the depreciation of the Brazilian real, the Colombian peso and the Argentine peso. Excluding the effect of currency fluctuations and our Venezuelan operation, administrative and selling expenses in absolute terms would have grown 11.8% increasing 30 basis points as a percentage of revenues.

Venezuela

Total Revenues. Reported total revenues in Venezuela decreased 0.8% to reach Ps.8,899 million in 2015 as compared to 2014, driven by the negative translation effect of using the SIMADI exchange rate to translate the results of our Venezuelan operation. Excluding the effect of currency fluctuations, revenues would have grown 237.5% driven by an increase of 245.4% in the average price per case in local currency.

Total sales volume decreased 2.3% to 235.6 million unit cases in 2015, as compared to 241.1 million unit cases in 2014. The sales volume in the sparkling beverage category decreased 2.1%, driven by a contraction in our flavored sparkling beverage portfolio, which was partially compensated by the positive performance of brand Coca-Cola which grew 3.4%. The still beverage category decreased 11.3%. Our bottled water business, including bulk water, grew 6.1% driven by Nevada.

The reported number of transactions for the Venezuela operation decreased 3.6% to 1,318.1 million. Transactions of our sparkling beverage portfolio decreased 3.2%, driven by a contraction in transactions of our flavored sparkling beverage portfolio. Our still beverage category decreased transactions by 12.5%. Transactions of water, including bulk water, increased 5.3%.

Gross Profit. Reported gross profit was Ps.4,368 million in 2015, a decrease of 4.1% as compared to 2014, with a gross margin contraction of 170 basis points reaching 49.1%, driven by the negative translation effect resulting from using the SIMADI exchange rate to convert the results of the operation into Mexican pesos. Excluding the effect of currency fluctuations, gross profit would have grown 226.0% with a gross margin contraction of 170 basis points.

Administrative and Selling Expenses. Reported administrative and selling expenses as a percentage of total revenues decreased 410 basis points to 31.0% in 2015, as compared to 2014. Reported administrative and selling expenses in absolute terms decreased 12.3%, as compared to 2014, due to the previously mentioned negative currency translation effect. Excluding the effect of currency fluctuations, administrative and selling expenses would have grown 198.0% decreasing 410 basis points as a percentage of revenues. •

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.

ENVIRONMENT STATEMENT

Coca-Cola FEMSA is dedicated to the principles of sustainable development. The Company recognizes the impact of its operations in water, waste and recycling, and energetic use and has the commitment to minimize it and attend it responsibly. 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, wastewater quality and efficiency in greenhouse gas emissions. These efforts simultaneously help Coca-Cola FEMSA to protect the environment and to develop its business. Part of this commitment is reported in the present document as well as the Sustainability Report from the Company. This report is made on an annual basis for the 10 countries where we operate following the GRI guidelines, external verification, and taking into account recommendations from the Dow Jones Sustainability Index, the Mexican Stock Exchange and in accordance to the CDSB Framework. Additionally, we report our greenhouse gas emissions voluntarily to the Carbon Disclosure Project and to the Ministry of Natural Resources and the Environment in Mexico. 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.

ANNUAL REPORT OF THE AUDIT COMMITTEE

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

Pursuant to Articles 42 and 43 of the Mexican Securities Law (Ley del Mercado de Valores) and the Charter of the Audit Committee, we submit to the Board of Directors our report on the activities performed during, 2015. We considered the recommendations established in the Code of Corporate Best Practices and, since the Company is a publicly-listed company in the New York Stock Exchange (¨NYSE¨), we also complied with the applicable provisions set forth in Sarbanes-Oxley Act. We met at least on a quarterly basis and, based on a work program, we carried out the activities described below:

RISK ASSESSMENT

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

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

INTERNAL CONTROL

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

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

EXTERNAL AUDIT

We recommended to the Board of Directors the appointment of the external auditors (who have been the same for the past seven years) for the Company and its subsidiaries for fiscal year 2015. For this purpose, we verified their independence and their compliance with the requirements established by applicable laws and regulations. We analyzed their approach, work program as well as their coordination with Internal Audit.

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

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

With the appropriate input from Management, we carried out an evaluation of their services for the previous year and initiated the evaluation process for fiscal year 2015.

INTERNAL AUDITING

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

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

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

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

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

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

FINANCIAL INFORMATION, ACCOUNTING POLICIES AND REPORTS TO THE THIRD PARTIES

We reviewed the quarterly and annual financial statements of the Company with the individuals responsible for its preparation and recommended to the Board of Directors, its approval and authorize its publication. As part of this process, we analyzed the comments of the external auditors and confirm the criteria, accounting policies and information used by Management to prepare financial information were adequate, sufficient, and consistently applied with the prior year. As a consequence, the information submitted by Management reasonably reflects the financial position of the Company, its operating results and cash flows for the fiscal year ending on December 31, 2015.

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

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

We reviewed and approved the changes to the accounting standards used by the Company that became effective in 2015, recommending their approval to the Board of Directors.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS, LEGAL ISSUES AND CONTINGENCIES

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

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

CODE OF CONDUCT

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

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

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

ADMINISTRATIVE ACTIVITIES

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

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

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

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

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

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

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

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

Sincerely

José Manuel Canal Hernando
February 22, 2016

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, 2015 and 2014, 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, 2015, 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.

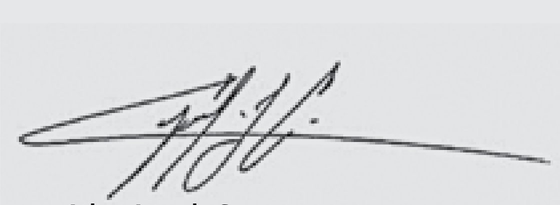
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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, 2015 and 2014, and their financial performance and cash flows for each of the three years in the period ended December 31, 2015, 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, 2016
Mexico City, Mexico

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

COCA-COLA FEMSA, S.A.B. DE C.V. AND SUBSIDIARIES
At December 31, 2015 and 2014
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

	Note	2015 (*)	2015	2014
ASSETS				
Current assets:				
Cash and cash equivalents	5	**$ 930**	**Ps. 15,989**	Ps. 12,958
Accounts receivable, net	6	**561**	**9,647**	10,339
Inventories	7	**469**	**8,066**	7,819
Recoverable taxes		**245**	**4,220**	4,082
Other current financial assets	8	**72**	**1,227**	1,544
Other current assets	8	**179**	**3,083**	1,386
Total current assets		**2,456**	**42,232**	38,128
Non-current assets:				
Investments in associates and joint ventures	9	**1,039**	**17,873**	17,326
Property, plant and equipment, net	10	**2,939**	**50,532**	50,527
Intangible assets, net	11	**5,278**	**90,754**	97,024
Deferred tax assets	23	**238**	**4,098**	2,956
Other non-current financial assets	12	**139**	**2,395**	3,160
Other non-current assets, net	12	**139**	**2,365**	3,245
Total non-current assets		**9,772**	**168,017**	174,238
TOTAL ASSETS		**$ 12,228**	**Ps. 210,249**	Ps. 212,366

	Note	2015 (*)	2015	2014
LIABILITIES AND EQUITY				
Current liabilities:				
Bank loans and notes payable	17	**$ 23**	**Ps. 384**	Ps. 301
Current portion of non-current debt	17	**179**	**3,086**	905
Interest payable		**24**	**411**	371
Suppliers		**900**	**15,470**	14,151
Accounts payable		**276**	**4,744**	5,336
Taxes payable		**307**	**5,274**	5,457
Other current financial liabilities	24	**64**	**1,111**	1,882
Total current liabilities		**1,773**	**30,480**	28,403
Non-current liabilities:				
Bank loans and notes payable	17	**3,679**	**63,260**	64,821
Post-employment and other non-current employee benefits	15	**131**	**2,261**	2,324
Deferred tax liabilities	23	**65**	**1,123**	1,085
Other non-current financial liabilities	24	**12**	**214**	288
Provisions and other non-current liabilities	24	**244**	**4,176**	5,327
Total non-current liabilities		**4,131**	**71,034**	73,845
Total liabilities		**5,904**	**101,514**	102,248
Equity:				
Capital stock	21	**119**	**2,048**	2,048
Additional paid-in capital		**2,413**	**41,490**	41,490
Retained earnings		**4,563**	**78,454**	74,624
Cumulative other comprehensive loss		**(1,003)**	**(17,243)**	(12,445)
Equity attributable to equity holders of the parent		**6,092**	**104,749**	105,717
Non-controlling interest in consolidated subsidiaries	20	**232**	**3,986**	4,401
Total equity		**6,324**	**108,735**	110,118
TOTAL LIABILITIES AND EQUITY		**$ 12,228**	**Ps. 210,249**	Ps. 212,366

(*) 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, 2015, 2014 and 2013
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.) except per share amounts

	Note	2015 (*)	2015	2014	2013
Net sales		$ 8,835	Ps. 151,914	Ps. 146,948	Ps. 155,175
Other operating revenues		26	446	350	836
Total revenues		8,861	152,360	147,298	156,011
Cost of goods sold		4,671	80,330	78,916	83,076
Gross profit		4,190	72,030	68,382	72,935
Administrative expenses		372	6,405	6,385	6,487
Selling expenses		2,436	41,879	40,465	44,828
Other income	18	36	620	1,001	478
Other expenses	18	138	2,368	1,159	1,101
Interest expense		369	6,337	5,546	3,341
Interest income		24	414	379	654
Foreign exchange loss, net		85	1,459	968	739
Loss on monetary position for subsidiaries in hyperinflationary economies		2	33	312	393
Market value gain on financial instruments	19	8	142	25	46
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method		856	14,725	14,952	17,224
Income taxes	23	265	4,551	3,861	5,731
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	9	9	155	(125)	289
Consolidated net income		$ 600	Ps. 10,329	Ps. 10,966	Ps. 11,782
Attributable to:					
Equity holders of the parent		$ 595	Ps. 10,235	Ps. 10,542	Ps. 11,543
Non-controlling interest		5	94	424	239
Consolidated net income		$ 600	Ps. 10,329	Ps. 10,966	Ps. 11,782
Net equity holders of the parent (U.S. dollars and Mexican pesos):					
Earnings per share	22	$ 0.29	Ps. 4.94	Ps. 5.09	Ps. 5.61

(*) 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, 2015, 2014 and 2013
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

	Note	2015 (*)	2015	2014	2013
Consolidated net income		**$ 600**	**Ps. 10,329**	Ps. 10,966	Ps. 11,782
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Unrealized loss on available-for sale securities, net of taxes		**–**	**–**	–	(2)
Valuation of the effective portion of derivative financial instruments, net of taxes	19	**(2)**	**(27)**	215	(279)
Exchange differences on the translation of foreign operations and associates		**(314)**	**(5,407)**	(11,994)	(1,565)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(316)**	**(5,434)**	(11,779)	(1,846)
Items that will not be reclassified to profit or loss in subsequent periods:					
Remeasurements of the net defined benefit liability, net of taxes	15	**8**	**138**	(192)	(145)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**8**	**138**	(192)	(145)
Total other comprehensive loss, net of tax		**(308)**	**(5,296)**	(11,971)	(1,991)
Consolidated comprehensive income for the year, net of tax		**$ 292**	**Ps. 5,033**	Ps. (1,005)	Ps. 9,791
Attributable to:					
Equity holders of the parent		**$ 315**	**Ps. 5,437**	Ps. (1,382)	Ps. 9,391
Non-controlling interest		**(23)**	**(404)**	377	400
Consolidated comprehensive income for the year, net of tax		**$ 292**	**Ps. 5,033**	Ps. (1,005)	Ps. 9,791

(*) 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, 2015, 2014 and 2013
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

Attributable to:	Capital Stock	Additional Paid-in Capital	Retained Earnings
Balances at January 1, 2013	Ps. 2,029	Ps. 33,488	Ps. 64,501
Net income	–	–	11,543
Other comprehensive income, net of tax	–	–	–
Total comprehensive income	–	–	11,543
Increase in share of non-controlling interest	–	–	–
Dividends declared	–	–	(5,950)
Acquisition of Grupo Yoli	19	8,002	–
Balances at December 31, 2013	2,048	41,490	70,094
Net income	–	–	10,542
Other comprehensive income, net of tax	–	–	–
Total comprehensive income	–	–	10,542
Dividends declared	–	–	(6,012)
Balances at December 31, 2014	2,048	41,490	74,624
Net income	–	–	10,235
Other comprehensive income, net of tax	–	–	–
Total comprehensive income	–	–	10,235
Dividends declared	–	–	(6,405)
Balances at December 31, **2015**	**Ps. 2,048**	**Ps. 41,490**	**Ps. 78,454**

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

Unrealized Gain on Available-for-sale Securities	Valuation of the Effective Portion of Derivative Financial Instruments	Exchange Differences on Translation of Foreign Operations and Associates	Remeasurements of the Net Defined Benefit Liability	Equity Attributable To Equity Holders of the Parent	Non-Controlling Interest	Total Equity
Ps. 2	Ps. (135)	Ps. 2,019	Ps. (255)	Ps.101,649	Ps. 3,179	Ps.104,828
–	–	–	–	11,543	239	11,782
(2)	(233)	(1,777)	(140)	(2,152)	161	(1,991)
(2)	(233)	(1,777)	(140)	9,391	400	9,791
–	–	–	–	–	515	515
–	–	–	–	(5,950)	(52)	(6,002)
–	–	–	–	8,021	–	8,021
–	(368)	242	(395)	113,111	4,042	117,153
–	–	–	–	10,542	424	10,966
–	220	(11,973)	(171)	(11,924)	(47)	(11,971)
–	220	(11,973)	(171)	(1,382)	377	(1,005)
–	–	–	–	(6,012)	(18)	(6,030)
–	(148)	(11,731)	(566)	105,717	4,401	110,118
–	–	–	–	10,235	94	10,329
–	(77)	(4,853)	132	(4,798)	(498)	(5,296)
–	(77)	(4,853)	132	5,437	(404)	5,033
–	–	–	–	(6,405)	(11)	(6,416)
Ps. –	**Ps. (225)**	**Ps.(16,584)**	**Ps. (434)**	**Ps.104,749**	**Ps.3,986**	**Ps.108,735**

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015, 2014 and 2013
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

	2015 (*)	2015	2014	2013
Cash flows from operating activities:				
Income before income taxes	$ 865	Ps. 14,880	Ps. 14,827	Ps. 17,513
Adjustments for:				
Non-cash operating expenses	84	1,435	438	(42)
Depreciation	367	6,310	6,072	6,371
Amortization	49	834	877	761
(Loss) Gain on disposal of long-lived assets	(13)	(217)	33	(27)
Write-off of long-lived assets	19	332	39	39
Share of the (profit) loss of associates and joint ventures accounted for using the equity method, net of taxes	(10)	(155)	125	(289)
Interest income	(24)	(414)	(379)	(654)
Interest expense	217	3,718	3,352	2,604
Foreign exchange loss, net	85	1,459	968	739
Non-cash movements in post-employment and other non-current employee benefits obligations	4	68	(27)	216
Monetary position loss, net	2	33	312	393
Market value loss on financial instruments	180	3,096	2,460	1,053
(Increase) decrease:				
Accounts receivable and other current assets	(59)	(1,010)	(777)	(1,072)
Other current financial assets	(166)	(2,849)	(2,156)	(3,094)
Inventories	(104)	(1,784)	(588)	(623)
Increase (decrease):				
Suppliers and other accounts payable	194	3,329	4,978	2,921
Other liabilities	14	249	(1,442)	89
Employee benefits paid	(11)	(193)	(235)	(127)
Income taxes paid	(344)	(5,919)	(4,471)	(4,674)
Net cash flows from operating activities	1,349	23,202	24,406	22,097
Investing activities:				
Acquisition of Grupo Yoli, net of cash acquired (Note 4)	–	–	–	(1,046)
Acquisition of Companhia Fluminense de Refrigerantes, net of cash acquired (Note 4)	–	–	–	(4,648)
Acquisition of Grupo Spaipa, net of cash acquired (Note 4)	–	–	–	(23,056)
Interest received	24	414	379	654
Acquisitions of long-lived assets	(614)	(10,545)	(10,862)	(10,615)
Proceeds from the sale of long-lived assets	14	233	147	195
Acquisition of intangible assets	(56)	(956)	(634)	(1,256)
Other non-current assets	(4)	(72)	(257)	(734)
Investment in shares Coca-Cola FEMSA Philippines, Inc. (Note 9)	–	–	–	(8,904)
Dividends received from investments in associates and joint ventures (Note 9)	1	13	148	–
Investment in shares	(2)	(32)	(58)	(71)
Net cash flows used in investing activities	(637)	(10,945)	(11,137)	(49,481)
Financing activities:				
Proceeds from borrowings	111	1,907	6,180	66,748
Repayment of borrowings	(519)	(8,931)	(6,254)	(36,744)
Interest paid	(208)	(3,568)	(3,182)	(2,328)
Dividends paid	(373)	(6,416)	(6,030)	(6,002)
Increase in shares of non-controlling interest	–	–	–	515
Other financing activities	500	8,586	(1,828)	1,546
Payments under finance leases	(9)	(145)	(236)	(229)
Net cash flows (used in) / from financing activities	(498)	(8,567)	(11,350)	23,506
Net increase (decrease) in cash and cash equivalents	214	3,690	1,919	(3,878)
Initial balance of cash and cash equivalents	754	12,958	15,306	23,222
Effects of exchange rate changes and inflation effects on cash and cash equivalents held in foreign currencies	(38)	(659)	(4,267)	(4,038)
Ending balance of cash and cash equivalents	$ 930	Ps. 15,989	Ps. 12,958	Ps. 15,306

(*) 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, 2015, 2014 and 2013
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

NOTE 1. Activities of the Company

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

Coca-Cola FEMSA is indirectly owned by Fomento Economico Mexicano, S.A.B. de C.V. ("FEMSA"), which holds 47.9% of its capital stock and 63% of its voting shares and The Coca-Cola Company ("TCCC"), which indirectly owns 28.1% of its capital stock and 37% of its voting shares. The remaining 24% of Coca-Cola FEMSA's shares trade on the Bolsa Mexicana de Valores, S.A.B. de C.V. (BMV: KOF). Its American Depositary shares ("ADS") (equivalent to ten series "L" shares) trade on the New York Stock Exchange, Inc. The address of its registered office and principal place of business is Mario Pani No. 100 Col. Santa Fe Cuajimalpa Delegacion Cuajimalpa de Morelos, Mexico City 05348, Mexico.

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

As of December 31, 2015 and 2014 the most significant subsidiaries which the Company controls are:

Company	Activity	Country	Ownership percentage **2015**	Ownership percentage 2014
Propimex, S. de R.L. de C.V.	Manufacturing and distribution	Mexico	100.00%	100.00%
Controladora Interamericana de Bebidas, S. de R.L. de C.V.	Holding	Mexico	100.00%	100.00%
Spal Industria Brasileira de Bebidas, S.A.	Manufacturing and distribution	Brazil	96.06%	96.06%
Distribuidora y Manufacturera del Valle de México, S. de R.L. de C.V.	Manufacturing and distribution	Mexico	100.00%	100.00%
Servicios Refresqueros del Golfo, S. de R.L. de C.V.	Manufacturing and distribution	Mexico	100.00%	100.00%
Coca-Cola FEMSA de Argentina, S.A..	Manufacturing and distribution	Argentina	100.00%	100.00%

NOTE 2. Basis of Preparation

2.1 Statement of compliance

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

The Company's consolidated financial statements and notes were authorized for issuance by the Company's Chief Executive Officer John Santa Maria Otazua and Chief Financial and Administrative Officer Héctor Treviño Gutiérrez on February 19, 2016 and subsequent events have been considered through that date (see Note 28). These consolidated financial statements and notes will be presented at the Company's Board of Directors meeting and Shareholders meeting on February 22, 2016 and March 7, 2016, respectively. The Company´s Board of Directors and Shareholders have the authority to approve or modify the Company's consolidated financial statements.

2.2 Basis of measurement and presentation

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

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

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

2.2.1 Presentation of consolidated income statement

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

2.2.2 Presentation of consolidated statements of cash flows.

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

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

The consolidated financial statements are stated in millions of Mexican pesos (“Ps.”) and rounded to the nearest million unless stated otherwise. However, solely for the convenience of the readers, the consolidated statement of financial position as of December 31, 2015, the consolidated income statement, the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2015 were converted into U.S. dollars at the exchange rate of Ps. 17.20 per U.S. dollar as published by the Federal Reserve Bank of New York as of that date. This arithmetic conversion should not be construed as representations that the amounts expressed in Mexican pesos may be converted into U.S. dollars at that or any other exchange rate. As explained in Note 2.1 above, as of February 22, 2016 (the issuance date of these financial statements) such exchange rate was Ps. 18.06 per U.S. dollar, a devaluation of 4.94% since December 31, 2015.

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. Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm’s length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. In order to determine whether such assets are impaired, the Company initially calculates an estimation of the value in use of the cash-generating units to which such assets have been allocated. 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 11.

2.3.1.2 Useful lives of property, plant and equipment and intangible assets with defined useful lives

Property, plant and equipment, including returnable bottles are expected to provide benefits over a period of more than one year, as well as intangible assets with defined useful lives are depreciated/amortized over their estimated useful lives. The Company bases 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, 10 and 11.

2.3.1.3 Post-employment and other non-current employee benefits

The Company regularly evaluates the reasonableness of the assumptions used in its post-employment and other non-current employee benefit computations. Information about such assumptions is described in Note 15.

2.3.1.4 Income taxes

Deferred income tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax 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 23.

2.3.1.5 Tax, labor and legal contingencies and provisions

The Company is subject to various claims and contingencies related to tax, labor and legal proceedings as described in Note 24. Due to their nature, such legal proceedings involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions. Management periodically assesses the probability of loss for such contingencies and accrues a provision and/ or discloses the relevant circumstances, as appropriate. If the potential loss of any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues a provision for the estimated loss.

2.3.1.6 Valuation of financial instruments

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

The fair values of derivative financial instruments are determined considering quoted prices in recognized markets. If such instruments are not traded, fair value is determined by applying techniques based upon technical models supported by sufficient, reliable and verifiable data, recognized in the financial sector. The Company bases its forward price curves upon market price quotations. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments, see Note 19.

2.3.1.7 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, 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 when assessing whether the Company has significant influence.

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

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

2.3.1.9 Joint Arrangements

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

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

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

As mentioned in Note 9, the Company accounts for its 51% investment at Coca-Cola FEMSA Philippines, Inc. (CCFPI) as a joint venture, this is based on the facts that the Company and TCCC: (i) during the initial four-year period all decisions are taken jointly by the Company and TCCC; and (ii) potential voting rights to acquire the remaining 49% of CCFPI are not probable to be executed in the foreseeable future due to the fact the call option was "out of the money" as of December 31, 2015 and 2014.

2.3.1.10 Venezuela Exchange Rates and Consolidation

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

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

2.4 Changes in accounting policies

The Company has applied the following amendments to IFRS during 2015:

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 "Presentation of Financial Statements" clarify, rather than significantly change, existing IAS 1 requirements, such as:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be classified as either those items that will be subsequently reclassified to profit or loss and those that will not, and be presented as a single line item within each of those categories.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company adopted these amendments and has no impact on the Company's consolidated financial statements was presentation and disclosure.

Annual Improvements 2010-2012 Cycle

These improvements are effective from July 1, 2014 and the Company has applied these amendments for the first time during the 2015. They include:

IFRS 2 Share-based Payment
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

The above definitions are consistent with how the Company has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Company's accounting policies.

IFRS 8 Operating Segments
The amendments clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Company has applied the aggregation criteria in IFRS 8.12 and is disclosed in Note 25.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The Company did not record any revaluation adjustments during the current period.

NOTE 3. Significant Accounting Policies

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company as at December 31, 2015. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities

3.2 Business combinations

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

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

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete, and discloses that its allocation is preliminary in nature. Those provisional amounts are adjusted during the measurement period (not greater than 12 months), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3.3 Foreign currencies and consolidation of foreign subsidiaries, investments in associates and joint ventures

In preparing the financial statements of each individual subsidiary, associate and joint venture, transactions in currencies other than the individual entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not remeasured.

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.

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

For incorporation into the Company's consolidated financial statements, each foreign subsidiary, associate or joint venture's individual financial statements are translated into Mexican pesos, as 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	**2015**	2014	2013	**2015**	2014
Mexico	Mexican peso	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00
Guatemala	Quetzal	2.07	1.72	1.62	2.25	1.94
Costa Rica	Colon	0.03	0.02	0.03	0.03	0.03
Panama	U.S. dollar	15.85	13.30	12.77	17.21	14.72
Colombia	Colombian peso	0.01	0.01	0.01	0.01	0.01
Nicaragua	Cordoba	0.58	0.51	0.52	0.62	0.55
Argentina (b)	Argentine peso	1.71	1.64	2.34	1.32	1.72
Venezuela (a)	Bolivar	(a)	(a)	(a)	(a)	(a)
Brazil	Reais	4.81	5.66	5.94	4.41	5.54
Philippines	Philippines peso	0.35	0.30	0.30	0.36	0.33

(a) Venezuela

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

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

As of December 31, 2015 and 2014, the companies in Venezuela were able to convert bolivars to U.S. dollars at one of the following legal exchange rates:

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

ii) SICAD. Used for certain transactions, including payment of services and payments related to foreign investments in Venezuela, determined by the state-run system known as Sistema Complementario de Administración de Divisas or SICAD exchange rate. The SICAD determined this alternative exchange rate based on limited periodic sales of U.S. dollars through auctions. As of December 31, 2015 the SICAD exchange rate was 13.50 bolivars per U.S. dollar (Ps.1.27 per bolivar) and as of December 31, 2014 the SICAD exchange rate was 12.00 bolivars per U.S. dollar (Ps.1.23 per bolivar).

iii) SICAD II. The Venezuelan government enacted a new law in 2014 that authorized an additional method of exchanging Venezuelan bolivars to U.S. dollars. During 2014 and part of 2015 SICAD II was used for certain types of transactions not covered by the official exchange rate or the SICAD exchange rate. The SICAD II exchange rate as of December 31, 2014 was 49.99 bolivars per U.S. dollar (Ps.0.29 per bolivar). In February 2015, this exchange rate was eliminated.

iv) SIMADI. In February 2015, the Venezuelan government enacted a new market-based exchange rate determined by the system known as the Sistema Marginal de Divisas or SIMADI. The SIMADI determines the exchange rates based on supply and demand of U.S. dollars. The SIMADI exchange rate as of December 31, 2015 was 198.70 bolivars per U.S. dollar (Ps.0.09 per bolivar).

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

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

As of December 31, 2014 the Company had US$449 million in monetary liabilities recorded using the official exchange rate, as the Company believes that such items qualify as essential goods and services as explained above. As of December 31, 2015 the Company had US$418.5 million in monetary liabilities recorded using the official exchange rate and US$138.7 recorded at SICAD at the moment this exchange rate was determined by the government, of which US$44.9 million were recorded at 12.00 bolivars, US$35.9 were recorded at 12.80 bolivars and US$57.9 at 13.50 bolivars.

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

Step-two: In order to integrate the results of the Venezuelan operations into the consolidated figures of the Company, such Venezuelan results are translated from Venezuelan bolivars into Mexican pesos. During 2015, the Company used SIMADI exchange rate based on the expectations that this would have been the exchange rate to what dividends will be settled. During 2014, the Company decided to use the SICAD II exchange rate to better reflect the economic conditions in Venezuela at the time. Prior to 2014, the Company used the official exchange rate (6.30 bolivars per U.S. dollar).

(b) Argentina

Official exchange rates for Argentina are published by the Argentine Central Bank. The Argentine peso has experienced significant devaluation over the past several years and the government has adopted various rules and regulations since late 2011 that established new restrictive controls on capital flows into the country. These enhanced exchange controls have practically closed the foreign exchange market to retail transactions. It is widely reported that the Argentine peso/U.S. dollar exchange rate in the unofficial market substantially differs from the official foreign exchange rate. The Argentine government could impose further exchange controls or restrictions on the movement of capital and take other measures in the future in response to capital flight or a significant depreciation of the Argentine peso.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in other comprehensive income in respect of that operation attributable to the owners of the Company are recognized in the consolidated income statement. The Company continues to monitor all of its foreign operations, but most notably its Venezuela operations for the reasons explained herein. Over the past few years, the Company has accumulated significant amounts of accumulated other comprehensive loss (approximating Ps. 15,536 million) related to such Venezuela operations. To the extent that economic and or operational conditions were to worsen in the future resulting in a conclusion that the Company no longer controls such operations, such would involve both deconsolidation and an income statement charge for accumulated amounts. There can be no assurances that such might not happen in the future.

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

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

The translation of assets and liabilities denominated in foreign currencies into Mexican pesos is for consolidation purposes and does not indicate that the Company could realize or settle the reported value of those assets and liabilities in Mexican pesos. Additionally, this does not indicate that the Company could return or distribute the reported Mexican peso value 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, 2015, 2014, and 2013, the operations of the Company are classified as follows:

Country	Cumulative Inflation 2013- 2015	Type of Economy	Cumulative Inflation 2012- 2014	Type of Economy	Cumulative Inflation 2011- 2013	Type of Economy
Mexico	10.5%	Non-hyperinflationary	12.4%	Non-hyperinflationary	12.2%	Non-hyperinflationary
Guatemala	10.8%	Non-hyperinflationary	11.5%	Non-hyperinflationary	14.8%	Non-hyperinflationary
Costa Rica	8.1%	Non-hyperinflationary	14.6%	Non-hyperinflationary	13.1%	Non-hyperinflationary
Panama	5.1%	Non-hyperinflationary	9.7%	Non-hyperinflationary	15.2%	Non-hyperinflationary
Colombia	12.8%	Non-hyperinflationary	8.1%	Non-hyperinflationary	7.8%	Non-hyperinflationary
Nicaragua	15.8%	Non-hyperinflationary	21.9%	Non-hyperinflationary	20.7%	Non-hyperinflationary
Argentina	59.2%	Non-hyperinflationary	52.6%	Non-hyperinflationary	34.0%	Non-hyperinflationary
Venezuela	562.9%	Hyperinflationary	210.2%	Hyperinflationary	139.3%	Hyperinflationary
Brazil	24.7%	Non-hyperinflationary	19.0%	Non-hyperinflationary	18.9%	Non-hyperinflationary
Philippines (equity method investment)	8.3%	Non-hyperinflationary	9.9%	Non-hyperinflationary	11.3%	Non-hyperinflationary

During 2014, the International Monetary Fund (IMF) issued a declaration of censurship and called on Argentina to adopt remedial measures to address the quality of its official inflation data. The IMF noted that alternative data sources have shown considerably higher inflation rates than the official data since 2008. Consumer price data reported by Argentina from January 2014 onwards reflect the new national Consumer Price Index (CPI) which means Indice de Precios al Consumidor Nacional Urbano (IPCNu), which differs substantively from the preceding CPI. Because of the differences in geographical coverage, weights, sampling, and methodology, the IPCNu data cannot be directly compared to the earlier CPI-GBA data.

3.5 Cash and cash equivalents

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

The Company also maintains restricted cash held as collateral to meet certain contractual obligations (see Note 8). Restricted cash is presented within other current financial assets given that the restrictions are short-term in nature.

3.6 Financial assets

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

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

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

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

3.6.1 Effective interest rate method (EIR)

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

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

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

3.6.3 Loans and receivables

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

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. For the years ended December 31, 2015, 2014 and 2013 the interest income on loans and receivables recognized in the interest income line item within the consolidated income statements is Ps. -, Ps. - and Ps. 61, 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 to cover foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

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

3.7.2 Cash flow hedges

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

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

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

3.7.3 Fair value hedges

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

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

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

3.8 Fair value measurement

The Company measures financial instruments, such as, derivatives, and non-financial assets such as trusts assets of labor obligations at fair value at each balance sheet date. Also, fair values of bank loans and notes payable carried at amortized cost are disclosed in Note 17.

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

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

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

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

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

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

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

The Company determines the policies and procedures for both recurring fair value measurement, such as those described in Note 19 and unquoted liabilities such as debt described in Note 17.

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

3.9 Inventories and cost of goods sold

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

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

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

3.10 Other current assets

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

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

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

The Company has agreements with customers for the right to sell and promote the Company's products over a certain period. The majority of these agreements have terms of more than one year, and the related costs are amortized using the straight-line method over the term of the contract, with amortization presented as a reduction of net sales. During the years ended December 31, 2015, 2014 and 2013, such amortization aggregated to Ps. 317, Ps. 338 and Ps. 696, respectively.

3.11 Investments in associates and joint arrangements

3.11.1 Investments in associates

Associates are those entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value.

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

When the Company's share of losses exceeds the carrying amount of the associate, including any 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.

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, 2015 and 2014 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.

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

3.12 Property, plant and equipment

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

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

Investments in progress consist of long-lived assets not yet in service, in other words, that are not yet 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 the sale of the product.
- Returnable: Are classified as long-lived assets as a component of property, plant and equipment. Returnable bottles are recorded at acquisition cost; for countries with hyperinflationary economies, restated according to IAS 29. Depreciation of returnable bottles is computed using the straight-line method considering their estimated useful lives.

There are two types of returnable bottles:

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

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

The Company's returnable bottles are depreciated according to their estimated useful lives (3 years for glass bottles and 1.5 years for PET bottles). Deposits received from customers are amortized over the same useful estimated lives of the bottles.

3.13 Borrowing costs

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

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

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

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

3.14 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance and represent payments whose benefits will be received in future years. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition (see Note 3.2). Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite, in accordance with the period over which the Company expects to receive the benefits.

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

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

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

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

As of December 31, 2015, the Company had nine bottler agreements in Mexico: (i) the agreements for the Valley of Mexico territory, which are up for renewal in May 2016 and June 2023, (ii) the agreement for the Southeast territory, which is up for renewal in June 2023, (iii) three agreements for the Central territory, which are up for renewal in May 2016, July 2016 and May 2025, (iv) the agreement for the Northeast territory, which is up for renewal in May 2016, and (v) two agreements for the Bajio territory, which are up for renewal in May 2016 and May 2025. As of December 31, 2015, the Company had four bottler agreements in Brazil, which are up for renewal in October 2017 (two agreements) and April 2024 (two agreements); and one bottler agreement in each of Argentina, which is up for renewal in September 2024; Colombia, which is up for renewal in June 2024; Venezuela, which is up for renewal in August 2016; Guatemala, which is up for renewal in March 2025; Costa Rica, which is up for renewal in September 2017; Nicaragua, which is up for renewal in May 2016 and Panama, which is up for renewal in November 2024. The bottler agreements are automatically renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew a specific agreement. In addition, these agreements generally may be terminated in the case of material breach. Termination would prevent the Company from selling Coca-Cola trademark beverages in the affected territory and would have an adverse effect on the Company´s business, financial conditions, results from operations and prospects.

3.15 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.16 Impairment of 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 2015 and 2014 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, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

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

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

Subsequent measurement

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

3.18.4 Loans and borrowings

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

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

Derecognition

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

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

3.19 Provisions

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

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

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

The Company recognizes a provision for a loss contingency when it is probable (i.e. the probability that the event will occur is greater than the probability that it will not) that certain effects related to past events, would materialize and can be reasonably quantified. These events and their financial impact are also disclosed as loss contingencies in the consolidated financial statements when the risk of loss is deemed to be other than remote. The Company does not recognize an asset for a gain contingency until the gain is realized, see Note 24.

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

3.20 Post-employment and other non-current employee benefits

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

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

For defined benefit retirement plans and other non-current employee benefits, such as the Company's sponsored pension and retirement plans and seniority premiums, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. All remeasurements 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.

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

3.21 Revenue recognition

Sales of products are recognized as revenue upon delivery to the customer, and once all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

All of the above conditions are typically met at the point in time that goods are delivered to the customer at the customers' facilities. Net sales reflect units delivered at list prices reduced by promotional allowances, discounts and the amortization of the agreements with customers to obtain the rights to sell and promote the Company's products.

Rendering of services and other

Revenue arising from services of sales of waste material and packing of raw materials are recognized in the other operating income caption in the consolidated income statement.

The Company recognized these transactions as revenues in accordance with the requirements established in the IAS 18, delivery of goods and rendering of services, which are:

a) The amount of revenue can be measured reliably;

b) It is probable that the economic benefits associated with the transaction will flow to the entity;

c) The stage of completion of the transaction at the end of the reporting period can be measured reliably; and

d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest income revenue arising from the use by others of entity assets yielding interest is recognized once all the following conditions are satisfied:

- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The amount of the revenue can be measured reliably.

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for- sale, interest income or expense is recorded using the effective interest rate ("EIR"), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The related interest income is included in the consolidated statements of income.

3.22 Administrative and selling expenses

Administrative expenses include labor costs (salaries and other benefits, including employee profit sharing "PTU" of employees not directly involved in the sale of the Company's products, as well as professional service fees, the depreciation of office facilities, amortization of capitalized information technology system implementation costs and any other similar costs.

Selling expenses include:

- Distribution: labor costs (salaries and other related benefits), outbound freight costs, warehousing costs of finished products, write off of returnable bottles in the distribution process, depreciation and maintenance of trucks and other distribution facilities and equipment. For the years ended December 31, 2015, 2014 and 2013, these distribution costs amounted to Ps. 20,205, Ps. 19,236 and Ps. 17,971, 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 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. PTU in Mexico is calculated from the same taxable income for income tax, except for the following: a) neither tax losses from prior years nor the PTU paid during the year are being decrease; and b) payments exempt from taxes for the employees are fully deductible in the PTU computation.

3.23 Income taxes

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

3.23.1 Current income taxes

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

3.23.2 Deferred income taxes

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

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

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

Deferred income taxes are classified as a non-current asset or liability, regardless of when the temporary differences are expected to reverse. 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 relating to items recognised in the other comprehensive income are recognised in correlation to the underlying transaction in OCI.

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

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

In Mexico, the income tax rate is 30% for 2013, 2014 and 2015. As a result of the Mexican Tax Reform discussed below, it will also be 30% for 2016.

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 had certain business mergers and acquisitions that were recorded using the acquisition method of accounting. The results of the acquired operations have been included in the consolidated financial statements since the date on which the Company obtained control of the respective business, as disclosed below. Therefore, the consolidated statements of income and the consolidated statements of financial position in the years of such acquisitions are not comparable with previous periods. The consolidated statements of cash flows for the year ended December 31, 2013 show the merged and acquired operations net of the cash related to those mergers and acquisitions. For the years ended December 31, 2015 and 2014, the Company did not have any acquisitions or mergers.

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

4.1.1 Acquisition of 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 and three holding companies (collectively "Spaipa") for Ps. 26,856 in an all cash transaction. Spaipa was a bottler of Coca-Cola trademark products which operated mainly in Sao Paulo and Paraná, Brazil. This acquisition was made to reinforce the Company's leadership position in Brazil. 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 the operating results from November 2013.

The fair value of Spaipa net assets acquired is as follows:

Total current assets, including cash acquired of Ps. 3,800	Ps.	5,918
Total non-current assets		5,090
Distribution rights		11,872
Total assets		22,880
Total liabilities		(6,807)
Net assets acquired		16,073
Goodwill		10,783
Total consideration transferred	Ps.	26,856

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to the Company´s cash generating unit in Brazil. The goodwill recognized and expected to be deductible for income tax purposes according to Brazil tax law, was Ps. 22,202.

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

Income statement		2013
Total revenues	Ps.	2,466
Income before taxes		354
Net income		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 was a bottler of Coca-Cola trademark products which operated 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 Brazil. 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.

The fair value of Companhia Fluminense net assets acquired is as follows:

Total current assets, including cash acquired of Ps. 9	Ps.	515
Total non-current assets		1,721
Distribution rights		2,077
Total assets		4,313
Total liabilities		(1,963)
Net assets acquired		2,350
Goodwill		2,307
Total consideration transferred	Ps.	4,657

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to the Company cash generating unit in Brazil. The goodwill recognized is expected to be deductible for income tax purposes according to Brazil tax law was Ps. 4,581.

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

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

4.1.3 Merger with Grupo Yoli

On May 24, 2013, the Company completed the merger of 100% of Grupo Yoli. Grupo Yoli comprised the bottler entity Yoli de Acapulco, S.A. de C.V. and nine other entities. Grupo Yoli was a bottler of Coca-Cola trademark products which operates mainly in the state of Guerrero, as well as in parts of the state of Oaxaca in Mexico. This merger was made to reinforce the Company's leadership position in Mexico. 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:

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		44

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 the merger with Grupo Yoli, mentioned in the preceding paragraphs as if they occurred on January 1, 2013; and (ii) certain accounting adjustments mainly related to the pro forma depreciation of fixed assets of the acquired companies.

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

NOTE 5. Cash and Cash Equivalents

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

		2015		2014
Cash and bank balances	Ps.	4,589	Ps.	7,212
Cash equivalents (see Note 3.5)		11,400		5,746
	Ps.	15,989	Ps.	12,958

As explained in Note 3.3 above, the Company operates in Venezuela, which has a certain level of exchange control restricitons, which might prevent cash and cash equivalent balances from being available for use elsewhere in the group. At December 31, 2015 and 2014, cash and cash equivalent balances of the Company's Venezuela subsidiary were Ps. 1,259 and Ps. 1,950, respectively.

NOTE 6. Accounts Receivable

		2015		2014
Trade receivables	Ps.	7,175	Ps.	7,655
The Coca-Cola Company (related party) (Note 13)		1,559		1,584
Loans to employees		110		172
FEMSA and subsidiaries (related parties) (Note 13)		495		480
Other related parties (Note 13)		167		246
Other		424		569
Allowance for doubtful accounts on trade receivables		(283)		(367)
	Ps.	9,647	Ps.	10,339

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

6.1 Trade receivables

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

The carrying value of accounts receivable approximates its fair value as of December 31, 2015 and 2014.

		2015		2014
Aging of trade receivables past due but not impaired				
60-90 days	Ps.	12	Ps.	33
90-120 days		1		7
120 + days		21		27
Total	Ps.	34	Ps.	67

6.2 Changes in the allowance for doubtful accounts

		2015		2014		2013
Balance at beginning of the year	Ps.	367	Ps.	399	Ps.	329
Allowance for the year		52		82		138
Charges and write-offs of uncollectible accounts		(62)		(78)		(24)
Effects of changes in foreign exchange rates		(74)		(36)		(44)
Balance at end of the year	Ps.	283	Ps.	367	Ps.	399

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		2015		2014
60-90 days	Ps.	2	Ps.	13
90-120 days		12		10
120+ days		269		344
Total	Ps.	283	Ps.	367

6.3 Payments from The Coca-Cola Company:

The Coca-Cola Company participates in certain advertising and promotional programs as well as in the Company's refrigeration equipment and returnable bottles investment program. Contributions received by the Company for advertising and promotional incentives are recognized as a reduction in selling expenses and contributions received for the refrigeration equipment and returnable bottles investment program are recorded as a reduction in the investment in refrigeration equipment and returnable bottles items. For the years ended December 31, 2015, 2014 and 2013 contributions received were Ps. 3,749, Ps. 4,118 and Ps. 4,206, respectively.

NOTE 7. Inventories

		2015		2014
Finished products	Ps.	2,302	Ps.	2,724
Raw materials		2,830		2,995
Non strategic spare parts		1,431		1,111
Inventories in transit		1,386		819
Packing materials		87		61
Other		30		109
	Ps.	8,066	Ps.	7,819

As of December 31, 2015, 2014 and 2013, the Company recognized write-downs of its inventories for Ps. 199, Ps. 248 and Ps. 457, respectively to net realizable value.

For the years ended at 2015, 2014 and 2013, changes in inventories are comprised as follows and included in the consolidated income statement under the cost of goods sold caption:

		2015		2014		2013
Changes in inventories of finished goods and work in progress	Ps.	20,053	Ps.	13,409	Ps.	9,247
Raw materials and consumables used		51,904		53,535		49,075
Total	Ps.	71,957	Ps.	66,944	Ps.	58,322

NOTE 8. Other Current Assets and Other Current Financial Assets

8.1 Other Current Assets:

		2015		2014
Prepaid expenses	Ps.	2,888	Ps.	1,051
Agreements with customers		168		161
Other		27		174
	Ps.	3,083	Ps.	1,386

Prepaid expenses as of December 31, 2015 and 2014 are as follows:

		2015		2014
Advances for inventories	Ps.	2,283	Ps.	364
Advertising and promotional expenses paid in advance		53		142
Advances to service suppliers		427		363
Prepaid insurance		25		24
Others		100		158
	Ps.	2,888	Ps.	1,051

Amortization of advertising and promotional expenses paid in advance recorded in the consolidated income statements for the years ended December 31, 2015, 2014 and 2013 amounted to Ps. 3,447, Ps. 3,488 and Ps. 5,391, respectively.

8.2 Other Current Financial Assets:

		2015		2014
Restricted cash	Ps.	704	Ps.	1,213
Derivative financial instruments (See Note 19)		523		331
	Ps.	1,227	Ps.	1,544

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, 2015 and 2014, the fair value of the short-term deposit pledged were:

		2015		2014
Venezuelan bolivars	Ps.	344	Ps.	550
Brazilian reais		360		640
Colombian pesos		–		23
Total restricted cash	Ps.	704	Ps.	1,213

NOTE 9. Investments in Associates and Joint Ventures

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

Investee	Principal Activity	Place of Incorporation	Ownership Percentage 2015	Ownership Percentage 2014	Carrying Amount 2015	Carrying Amount 2014
Joint ventures:						
Compañía Panameña de Bebidas, S.A.P.I. de C.V.	Beverages	Mexico	50.0%	50.0%	Ps. 1,573	Ps. 1,740
Dispensadoras de Café, S.A.P.I. de C.V.	Services	Mexico	50.0%	50.0%	161	190
Estancia Hidromineral Itabirito, LTDA	Bottling and distribution	Brazil	50.0%	50.0%	160	164
Fountain Agua Mineral, LTDA .	Beverages	Brazil	50.0 %	50.0%	491	573
Coca-Cola FEMSA Philippines, Inc.	Bottling	Philippines	51.0%	51.0%	9,996	9,021
Associates:						
Promotora Industrial Azucarera, S.A. de C.V. ("PIASA") (1)	Sugar production	Mexico	36.3%	36.3%	2,187	2,082
Jugos del Valle, S.A.P.I. de C.V. (1)	Beverages	Mexico	26.3%	26.3%	1,531	1,470
Leao Alimentos e Bebidas, LTDA (1)	Beverages	Brazil	24.4%	24.4%	1,363	1,670
Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA") (1)	Caned bottling	Mexico	26.5%	32.8%	172	194
Industria Mexicana de Reciclaje, S.A. de C.V. ("IMER") (1)	Recycling	Mexico	35.0%	35.0%	100	98
KSP Participacoes LTDA (1)	Beverages	Brazil	38.7%	38.7%	80	91
Other	Various	Various	Various	Various	59	33
					Ps. 17,873	Ps. 17,326

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.

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

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

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

During 2014 the Company converted its account receivable from Compañía Panameña de Bebidas, S.A.P.I. de C.V. in the amount of Ps. 814 into an additional capital contribution in the investee.

During 2014 the Company made capital contributions to Jugos del Valle, S.A.P.I. de C.V. in the amount of Ps. 25.

During 2014 the Company received dividends from Jugos del Valle, S.A.P.I. de C.V., Estancia Hidromineral Itabirito, Ltda. and Fountain Água Mineral Ltda., in the amount of Ps. 48, Ps. 50 and Ps.50, respectively.

On January 25, 2013, the Company closed the acquisition of 51% of CCFPI for an amount of $688.5 U.S. dollars (Ps. 8,904) in an all-cash transaction. As part of the agreement, the Company obtained a call option to acquire the remaining 49% of CCFPI at any time during the seven years following the closing. The Company also has a put option to sell its 51% ownership to The Coca-Cola Company at any time from the fifth anniversary of the date of acquisition until the sixth anniversary, at a price which is based in part on the fair value of CCFPI at the date of acquisition (See Note 19.6).

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

As of December 31, 2015, 2014 and 2013 the total net income corresponding to the immaterial associates was Ps. 185, Ps. 195 and Ps. 138 respectively.

As of December 31, 2015, 2014 and 2013 the total net (loss) income corresponding to the immaterial joint ventures was Ps. (30), Ps. (320) and Ps. 151 respectively.

NOTE 10. Property, Plant and Equipment, net

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
Cost as of January 1, 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 Progress	Leasehold Improvements	Other	Total
Cost as of January 1, 2014	Ps. 4,840	Ps. 14,730	Ps. 33,181	Ps. 14,755	Ps. 7,386	Ps. 5,601	Ps. 474	Ps. 1,553	Ps. 82,520
Additions	532	42	542	327	398	8,787	–	234	10,862
Adjustment of fair value of past business combinations	(115)	(610)	891	(57)	–	(68)	99	(253)	(113)
Transfer of completed projects in progress	–	1,263	2,708	1,523	1,994	(7,581)	90	3	–
Transfer (to)/from assets classified as held for sale	–	–	(134)	–	–	–	–	–	(134)
Disposals	(10)	(113)	(1,516)	(632)	(60)	(1)	(14)	(79)	(2,425)
Effects of changes in foreign exchange rates	(663)	(3,117)	(5,414)	(1,975)	(323)	(545)	(42)	(506)	(12,585)
Changes in value on the recognition of inflation effects	110	355	536	186	7	29	–	110	1,333
Capitalization of borrowing costs	–	–	33	–	–	263	–	–	296
Cost as of December 31, 2014	Ps. 4,694	Ps. 12,550	Ps. 30,827	Ps. 14,127	Ps. 9,402	Ps. 6,485	Ps. 607	Ps. 1,062	Ps. 79,754

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

Accumulated Depreciation		Land		Buildings		Machinery and Equipment		Refrigeration Equipment		Returnable Bottles		Investments in Fixed Assets in Progress		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)

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

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

Carrying Amount	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
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
As of December 31, 2014	Ps. 4,694	Ps. 9,806	Ps. 17,598	Ps. 6,586	Ps. 4,197	Ps. 6,485	Ps. 485	Ps. 676	Ps. 50,527
As of December 31, **2015**	Ps. 4,707	Ps. 11,441	Ps. 17,900	Ps. 7,424	Ps. 4,273	Ps. 3,812	Ps. 461	Ps. 514	Ps. 50,532

During the years ended December 31, 2015, 2014 and 2013 the Company capitalized Ps. 57, Ps. 296 and Ps. 32, respectively of borrowing costs in relation to Ps. 993, Ps. 1,915 and Ps. 790 in qualifying assets. The effective interest rates used to determine the amount of borrowing costs eligible for capitalization were 4.1%, 4.8% and 4.1% respectively.

For the years ended December 31, 2015, 2014 and 2013 interest expenses and net foreign exchange losses (gains) are analyzed as follows:

	2015	2014	2013
Interest expense and foreign exchange, net	Ps. 7,358	Ps. 6,760	Ps. 3,830
Amount capitalized (1)	85	338	57
Net amount in consolidated statements of income	Ps. 7,273	Ps. 6,422	Ps. 3,773

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

NOTE 11. Intangible Assets

Cost	Rights to produce and distribute Coca-Cola trademark products	Goodwilll	Other indefinite lived intangible assets	Technology costs and management systems	Development systems	Other amortizables	Total
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
Balance as of January 1, 2014	Ps. 75,727	Ps. 19,922	Ps. 147	Ps. 2,641	Ps. 1,412	Ps. 329	Ps.100,178
Purchases	–	–	–	73	179	29	281
Changes in fair value of past acquisitions	(2,416)	3,917	–	–	–	–	1,501
Transfer of completed development systems	–	–	–	278	(278)	–	–
Effect of movements in exchange rates	(5,343)	(246)	(8)	(152)	(1)	(13)	(5,763)
Changes in value on the recognition of inflation effects	2,295	–	–	–	–	–	2,295
Capitalization of borrowing cost	–	–	–	42	–	–	42
Cost as of December 31, 2014	Ps. 70,263	Ps. 23,593	Ps. 139	Ps. 2,882	Ps. 1,312	Ps. 345	Ps. 98,534
Balance as of January 1, **2015**	Ps. 70,263	Ps. 23,593	Ps. 139	Ps. 2,882	Ps. 1,312	Ps. 345	Ps. 98,534
Purchases	–	–	–	73	458	29	560
Transfer of completed development systems	–	–	–	1,085	(1,085)	–	–
Effect of movements in exchange rates	(4,992)	(2,556)	(19)	(218)	(2)	(44)	(7,831)
Changes in value on the recognition of inflation effects	1,121	–	–	–	–	–	1,121
Capitalization of borrowing cost	–	–	–	28	–	–	28
Cost as of December 31, **2015**	Ps. 66,392	Ps. 21,037	Ps. 120	Ps. 3,850	Ps. 683	Ps. 330	Ps. 92,412
Amortization expense							
Balances as of January 1, 2013	Ps. –	Ps. –	Ps. –	Ps. (856)	Ps. –	Ps. (107)	Ps. (963)
Amortization expense	–	–	–	(223)	–	(64)	(287)
Disposals	–	–	–	2	–	–	2
Effect of movements in exchange rate	–	–	–	35	–	9	44
Balances as of December 31, 2013	–	–	–	(1,042)	–	(162)	(1,204)
Amortization expense	–	–	–	(231)	–	(84)	(315)
Effect of movements in exchange rate	–	–	–	–	–	9	9
Balances as of December 31, 2014	–	–	–	(1,273)	–	(237)	(1,510)
Amortization expense	–	–	–	(339)	–	(35)	(374)
Effect of movements in exchange rate	–	–	–	174	–	52	226
Balances as of December 31, **2015**	Ps. –	Ps. –	Ps. –	Ps. (1,438)	Ps. –	Ps. (220)	Ps. (1,658)
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
Balance as of December 31, 2014	Ps. 70,263	Ps. 23,593	Ps. 139	Ps. 1,609	Ps. 1,312	Ps. 108	Ps. 97,024
Balance as of December 31, **2015**	Ps. 66,392	Ps. 21,037	Ps. 120	Ps. 2,412	Ps. 683	Ps. 110	Ps. 90,754

During the years ended December 31, 2015, 2014 and 2013 the Company capitalized Ps. 28, Ps. 42 and Ps. 25, respectively of borrowing costs in relation to Ps. 410, Ps. 600 and Ps. 630 in qualifying assets. The effective interest rates used to determine the amount of borrowing costs eligible for capitalization were 4.1%, 4.2% and 4.1%.

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

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

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.

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.	2015		2014	
Mexico	Ps.	55,137	Ps.	55,137
Guatemala		410		352
Nicaragua		465		418
Costa Rica		1,391		1,188
Panama		1,033		884
Colombia		4,746		5,344
Venezuela		621		823
Brazil		23,557		29,622
Argentina		69		88
Total	Ps.	87,429	Ps.	93,856

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

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

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

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

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

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

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

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

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

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

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

The key assumptions by CGU for impairment test as of December 31, 2014 were as follows:

CGU	Pre-tax WACC	WACC Real	Expected Annual Long-Term Inflation **2015-2024**	Expected Volume Growth Rates **2015-2024**
Mexico	5.5%	5.0%	3.5%	2.3%
Colombia	6.4%	5.9%	3.0%	5.3%
Venezuela	12.9%	12.3%	51.1%	3.9%
Costa Rica	7.7%	7.6%	4.7%	2.7%
Guatemala	10.0%	9.4%	5.0%	4.3%
Nicaragua	12.7%	12.2%	6.0%	2.7%
Panama	7.6%	7.2%	3.8%	4.1%
Argentina	9.9%	9.3%	22.3%	2.5%
Brazil	6.2%	5.6%	6.0%	3.8%

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, 2015 the Company performed an additional impairment sensitivity calculation, taking into account an adverse change in post-tax WACC, according to the country risk premium, using for each country the relative standard deviation between equity and sovereign bonds and an additional sensitivity to the volume of a 100 basis points and concluded that no impairment would be recorded.

CGU	Change in WACC	Change in Volume Growth CAGR[1]	Effect on Valuation
Mexico	+0.7%	–1.0%	Passes by 7.53x
Colombia	+0.9%	–1.0%	Passes by 5.16x
Venezuela	+5.8%	–1.0%	Passes by 7.08x
Costa Rica	+2.4%	–1.0%	Passes by 2.27x
Guatemala	+1.2%	–1.0%	Passes by 6.41x
Nicaragua	+2.6%	–1.0%	Passes by 3.53x
Panama	+0.6%	–1.0%	Passes by 11.89x
Argentina	+5.6%	–1.0%	Passes by 137.35x
Brazil	+1.1%	–1.0%	Passes by 2.29x

[1] Compound Annual Growth Rate (CAGR)

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

12.1 Other Non-Current Assets:

		2015		2014
Non-current prepaid advertising expenses	Ps.	290	Ps.	326
Guarantee deposits [1]		1,031		1,265
Prepaid bonuses		122		100
Advances to acquire property, plant and equipment		370		988
Share based payments		174		276
Other		378		290
	Ps.	2,365	Ps.	3,245

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

12.2 Other Non-Current Financial Assets:

		2015		2014
Non-current accounts receivable to Grupo Estrella Azul (See Note 13)	Ps.	69	Ps.	59
Other non-current financial assets		105		98
Derivative financial instruments (See Note 19)		2,221		3,003
	Ps.	2,395	Ps.	3,160

As of December 31, 2015 and 2014 there are no significant variances between the fair value and the carrying value of long term receivables. The fair value is calculated based on the discounted value of contractual cash flows whereby the discount rate is estimated using rates currently offered for receivable of similar amounts and maturities, which is considered to be level 2 in the fair value hierarchy.

NOTE 13. Balances and Transactions with Related Parties and Affiliated Companies

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

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

		2015		2014
Balances:				
Assets (current included in accounts receivable)				
Due from FEMSA and Subsidiaries (see Note 6) [1] [4]	Ps.	495	Ps.	480
Due from The Coca-Cola Company (see Note 6) [1] [4]		1,559		1,584
Due from Heineken Group [1]		140		171
Other receivables [1]		27		75
Assets (non-current included in other non-current financial assets)				
Grupo Estrella Azul (see Note 12)		69		59
	Ps.	2,290	Ps.	2,369

		2015		2014
Liabilities (current included in suppliers and other liabilities and loans)				
Due to FEMSA and Subsidiaries [3] [4]	Ps.	1,090	Ps.	1,083
Due to The Coca-Cola Company [2] [3] [4]		3,140		4,343
Due to Heineken Group [3]		305		389
Other payables [3]		686		885
	Ps.	5,221	Ps.	6,700

[1] Presented within accounts receivable.

[2] Recorded within bank loans.

[3] Recorded within accounts payable and suppliers.

[4] Parent

Balances due from related parties are considered to be recoverable. Accordingly, for the years ended December 31, 2015 and 2014, 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		2015		2014		2013
Income:						
Sales to affiliated parties	Ps.	3,803	Ps.	3,502	Ps.	3,271
Interest income received from Compañía Panameña de Bebidas, S.A.P.I. de C.V.		–		–		61
Interest income received from BBVA Bancomer, S.A. de C.V.		13		17		36
Expenses:						
Purchases and other expenses of FEMSA		7,720		7,368		5,200
Purchases of concentrate from The Coca-Cola Company		27,330		28,084		25,985
Purchases of raw material, beer and operating expenses from Heineken		6,944		6,288		3,734
Advertisement expense paid to The Coca-Cola Company		1,316		1,167		1,291
Interest expense and fees paid to BBVA Bancomer, S.A. de C.V. (1)		–		4		46
Purchases to Jugos del Valle		2,135		1,803		1,814
Purchase of sugar to Promotora Industrial Azucarera, S.A.		1,236		1,020		956
Purchase of sugar to Beta San Miguel		1,264		1,389		1,557
Purchase of sugar, cans and aluminum lids to Promotora Mexicana de Embotelladores, S.A. de C.V.		587		567		670
Purchase of canned products to Industria Embasadora de Queretaro, S.A. de C.V.		731		591		615
Purchase of inventories to Leao Alimentos e Bebidas, LTDA		3,359		2,891		2,123
Purchase of resin to Industria Mexicana de Reciclaje, S.A. de C.V.		220		266		–
Donations to Instituto Tecnologico y de Estudios Superiores de Monterrey, A.C. (1)		–		11		69
Interest expense paid to The Coca-Cola Company		1		4		60
Insurance premiums for policies with Grupo Nacional Provincial, S.A.B. (1)		22		41		16
Other expenses with related parties		24		19		44

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

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

		2015		2014		2013
Current employee benefits	Ps.	552	Ps.	584	Ps.	770
Termination benefits		32		106		5
Shared based payments		138		59		273

NOTE 14. Balances and Transactions in Foreign Currencies

Assets, liabilities and transactions denominated in foreign currencies are those realized in a currency different from the functional currency of the Company. As of December 31, 2015, 2014 and 2013, assets, liabilities and transactions denominated in foreign currencies, expressed in Mexican pesos (contractual amounts) are as follows:

Balances	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current
As of December 31, **2015**				
U.S. dollars	9,391	602	1,355	53,916
Euros	–	–	22	–
As of December 31, 2014				
U.S. dollars	4,270	727	6,566	51,412
Euros	–	–	23	–

Transactions	Revenues	Purchases of Raw Materials	Interes Expense	Other
Year ended December 31, 2015 U.S. dollars	569	11,458	1,965	1,301
Year ended December 31, 2014 U.S. dollars	606	13,161	1,652	1,741
Year ended December 31, 2013 U.S. dollars	409	13,068	432	731

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, **2015**	December 31, 2014	December 31, 2013	February 22 2016
U.S. dollar	17.2065	14.7180	13.0765	18.0568

NOTE 15. Post-Employment and Other Non-current Employee Benefits

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

During 2014, the Company settled its pension plan in Brazil and consequently recognized the corresponding effects of the settlement as disclosed below.

15.1 Assumptions

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

Mexico	**2015**	2014	2013
Financial:			
Discount rate used to calculate the defined benefit obligation	7.00%	7.00%	7.50%
Salary increase	4.50%	4.50%	4.79%
Future pension increases	3.50%	3.50%	3.50%
Biometric:			
Mortality	EMSSA 2009 (1)	EMSSA 2009 (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 (for its initials in Spanish)

(2) IMSS. Mexican Experience of Instituto Mexicano del Seguro Social (for its initials in Spanish)

(3) BMAR. Actuary experience

In Mexico the methodology used to determine the discount rate was the yield or Internal Rate of Return ("IRR") which involves a yield curve. In this case, the expected rates of each period were taken from a yield curve of the Mexican Federal Government Treasury Bond (known as CETES in Mexico).

In 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 Retiremen Plans	Seniority Premiums
2016	180	16
2017	191	15
2018	176	16
2019	168	18
2020	245	19
2021 to 2025	1,059	136

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

		2015		2014
Pension and Retirement Plans:				
Vested benefit obligation	Ps.	621	Ps.	471
Non-vested benefit obligation		1,077		1,390
Accumulated benefit obligation		1,698		1,861
Excess of projected defined benefit obligation over accumulated benefit obligation		989		840
Defined benefit obligation		2,687		2,701
Pension plan funds at fair value		(864)		(872)
Net defined benefit liability	Ps.	1,823	Ps.	1,829
Seniority Premiums:				
Vested benefit obligation	Ps.	16	Ps.	15
Non-vested benefit obligation		170		183
Accumulated benefit obligation		186		198
Excess of projected defined benefit obligation over accumulated benefit obligation		218		195
Defined benefit obligation		404		393
Seniority premium plan funds at fair value		(101)		(92)
Net defined benefit liability	Ps.	303	Ps.	301
Post-employment:				
Vested benefit obligation	Ps.	135	Ps.	9
Non-vested benefit obligation		–		32
Accumulated benefit obligation		135		41
Excess of projected defined benefit obligation over accumulated benefit obligation		–		153
Net defined benefit liability	Ps.	135	Ps.	194
Total post-employment and other non-current employee benefits	Ps.	2,261	Ps.	2,324

15.3 Trust assets

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

Type of instrument

	2015	2014
Fixed return:		
Traded securities	19%	35%
Life annuities	16%	20%
Bank instruments	3%	3%
Federal government instruments	45%	27%
Variable return:		
Publicly traded shares	17%	15%
	100%	100%

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

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

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

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

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

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

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

		2015		2014
Mexico				
Portfolio:				
Debt:				
Grupo Televisa, S.A.B. de C. V.	Ps.	17	Ps.	17
Grupo Financiero Banorte, S.A.B. de C. V.		7		7
Grupo Industrial Bimbo, S.A.B. de C. V.		3		3
Gentera, S.A.B. de C. V.		8		–
El Puerto de Liverpool, S.A.B. de C. V.		5		5
Capital:				
Fomento Económico Mexicano, S.A.B de C.V.		10		10
Coca-Cola FEMSA, S.A.B. de C. V.		–		12
Gruma, S.A.B. de C. V.		5		–
Alfa, S.A.B. de C. V.		13		8
Grupo Industrial Bimbo, S.A.B. de C. V.		3		–
Gentera, S.A.B. de C. V.		–		7
The Coca-Cola Company		–		11

During the years ended December 31, 2015, 2014 and 2013 the Company did not make significant contributions to the plan assets and does not expect to make material contributions to the plan assets during the following fiscal year.

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

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

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

2013	Income statement: Current Service Cost		Income statement: Past Service Cost		Income statement: Gain or Loss on Settlement		Income statement: Net Interest on the Net Defined Benefit Liability		OCI: 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

For the years ended December 31, 2015, 2014 and 2013, service costs of Ps. 192, Ps. 200 and Ps. 215 have been included in the consolidated statements of income as cost of goods sold, administration and selling expenses.

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

	2015		2014		2013	
Amount accumulated in other comprehensive income as of the beginning of the periods	Ps.	600	Ps.	408	Ps	263
Recognized during the year (obligation liability and plan assets)		(49)		280		180
Actuarial gains and losses arising from changes in financial assumptions		(77)		87		(19)
Foreign exchange rate valuation (gain)		(12)		(175)		(16)
Amount accumulated in other comprehensive income as of the end of the period, net of tax	Ps.	462	Ps.	600	Ps.	408

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.

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

		2015		2014		2013
Pension and Retirement Plans:						
Initial balance	Ps.	2,701	Ps.	2,666	Ps.	2,394
Current service cost		142		137		139
Effect on settlement		–		(521)		(7)
Effect on curtailment		(120)		–		–
Interest expense		185		198		171
Actuarial gains or losses		(58)		220		(73)
Foreign exchange (gain) loss		39		41		(55)
Benefits paid		(202)		(92)		(85)
Amendments		–		–		8
Acquisitions		–		–		174
Past service cost		–		52		–
	Ps.	2,687	Ps.	2,701	Ps.	2,666
Seniority Premiums:						
Initial balance	Ps.	393	Ps.	353	Ps.	226
Current service cost		45		39		28
Gain or loss on settlement		–		(27)		–
Effect on curtailment		(9)		–		–
Interest expense		26		26		19
Actuarial losses		(21)		28		7
Benefits paid		(30)		(26)		(26)
Acquisitions		–		–		99
	Ps.	404	Ps.	393	Ps.	353
Post-employment:						
Initial balance	Ps.	194	Ps.	743	Ps.	594
Current service cost		5		24		48
Certain liability cost		73		–		–
Interest expense		–		17		67
Actuarial losses		–		54		237
Foreign exchange gain		(137)		(638)		(187)
Benefits paid		–		(6)		(16)
	Ps	135	Ps.	194	Ps.	743

15.6 Changes in the balance of trust assets

		2015		2014		2013
Pension and retirement plans:						
Balance at beginning of year	Ps.	872	Ps.	1,211	Ps.	1,113
Actual return on trust assets		26		70		8
Foreign exchange gain (loss)		2		(2)		(73)
Life annuities		27		128		18
Benefits paid		(63)		–		–
Amendments		–		–		16
Acquisitions		–		–		129
Effect of settlement		–		(535)		–
Balance at end of year	Ps.	864	Ps.	872	Ps.	1,211
Seniority premiums						
Balance at beginning of year	Ps.	92	Ps.	90	Ps.	18
Actual return on trust assets		9		2		–
Acquisitions		–		–		72
Balance at end of year	Ps.	101	Ps.	92	Ps.	90

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

15.7 Variation in assumptions

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

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

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

+0.5%:					Income Statement				OCI
Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability		Current Service Cost		Past Service Cost		Gain or Loss on Settlement or curtailment		Net Interest on the Net Defined Benefit Liability		Remeasurements of the Net Defined Benefit Liability
Pension and retirement plans	Ps.	133	Ps.	–	Ps.	(98)	Ps.	121	Ps.	396
Seniority premiums		42		–		(8)		19		46
Total	Ps.	175	Ps.	–	Ps.	(106)	Ps.	140	Ps.	442

Expected salary increase		Current Service Cost		Past Service Cost		Gain or Loss on Settlement or curtailment		Net Interest on the Net Defined Benefit Liability		Remeasurements of the Net Defined Benefit Liability
Pension and retirement plans	Ps.	153	Ps.	–	Ps.	(114)	Ps.	136	Ps.	379
Seniority premiums		47		–		(10)		21		44
Total	Ps.	200	Ps.	–	Ps.	(124)	Ps.	157	Ps.	423

+0.5%:						Income Statement				OCI
Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability		Current Service Cost		Past Service Cost		Gain or Loss on Settlement or curtailment		Net Interest on the Net Defined Benefit Liability		Remeasurements of the Net Defined Benefit Liability
Pension and retirement plans	Ps.	153	Ps.	–	Ps.	(114)	Ps.	127	Ps.	376
Seniority premiums		48		–		(10)		20		43
Total	Ps.	201	Ps.	–	Ps.	(124)	Ps.	147	Ps.	419

Expected salary increase		Current Service Cost		Past Service Cost		Gain or Loss on Settlement or curtailment		Net Interest on the Net Defined Benefit Liability		Remeasurements of the Net Defined Benefit Liability
Pension and retirement plans	Ps.	133	Ps.	–	Ps.	(98)	Ps.	114	Ps.	392
Seniority premiums		45		–		(9)		19		44
Total	Ps.	178	Ps.	–	Ps.	(107)	Ps.	133	Ps.	436

15.8 Employee benefits expense

For the years ended December 31, 2015, 2014 and 2013, employee benefits expenses recognized in the consolidated income statements are as follows:

		2015		2014		2013
Included in cost of goods sold:						
Wages and salaries	Ps.	4,106	Ps.	3,823	Ps.	5,978
Social security costs		799		742		837
Employee profit sharing		125		141		399
Pension and seniority premium costs (Note 15.4)		56		53		51
Share-based payment expense (Note 16.2)		4		3		3
Included in selling and distribution expenses:						
Wages and salaries		11,513		11,999		12,878
Social security costs		2,911		2,860		2,416
Employee profit sharing		453		449		1,181
Pension and seniority premium costs (Note 15.4)		65		60		56
Share-based payment expense (Note 16.2)		6		3		6
Included in administrative expenses:						
Wages and salaries		2,551		2,937		3,939
Social security costs		337		420		504
Employee profit sharing		30		50		81
Pension and seniority premium costs (Note 15.4)		66		63		60
Post-employment benefits other (Note 15.4)		5		24		48
Share-based payment expense (Note 16.2)		254		173		184
Total employee benefits expense	Ps.	23,281	Ps.	23,800	Ps.	28,621

NOTE 16. Bonus Programs

16.1 Quantitative and qualitative objectives

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

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

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

The incentive plan target is expressed in months of salary, and the final amount payable is computed based on a percentage of achievement of the goals established every year. The bonuses are recorded as a part of the income statement and are paid in cash the following year. During the years ended December 31, 2015, 2014 and 2013 the bonus expense recorded amounted to Ps. 549, Ps. 523 and Ps. 533, respectively.

16.2 Share-based payment bonus plan

The Company has a stock incentive plan for the benefit of its senior executives. This plan uses as its main evaluation metric the EVA. Under the EVA stock incentive plan, eligible employees are entitled to receive a special annual bonus (fixed amount), to purchase FEMSA and Coca-Cola FEMSA shares or options, based on the executive's responsibility in the organization, their business' EVA result achieved, and their individual performance. The acquired shares or options are deposited in a trust, and the executives may access them one year after they are vested at 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, 2015, 2014 and 2013, no stock options have been granted to employees. Until 2015 the shares were vested ratably over a five year period. Beginning with January 1, 2016 onwards they will ratably vest over a three year period.

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

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

At December 31, 2015, 2014 and 2013, the shares granted under the Company's executive incentive plans are as follows:

	Number of shares		
Incentive Plan	FEMSA	KOF	Vesting period
2012	956,685	741,245	2013-2015
2013	539,020	370,200	2014-2016
2014	489,345	331,165	2015-2017
2015	457,925	415,375	2016-2018
Total	2,442,975	1,857,985	

For the years ended December 31, 2015, 2014 and 2013, the total expense recognized for the period arising from share-based payment transactions, using the grant date model, was of Ps. 264, Ps. 179 and Ps. 193, respectively.

As of December 31, 2015 and 2014, the asset recorded by Coca-Cola FEMSA in its consolidated statements of financial position amounted to Ps. 174 and Ps. 276, respectively, see Note 12.

NOTE 17. Bank Loans and Notes Payables

(In millions of Mexican pesos)	2016	2017	2018	2019	2020	2021 and Thereafter	Carrying Value December 31, 2015	Fair Value at December 31, 2015	Carrying Value December 31, 2014
Short-term debt:									
Fixed rate debt:									
Argentine pesos									
Notes payable	Ps. 165	Ps. –	Ps. –	Ps. –	Ps. –	Ps –	Ps. 165	Ps. 164	Ps. 301
Interest rate	26.2%	–	–	–	–	–	26.2%	–	30.9%
Colombian pesos									
Bank loans	Ps. 219	Ps. –	Ps. –	Ps. –	Ps. –	Ps. –	Ps. 219	Ps. 220	Ps. –
Interest rate	6.5%	–	–	–	–	–	6.5%	–	–
Total short-term debt	Ps. 384	Ps. –	Ps. –	Ps. –	Ps. –	Ps. –	Ps. 384	Ps. 384	Ps. 301
Long-term debt:									
Fixed rate debt:									
Argentine pesos									
Bank loans	18	–	–	–	–	–	18	17	309
Interest rate	15.3%	–	–	–	–	–	15.3%	–	26.9%
Brazilian reais									
Bank loans	70	97	98	95	80	111	551	386	233
Interest rate	6.8%	6.9%	6.9%	6.9%	6.8%	5.6%	6.6%	–	4.6%
Capital leases	67	66	65	62	51	149	460	356	760
Interest rate	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	–	4.6%
U.S. dollars									
Senior notes	–	–	17,158	–	8,566	25,609	51,333	52,990	43,893
Interest rate	–	–	2.4%	–	4.6%	4.4%	3.8%	–	3.8%
Bank loans	–	–	–	–	–	–	–	–	30
Interest rate	–	–	–	–	–	–	–	–	3.9%
Mexican pesos									
Domestic bonds	–	–	–	–	–	9,989	9,989	9,527	9,988
Interest rate	–	–	–	–	–	6.2%	6.2%	–	6.2%
Subtotal	155	163	17,321	157	8,697	35,858	62,351	63,276	55,213
Variable rate debt:									
U.S. dollars									
Bank loans	–	–	–	–	–	–	–	–	6,956
Interest rate	–	–	–	–	–	–	–	–	0.9%
Mexican pesos									
Domestic bonds	2,496	–	–	–	–	–	2,496	2,500	2,473
Interest rate	3.6%	–	–	–	–	–	3.6%	–	3.4%
Bank loans	–	–	–	–	–	–	–	–	–
Interest rate	–	–	–	–	–	–	–	–	–
Argentine pesos									
Bank loans	82	41	–	–	–	–	123	120	232
Interest rate	32.2%	32.2%	–	–	–	–	32.2%	–	21.5%
Brazilian reais									
Bank loans	107	107	107	107	74	–	502	430	83
Interest rate	9.2%	9.2%	9.2%	9.2%	9.2%	–	9.2%	–	7.6%
Colombian pesos									
Bank loans	246	628	–	–	–	–	874	861	769
Interest rate	6.8%	6.4%	–	–	–	–	6.5%	–	5.9%
Subtotal	2,931	776	107	107	74	–	3,995	3,911	10,513
Long-term debt	3,086	939	17,428	264	8,771	35,858	66,346	67,187	65,726
Current portion of long term debt	3,086	–	–	–	–	–	3,086	–	905
Long-term debt	Ps. –	Ps. 939	Ps. 17,428	Ps. 264	Ps. 8,771	Ps. 35,858	Ps. 63,260	Ps. 67,187	Ps. 64,821

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

For the years ended December 31, 2015, 2014 and 2013, 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:

		2015		2014		2013
Interest on debts and borrowings	Ps.	3,540	Ps.	3,170	Ps.	2,262
Finance charges payable under capitalized interest		(60)		(117)		(59)
Finance charges for employee benefits		155		239		201
Derivative instruments		2,619		2,194		738
Finance operating charges		83		60		194
Finance charges payable under finance leases		–		–		5
	Ps.	6,337	Ps.	5,546	Ps.	3,341

Coca-Cola FEMSA has the following debt bonds: a) registered with the Mexican stock exchange: i) Ps. 2,500 (nominal amount) with a maturity date in 2016 and a variable interest rate, ii) Ps. 2,500 (nominal amount) with a maturity date in 2021 and fixed interest rate of 8.27% and iii) Ps. 7,500 (nominal amount) with a maturity date in 2023 and fixed interest rate of 5.46% and b) registered with the SEC : i) Senior notes of US. $ 500 with interest at a fixed rate of 4.63% and maturity date on February 15, 2020, ii) Senior notes of US. $1,000 with interest at a fixed rate of 2.38% and maturity date on November 26, 2018, iii) Senior notes of US. $ 900 with interest at a fixed rate of 3.88% and maturity date on November 26, 2023 and iv) Senior notes of US. $ 600 with interest at a fixed rate of 5.25% and maturity date on November 26, 2043 all of which are guaranteed by our subsidiaries: Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Distribuidora y Manufacturera del Valle de Mexico, S. de R.L. de C.V (as successor guarantor of Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V.) and Yoli de Acapulco, S. de R.L. de C.V. ("Guarantors"). In Note 27 we present supplemental guarantors consolidating financial information.

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

In December 2015, Coca-Cola FEMSA prepaid in full outstanding Bank loans denominated in U.S. million dollars for a total amount of $450 (nominal amount).

NOTE 18. Other Income and Expenses

		2015		2014		2013
Other income:						
Gain on sale of long-lived assets	Ps.	233	Ps.	150	Ps.	194
Cancellation of contingencies		255		697		114
Other		132		154		170
	Ps.	620	Ps.	1,001	Ps.	478
Other expenses:						
Provisions for contingencies from past acquisitions	Ps.	334	Ps.	232	Ps.	201
Loss on the retirement of long-lived assets		332		39		39
Loss on sale of long-lived assets		16		183		167
Other taxes from Colombia		55		–		–
Severance payments		285		272		190
Donations		221		66		103
Foreign exchange losses related to operating activities		871		172		94
Other		254		195		307
	Ps.	2,368	Ps.	1,159	Ps.	1,101

NOTE 19. Financial Instruments

Fair Value of Financial Instruments

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

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

The Company measures the fair value of its financial assets and liabilities classified as level 1 and 2, applying the income approach method, which estimates the fair value based on expected cash flows discounted to net present value. The following table summarizes the Company's financial assets and liabilities measured at fair value, as of December 31, 2015 and 2014:

	2015		2014	
	Level 1	Level 2	Level 1	Level 2
Derivative financial instruments (asset)	Ps. –	Ps. 2,744	Ps. –	Ps. 3,334
Derivative financial instruments (liability)	270	4	409	16
Trust assets of labor obligations	965	–	964	–

19.1 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, 2015 and 2014, which is considered to be level 1 in the fair value hierarchy (See Note 17).

19.2 Forward agreements to purchase foreign currency

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

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

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

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

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

At December 31, 2014, the Company had the following outstanding forward agreements to purchase foreign currency:

Maturity Date	Notional Amount	Fair Value Liability Dec. 31, 2014	Fair Value Asset Dec. 31, 2014
2015	Ps. 2,617	Ps. (16)	Ps. 269

19.3 Options to purchase foreign currency

The Company has executed call option and collar strategies to reduce its exposure to the risk of exchange rate fluctuations. A call option is an instrument that limits the loss in case of foreign currency depreciation. A collar is a strategy that combines call and put options, limiting the exposure to the risk of exchange rate fluctuations in a similar way as a forward agreement.

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

At December 31, 2015, the Company paid a net premium of Ps. 75 millions for the following outstanding call options to purchase foreign currency:

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

At December 31, 2014, the Company had the following outstanding collars agreements to purchase foreign currency:

Maturity Date	Notional Amount	Fair Value Asset Dec. 31, 2014
2015	Ps. 402	Ps. 56

19.4 Cross-currency swaps

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

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

Maturity Date	Notional Amount	Fair Value Liability Dec. 31, **2015**	Fair Value Asset Dec. 31, **2015**
2018	Ps. 30,714	Ps. –	Ps. 2,216

At December 31, 2014, the Company had the following outstanding cross currency swap agreements:

Maturity Date	Notional Amount	Fair Value Asset Dec. 31, 2014
2015	Ps. 30	Ps. 6
2018	33,410	3,003

19.5 Commodity price contracts

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

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

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

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

At December 31, 2014, the Company had the following sugar price contracts:

Maturity Date	Notional Amount	Fair Value (Liability) Dec. 31, 2014	Fair Value Asset Dec. 31, 2014
2015	Ps. 1,341	Ps. (285)	Ps. –
2016	952	(101)	–
2017	37	(2)	–

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

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

At December 31, 2014, the Company has the following aluminum price contracts:

Maturity Date	Notional Amount	Fair Value (Liabillity) Dec. 31, 2014
2015	Ps. 361	Ps. (12)
2016	177	(9)

19.6 Derivative financial Instruments for CCFPI acquisition:

The Company's call option related to the remaining 49% ownership interest in CCFPI is measured at fair value in its financial statements using a Level 3 concept. The call option had an estimated fair value of approximately Ps. 859 million at inception of the option, and approximately Ps. 755 million and Ps. 456 million as of December 31, 2014 and 2015, respectively. Significant observable inputs into that Level 3 estimate include the call option's expected term (7 years at inception), risk free rate as expected return (LIBOR), a volatility (14.17%) and the underlying enterprise value of the CCFPI. The enterprise value of CCFPI for the purpose of this estimate was based on CCFPI's long-term business plan. The Company uses Black & Scholes valuation technique to measure call option value. The Company acquired its 51% ownership interest in CCFPI in January 2013 and continues to integrate CCFPI into its global operations using the equity method of accounting, and currently believes that the underlying exercise price of the call option is "out of the money". The Level 3 fair value of the Company's put option related to its 51% ownership interest approximates zero as its exercise price as defined in the contract adjusts proportionately to the underlying fair value of CCFPI.

The Company estimates that the call option is "out of the money" as of December 31, 2015 and 2014. As of December 31, 2015 and 2014, the call option is "out of the money" by approximately 13.89% and 17.71% or US$90 million and US$107 million, respectively, with respect to the strike price.

19.7 Net effects of expired contracts that met hedging criteria

Type of Derivatives	Impact in Consolidated Income Statement	2015	2014	2013
Cross-currency swaps [1]	Interest expense	Ps. 2,595	Ps. –	Ps. –
Cross-currency swaps [1]	Foreign exchange	(10,911)	–	–
Interest rate swaps	Interest expense	–	137	105
Forward agreements to purchase foreign currency	Foreign exchange	–	–	(1,591)
Option to purchase foreign currency	Cost of goods sold	(21)	–	(9)
Forward agreements to purchase foreign currency	Cost of goods sold	(523)	(22)	(22)
Commodity price contracts	Cost of goods sold	619	291	362

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

19.8 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	2015	2014	2013
Forward agreements to purchase foreign currency	Market value gain (loss) on financial instruments	Ps. 52	Ps. (1)	Ps. (20)
Cross-currency swaps	Market value (loss) gain on financial instruments	(20)	26	66

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

Type of Derivatives	Impact in Consolidated Income Statement	2015	2014	2013
Cross-currency swaps	Market value gain on financial instruments	Ps. 105	Ps. –	Ps. –
Embedded derivatives	Market value gain on financial instruments	5	–	–

19.10 Market risk

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

- Forward Agreements to Purchase Foreign Currency in order to reduce its exposure to the risk of exchange rate fluctuations.
- Options to purchase foreign currency in order to reduce its exposure to the risk of exchange rate fluctuations.
- Cross-Currency Swaps in order to reduce its exposure to the risk of exchange rate fluctuations and interest rate changes.
- Commodity price contracts in order to reduce its exposure to the risk of fluctuation in the costs of certain raw materials.

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

Forward Agreements to Purchase USD (MXN/USD)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2015	(11%)	Ps.	(197)	Ps.	–
2014	(7%)		(99)		–
2013	(11%)		(67)		–

Forward Agreements to Purchase USD (BRL/USD)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2015	(21%)	Ps.	(387)	Ps.	–
2014	(14%)		(96)		–
2013	(13%)		(86)		–

Forward Agreements to Purchase USD (COP/USD)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2015	(17%)	Ps.	(113)	Ps.	–
2014	(9%)		(33)		–
2013	(6%)		(19)		–

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

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

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

Cross Currency Swaps (USD into MXN)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2015	(11%)	Ps.	–	Ps.	(938)
2014	(7%)		–		(481)
2013	(11%)		–		(392)

Cross Currency Swaps (USD into BRL)	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2015	(21%)	Ps.	(4,517)	Ps.	(1,086)
2014	(14%)		–		(3,935)
2013	(13%)		–		(3,719)

Sugar Price Contracts	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2015	(31%)	Ps.	(406)	Ps.	–
2014	(27%)		(528)		–
2013	(18%)		(298)		–

Aluminum Price Contracts	Change in U.S.$ Rate		Effect on Equity		Effect on Profit or Loss
2015	(18%)	Ps.	(58)	Ps.	–
2014	(17%)		(87)		–
2013	(19%)		(36)		–

19.11 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
2015	+100 bps	Ps.	(175)
2014	+100 bps		(231)
2013	+100 bps.		(239)

19.12 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 to fund acquisitions.

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

The Company has access to credit from national and international 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 17 for a disclosure of the Company's maturity dates associated with its non-current financial liabilities as of December 31, 2015.

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, 2015.

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, 2015.

(In millions of Ps)	2016	2017	2018	2019	2020	2021 and thereafter
Non-derivative financial liabilities:						
Notes and bonds	Ps. 5,104	Ps. 2,565	Ps. 19,689	Ps. 2,156	Ps. 10,391	Ps. 50,845
Loans from banks	1,094	958	250	230	163	122
Obligations under finance leases	85	82	78	73	58	160
Derivatives financial liabilities	2,377	2,410	(385)	–	–	–

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

19.13 Credit risk

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

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

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

The Company manages the credit risk related to its derivative portfolio by only entering into transactions with reputable and credit-worthy counterparties as well as by maintaining a Credit Support Annex (CSA) that establishes margin requirements. As of December 31, 2015 the Company concluded that the maximum exposure to credit risk related with derivative financial instruments is not significant given the high credit rating of its counterparties.

NOTE 20. Non-Controlling Interest in Consolidated Subsidiaries

An analysis of Coca-Cola FEMSA's non-controlling interest in its consolidated subsidiaries for the years ended December 31, 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Mexico	Ps. 3,342	Ps. 3,614	Ps. 3,309
Colombia	12	15	16
Brazil	632	772	717
	Ps. 3,986	Ps. 4,401	Ps. 4,042

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

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

	2015	2014	2013
Balance at beginning of the year	Ps. 4,401	Ps. 4,042	Ps. 3,179
Net income of non controlling interest [1]	94	424	239
Exchange differences on translation of foreign operations	(554)	(21)	212
Remeasurements of the net defined employee benefit liability	6	(21)	(7)
Valuation of the effective portion of derivative financial instruments, net of taxes	50	(5)	(44)
Increase in shares of non-controlling interest	–	–	515
Dividends paid	(11)	(18)	(52)
Balance at end of the year	Ps. 3,986	Ps. 4,401	Ps. 4,042

[1] For the years ended at 2015, 2014 and 2013, the Company's net income allocated to non-controlling interest was Ps. 94, Ps. 424, and Ps. 239, respectively.

NOTE 21. Equity

21.1 Equity accounts

As of December 31, 2015, the capital stock of Coca-Cola FEMSA is represented by 2,072,922,229 common shares, with no par value. Fixed capital stock is Ps. 922 (nominal value) and variable capital is unlimited.

The characteristics of the common shares are as follows:

- Series "A" and series "D" shares are ordinary, have all voting rights and are subject to transfer restrictions;
- Series "A" shares may only be acquired by Mexican individuals and may not represent less than 51% of the ordinary shares.
- Series "D" shares have no foreign ownership restrictions and may not represent more than 49% of the ordinary shares.
- Series "L" shares have no foreign ownership restrictions and have limited voting rights.

As of December 31, 2015, 2014 and 2013, the number of each share series representing Coca-Cola FEMSA's capital stock is comprised as follows:

	Thousands of Shares		
Series of shares	**2015**	2014	2013
"A"	992,078	992,078	992,078
"D"	583,546	583,546	583,546
"L"	497,298	497,298	497,298
	2,072,922	2,072,922	2,072,922

The changes in the share are as follows:

	Thousands of Shares		
Series of shares	**2015**	2014	2013
Initial shares	2,072,922	2,072,922	2,030,544
Shares issuance	–	–	42,378
Final shares	2,072,922	2,072,922	2,072,922

The net income of the Company is subject to the legal requirement that 5% thereof be transferred to a legal reserve until such reserve amounts to 20% of capital stock at nominal value. This reserve may not be distributed to shareholders during the existence of the Company. As of December 31, 2015, 2014 and 2013, 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, 2015, the Company's balances of CUFIN amounted to Ps. 10,908.

For the years ended December 31, 2015, 2014 and 2013 the dividends declared and paid per share by the Company are as follows:

Series of shares		**2015 (1)**		2014		2013
"A"	Ps.	3,065	Ps.	2,877	Ps.	2,877
"D"		1,803		1,692		1,692
"L"		1,537		1,443		1,381
	Ps.	6,405	Ps.	6,012	Ps.	5,950

(1) At an ordinary shareholders' meeting of Coca-Cola FEMSA held on March 12, 2015, the shareholders declared a dividend of Ps. 6,405 that was paid in May 5, 2015 and November 3, 2015. Represents a dividend of Ps. 3.09 per each ordinary share.

21.2 Capital managemen

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, 2015 and 2014.

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

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

NOTE 22. Earnings per Share

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

Basic earnings per share amounts are as follows:

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

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

	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

NOTE 23. Income Taxes

23.1 Income Tax

The major components of income tax expense for the years ended December 31, 2015, 2014 and 2013 are:

		2015		2014		2013
Current tax expense:						
Current year	Ps.	6,060	Ps.	5,002	Ps.	5,889
Deferred tax expense:						
Origination and reversal of temporary differences		721		1,808		(4)
(Benefit) utilization of tax losses recognized		(2,230)		(2,949)		(154)
Total deferred tax expense		(1,509)		(1,141)		(158)
Total income tax expense in consolidated net income	Ps.	4,551	Ps.	3,861	Ps.	5,731

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

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

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

Recognized in Consolidated Statement of Other Comprehensive Income (OCI)

Income tax related to items charged or recognized directly in OCI during the year:

		2015		2014		2013
Unrealized gain on cash flow hedges	Ps.	(19)	Ps.	99	Ps.	(147)
Unrealized gain on available for sale securities		–		–		(1)
Remeasurements of the net defined benefit liability		32		(51)		(75)
Total income tax recognized in OCI	Ps.	13	Ps.	48	Ps.	(223)

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

Income tax related to items charged or recognized directly in OCI as of year end:

		2015		2014		2013
Unrealized gain on derivative financial instruments	Ps.	(91)	Ps.	(107)	Ps.	(208)
Unrealized gain on available for sale securities		–		–		–
Comprehensive income to be reclassified to profit or loss in subsequent periods		(91)		(107)		(208)
Re-measurements of the net defined benefit liability		(112)		(167)		(196)
Balance of income tax in OCI	Ps.	(203)	Ps.	(274)	Ps.	(404)

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, 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Mexican statutory income tax rate	30%	30%	30%
Income tax from prior years	0.50	0.09	(0.96)
Loss on monetary position for subsidiaries in hyperinflationary economies	0.07	0.62	0.68
Annual inflation tax adjustment	(2.22)	(3.29)	0.05
Non-deductible expenses	2.92	2.58	0.77
Non-taxable income	(0.41)	(0.99)	(0.19)
Income taxed at a rate other than the Mexican statutory rate	0.75	0.84	1.85
Effect of restatement of tax values	(1.16)	(1.97)	(1.39)
Effect of change in statutory rate	0.11	0.09	(0.21)
Effect of changes in Mexican Tax Law	–	–	0.48
Other	0.35	(2.15)	2.19
	30.91%	25.82%	33.27%

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		2015		2014		2015		2014		2013
Allowance for doubtful accounts	Ps.	(95)	Ps.	(122)	Ps.	2	Ps.	5	Ps.	(8)
Inventories		138		148		(15)		117		22
Prepaid expenses		78		82		7		(24)		108
Property, plant and equipment, net		(204)		(45)		(96)		(544)		(537)
Investments in associates companies and joint ventures		–		–		–		–		3
Other assets		(561)		(609)		41		(449)		110
Finite useful lived intangible assets		285		193		112		(30)		111
Indefinite lived intangible assets		44		74		(26)		(153)		166
Post-employment and other non-current employee benefits		(235)		(340)		115		(85)		48
Derivative financial instruments		24		3		22		(10)		19
Contingencies		(1,052)		(1,309)		(7)		(458)		(109)
Employee profit sharing payable		(152)		(149)		(3)		15		(12)
Tax loss carryforwards		(4,823)		(3,126)		(2,230)		(2,948)		(154)
Cumulative other comprehensive income		(222)		(274)		–		–		–
Deductible tax goodwill of business acquisition		(1,270)		(3,334)		1,378		1,775		203
Liabilities of amortization of goodwill of business acquisition		4,147		5,255		(32)		(12)		–
Other liabilities		923		1,682		(777)		1,660		(128)
Deferred tax (income)					Ps.	(1,509)	Ps.	(1,141)	Ps.	(158)

Deferred tax, asset	Ps.	(4,098)	Ps.	(2,956)
Deferred tax, liability		1,123		1,085
Deferred income taxes, net	Ps.	(2,975)	Ps.	(1,871)

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

		2015		2014		2013
Balance at beginning of the year	Ps.	(1,871)	Ps.	(439)	Ps.	(597)
Deferred tax provision for the year		(1,526)		(1,155)		(121)
Change in the statutory rate		16		14		(37)
Acquisition of subsidiaries, see Note 4		–		(445)		491
Effects in equity:						
Unrealized (gain) loss on derivative financial instruments		(19)		99		(147)
Unrealized gain on available for sale securities		–		–		(1)
Cumulative translation adjustment		350		99		(2)
Remeasurements of the net defined benefit liability		32		(51)		(75)
Effects of foreign currency exchanges rates		43		7		50
Balance at end of the year	Ps.	(2,975)	Ps.	(1,871)	Ps.	(439)

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

		Tax Loss Carryforwards
2020	Ps.	9
2021		–
2022		10
2023		–
2024 and thereafter		5,057
No expiration (Brazil and Colombia)		9,824
	Ps.	14,900

During 2013 the Company completed certain acquisitions in Brazil as disclosed in Note 4. In connection with those acquisition the Company recorded certain goodwill balances that are deductible for Brazilian income tax reporting purposes. The deduction of such goodwill amortization has resulted in the creation of Net Operating Losses (NOLs) in Brazil. NOLs in Brazil have no expiration, but their usage is limited to 30% of Brazilian taxable income in any given year. As of December 31, 2015 and 2014 the Company believes that it is more likely than not that it will ultimately recover such NOLs through the reversal of temporary differences and future taxable income. Accordingly no valuation allowance has been provided.

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

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

		2015		2014		2013
Balance at beginning of the year	Ps.	9,400	Ps.	537	Ps.	75
Increase (see sources above)		7,001		8,912		641
Usage of tax losses		(37)		(94)		(177)
Effects of foreign currency exchanges rates		(1,464)		45		(2)
Balance at end of the year	Ps.	14,900	Ps.	9,400	Ps.	537

There were no withholding taxes associated with the payment of dividends in either 2015, 2014 or 2013 by the Company to its shareholders.

The Company has determined that undistributed profits of its subsidiaries, joint ventures or associates will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, associates and joint ventures that have not been recognized, aggregate to December 31, 2015: Ps. 8,014, December 31, 2014: Ps. 7,326 and, December 31, 2013: Ps. 8,852.

On January 1, 2014 an amendment to the Mexican income tax law became effective. The most important effects in the Company involve changes in the income tax rate, which shall be of 30% in 2014.

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

23.2 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.

23.3 Tax Reform

On November 18, 2014, a tax reform became effective in Venezuela. This reform included changes on how the carrying value of operating losses is reported. The reform established that operating losses carried forward year over year (but limited to three fiscal years) may not exceed 25% of the taxable income in the relevant period. The reform also eliminated the possibility to carry over losses relating to inflationary adjustments and included changes that grant Venezuelan tax authorities broader powers and authority in connection with their ability to enact administrative rulings related to income tax withholding and to collect taxes and increase fines and penalties for tax-related violations, including the ability to confiscate assets without a court order.

On December 30, 2015, the Venezuelan government published a tax reform for 2016 which establishes: (i) a new tax on financial transactions that will be effective beginning February 1, 2016, for those identified as "special taxpayers" at a rate of 0.75% over certain financial transactions, including bank withdraws, transfers of bonds and securities, payments of debts not utilizing a bank account and forgiveness of debt; and (ii) elimination of inflationary effects on calculations of income tax.

In Guatemala, the income tax rate for 2014 was 28.0% and it decreased for 2015 to 25.0%, as scheduled.

In 2009 Nicaragua established rules related with transfer pricing. This obligation originally would be enacted on January 1, 2016, but the National Assembly passed an amendment to postpone the measure until June 30, 2017.

In Brazil, since July 2015, all the financial revenues (except exchange variance) have been subjected to Federal Social Contributions at the rate of 4.65%.

Also in Brazil, starting 2016 the rates of value-added tax in certain states will be changed as follows: Mato Grosso do Sul – from 17% to 20%; Minas Gerais - the tax rate will remain at 18% but there will be an additional 2% as a contribution to poverty eradication just for the sales to non-taxpayer (final consumers); Rio de Janeiro - the contribution related to poverty eradication fund will be increased from 1% to 2% effectively in April; Paraná - the rate will be reduced to 16% but a rate of 2% as a contribution to poverty eradication will be charged on sales to non-taxpayers. Besides, specifically for beers, the increase of value-added tax rate will be slight superior.

Additionally in Brazil, starting on January 1st, 2016, the rates of federal production tax will be reduced and the rates of the federal sales tax will be increased. The Company estimate the average of these taxes over the net sales would move from 14.4% in 2015 to 15.5% in 2016.

NOTE 24. Other Liabilities, Provisions and Commitments

24.1 Other current financial liabilities

		2015		2014
Sundry creditors	Ps.	837	Ps.	1,569
Derivative financial instruments		274		313
Total	Ps.	1,111	Ps.	1,882

24.2 Provisions and other non-current liabilities

		2015		2014
Provisions	Ps.	3,317	Ps.	4,168
Taxes payable		326		270
Other		533		889
Total	Ps.	4,176	Ps.	5,327

24.3 Other non-current financial liabilities

		2015		2014
Derivative financial instruments	Ps.	–	Ps.	112
Security deposits		214		176
Total	Ps.	214	Ps.	288

24.4 Provisions recorded in the consolidated statement of financial position

The Company has various loss contingencies, and has recorded reserves as other liabilities for those legal proceedings for which it believes an unfavorable resolution is probable. The following table presents the nature and amount of the loss contingencies recorded as of December 31, 2015 and 2014:

		2015		2014
Taxes	Ps.	1,658	Ps.	2,198
Labor		1,340		1,543
Legal		319		427
Total	Ps.	3,317	Ps.	4,168

24.5. Changes in the balance of provisions recorded

24.5.1 Taxes

		2015		2014		2013
Balance at beginning of the year	Ps.	2,198	Ps.	3,147	Ps.	921
Penalties and other charges		21		89		1
New contingencies		84		10		217
Cancellation and expiration		(205)		(327)		(5)
Contingencies added in business combinations		–		1,191		2,108
Payments		(214)		(1,255)		(31)
Brazil tax amnesty		–		(599)		–
Effects of foreign currency exchanges rates		(226)		(58)		(64)
Balance at end of the year	Ps.	1,658	Ps.	2,198	Ps.	3,147

24.5.2 Labor

		2015		2014		2013
Balance at beginning of the year	Ps.	1,543	Ps.	1,021	Ps.	934
Penalties and other charges		209		107		139
New contingencies		44		145		187
Cancellation and expiration		(102)		(53)		(226)
Contingencies added in business combinations		–		442		114
Payments		(111)		(57)		(69)
Effects of foreign currency exchanges rates		(243)		(62)		(58)
Balance at end of the year	Ps.	1,340	Ps.	1,543	Ps.	1,021

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.

24.6 Unsettled lawsuits

The Company has entered into several proceedings with its labor unions, tax authorities and other parties that primarily involve Coca-Cola FEMSA and its subsidiaries. These proceedings have resulted in the ordinary course of business and are common to the industry in which the Company operates. Such contingencies were classified by the Company as less than probable but not remote, the estimated amount as of December 31, 2015 of these lawsuits is Ps. 24,916, however, the Company believes that the ultimate resolution of such proceedings will not have a material effect on its consolidated financial position or result of operations.

The Company has tax contingencies, amounting to approximately Ps. 19,133 with loss expectations assessed by management and supported by the analysis of legal counsel which it considers possible. Among these possible contingencies, are Ps. 5,770 in various tax disputs related primarily to credits for ICMS (VAT) and Tax credits over raw materials acquired from Free Trade Zone Manaus IPI. Possible claims also include Ps. 11,613 related to the disallowance of IPI credits on the acquisition of inputs from the Manaus Free Trade Zone. Possible claims also include Ps. 1,348 related to compensation of federal taxes not approved by the IRS (Tax authorities). Finally, possible claims include Ps. 402 related to the requirement by the Tax Authorities of State of São Paulo for ICMS (VAT), interest and penalty due to the alleged underpayment of tax arrears for the period 1994-1996. The Company is defending its position in these matters and final decision is pending in court.

In recent years in its Mexican and Brazilian territories, Coca-Cola FEMSA has been requested to present certain information regarding possible monopolistic practices. These requests are commonly generated in the ordinary course of business in the soft drink industry where this subsidiary operates. The Company does not expect any material liability to arise from these contingencies.

24.7 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. 3,569, Ps. 3,026 and Ps. 2,248 as of December 31, 2015, 2014 and 2013, respectively, by pledging fixed assets and entering into available lines of credit covering the contingencies.

24.8 Commitments

As of December 31, 2015, the Company has contractual commitments for financing leases for machinery and transport equipment and operating leases for the rental of production machinery and equipment, distribution and computer equipment.

The contractual maturities of the operating leases commitments by currency, expressed in Mexican pesos as of December 31, 2015, are as follows:

	Mexican pesos		U.S. dollars		Other	
Not later than 1 year	Ps.	113	Ps.	87	Ps.	1
Later than 1 year and not later than 5 years		484		361		13
Later than 5 years		262		177		2
Total	Ps.	859	Ps.	625	Ps.	16

Rental expense charged to consolidated net income was Ps. 1,044, Ps. 940 and Ps. 949 for the years ended December 31, 2015, 2014 and 2013, respectively.

Future minimum lease payments under finance leases with the present value of the net minimum lease payments are as follows:

	2015 Minimum payments		Present value of payments		2014 Minimum payments		Presen value of payments	
Not later than 1 year	Ps.	71	Ps.	67	Ps.	255	Ps.	222
Later than 1 year and not later than 5 years		259		244		501		474
Later than 5 years		166		149		62		64
Total minimum lease payments		496		460		818		760
Less amount representing finance charges		36		–		58		–
Present value of minimum lease payments	Ps.	460			Ps.	760		

The Company has firm commitments for the purchase of property, plant and equipment of Ps. 92 as December 31, 2015.

NOTE 25. Information by Segments

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

The Company has aggregated operating segments into the following reporting segments for the purposes of its consolidated financial statements: (i) Mexico and Central America division (comprising the following countries: Mexico (including corporate operations), Guatemala, Nicaragua, Costa Rica and Panama) and (ii) the South America division (comprising the following countries: Brazil, Argentina, Colombia and Venezuela). Venezuela operates in an economy with exchange control and hyper-inflation; and as a result, IAS 29, "Financial Reporting in Hyperinflationary Economies" does not allow its aggregation into the South America segment and (iii) the Asian division comprised of the Company's equity method investment in CCFPI (Philippines) which was acquired in January 2013 (see Note 9).

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

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

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

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

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	3,806	2,285	1,041	7,132
Non-cash items other than depreciation and amortization (3)	(72)	(133)	217	12
Equity in earnings of associated companies and joint ventures	239	49	1	289
Total assets	121,685	72,451	22,529	216,665
Investments in associate companies and joint ventures	14,251	2,516	–	16,767
Total liabilities	72,077	19,255	8,180	99,512
Capital expenditures, net (4)	5,287	4,447	1,969	11,703

(1) Central America includes Guatemala, Nicaragua, Costa Rica and Panama. Domestic (Mexico only) revenues were Ps. 67,772, Ps. 62,990 and Ps. 62,364 during the years ended December 31, 2015, 2014 and 2013, respectively. Domestic (Mexico only) total assets were Ps. 123,585, Ps. 117,949 and Ps. 114,254 as of December 31, 2015, 2014 and 2013, respectively. Domestic (Mexico only) total liabilities were Ps. 78,834, Ps. 78,358 and Ps. 70,805 as of December 31, 2015, 2014 and 2013, respectively.

(2) South America includes Brazil, Argentina, Colombia and Venezuela, although Venezuela is shown separately above. South America revenues include Brazilian revenues of Ps. 37,825, Ps. 43,573 and Ps. 30,265 during the years ended December 31, 2015, 2014 and 2013, respectively. Brazilian total assets were Ps. 49,448, Ps. 59,836 and Ps. 53,441 as of December 31, 2015, 2014 and 2013, respectively. Brazilian total liabilities Ps. 10,753, Ps. 12,629 and Ps. 12,484 as of December 31, 2015, 2014 and 2013, respectively. South America revenues also include Colombian revenues of Ps. 12,984, Ps. 13,118 and Ps. 12,780 during the years ended December 31, 2015, 2014 and 2013, respectively. Colombian total assets were Ps. 15,182, Ps. 14,864 and Ps. 15,512 as of December 31, 2015, 2014 and 2013, respectively. Colombian total liabilities were Ps. 3,977, Ps. 3,594 and Ps. 3,974 as of December 31, 2015, 2014 and 2013, respectively. South America revenues also include Argentine revenues of Ps. 13,943, Ps, 9,676 and Ps. 10,729 during the years ended December 31, 2015, 2014 and 2013, respectively. Argentine total assets were Ps. 4,651, Ps. 3,974 and Ps. 3,498 as of December 31, 2015, 2014 and 2013, respectively. Argentine total liabilities were Ps. 2,798, Ps. 2,886 and Ps. 2,797 as of December 31, 2015, 2014 and 2013, respectively.

(3) Includes foreign exchange loss, net; gain on monetary position, net; and market value (gain) loss on financial instruments.

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

(5) The Asian division consists of the 51% equity investment in CCFPI (Philippines) which was acquired in 2013, and is accounted for using the equity method of accounting (see Note 9). The equity in earnings of the Asian division were Ps. 86, Ps. (334) and Ps. 108 in 2015, 2014 and 2013, repectively and are presented as part of the Company's corporate operations in 2015, 2014 and 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 CCFPI Ps. 9,996, Ps. 9,021 and 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. 19,576, Ps. 16,548 and Ps. 13,438, gross profit Ps. 5,325, Ps. 4,913 and Ps. 4,285, income before income taxes Ps. 334, Ps. 664 and Ps. 310, depreciation and amortization Ps. 2,369, Ps. 643 and Ps. 1,229, total assets Ps. 22,002, Ps. 19,877 and Ps. 17,232, total liabilities Ps. 6,493, Ps. 6,614 and Ps. 4,488, capital expenditures Ps. 1,778, Ps. 2,215 and Ps. 1,889.

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

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

IFRS 16, *Leases*

In January 2016, the IASB issued the final version of new version of the IFRS 16 Leases which replaces the current IAS 17 Leases. Under the new standard, a lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To be a lease, a contract must convey the right to control the use of an identified asset, which could be a physically distinct portion of an asset such as a floor of a building. A contract conveys the right to control the use of an identified asset if, throughout the period of use, the customer has the right to: (1) obtain substantially all of the economic benefits from the use of the identified asset; and (2) direct the use of the identified asset (i.e., direct how and for what purpose the asset is used). The new standard will be effective for annual periods beginning on or after January 1, 2019. The Company has yet to complete its evaluation of whether these changes will have a significant impact on its consolidated financial statements.

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company´s financial assets, but no impact on the classification and measurement of the Company's financial liabilities. The Company has not early adopted this IFRS.

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15, "Revenue from Contracts with Customers", was issued in May 2014 and applies to annual reporting periods beginning on or after January 1, 2018, earlier application is permitted. If the Entity elects apply IFRS 15 restrospectively, the entity shall recognise the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application. Revenue is recognized as control is passed, either over time or at a point in time.

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

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after January 1, 2016. These amendments are not expected to have any significant impact on the Company.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after January 1, 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

NOTE 27. Supplemental Guarantor Information

Consolidating Condensed Financial Information

The following consolidating information presents consolidating condensed statements of financial position as of December 31, 2015 and 2014 and condensed consolidating statements of income, other comprehensive income and cash flows for each of the three years in the period ended December 31, 2015, 2014 and 2013 of the Company and Propimex, S. de R.L. de C.V., Comercializadora la Pureza de Bebidas, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V., Grupo Embotellador CIMSA, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V. and Yoli de Acapulco, S. de R. L. de C.V. (the Guarantors).

These statements are prepared in accordance with IFRS, as issued by the IASB, with the exception that the subsidiaries are accounted for as investments under the equity method rather than being consolidated. The guarantees of the Guarantors are full and unconditional.

The Company's consolidating condensed financial information for the (i) Company; (ii) its 100% owned guarantors subsidiaries (on standalone basis), which are wholly and unconditional guarantors under both prior years debt and current year debt referred to as "Senior Notes" in Note 17; (iii) the combined non-guarantor subsidiaries; iv) eliminations and v) the Company's consolidated financial statements are as follows:

Consolidated Statement of Financial Position
As of December 31, **2015**

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

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
		Consolidated Statement of Financial Position As of December 31, 2014			
Assets:					
Current assets:					
Cash and cash equivalents	Ps. 7,282	Ps. 755	Ps. 4,921	Ps. –	Ps. 12,958
Accounts receivable, net	42,614	4,733	43,794	(80,802)	10,339
Inventories	–	3,509	4,310	–	7,819
Recoverable taxes	72	1,675	2,335	–	4,082
Other current assets and financial assets	36	1,015	1,879	–	2,930
Total current assets	50,004	11,687	57,239	(80,802)	38,128
Non-current assets:					
Investments in associates and joint ventures	94,347	57,839	13,676	(148,536)	17,326
Property, plant and equipment, net	–	17,049	33,478	–	50,527
Intangible assets, net	29,348	34,920	32,756	–	97,024
Other non-current assets and financial assets	1,281	7,672	6,931	(6,523)	9,361
Total non-current assets	124,976	117,480	86,841	(155,059)	174,238
Total assets	Ps. 174,980	Ps. 129,167	Ps. 144,080	Ps.(235,861)	Ps. 212,366
Liabilities:					
Current liabilities:					
Short-term bank loans and notes payable and current portion of non-current debt	Ps. 352	Ps. –	Ps. 1,225	Ps. –	Ps. 1,577
Suppliers	15	2,832	11,304	–	14,151
Other current liabilities	5,890	63,412	24,175	(80,802)	12,675
Total current liabilities	6,257	66,244	36,704	(80,802)	28,403
Non-current liabilities:					
Bank loans and notes payable	62,968	–	1,853	–	64,821
Other non-current liabilities	38	1,382	14,127	(6,523)	9,024
Total non-current liabilities	63,006	1,382	15,980	(6,523)	73,845
Total liabilities	69,263	67,626	52,684	(87,325)	102,248
Equity:					
Equity attributable to equity holders of the parent	105,717	61,541	86,995	(148,536)	105,717
Non-controlling interest in consolidated subsidiaries	–	–	4,401	–	4,401
Total equity	105,717	61,541	91,396	(148,536)	110,118
Total liabilities and equity	Ps. 174,980	Ps. 129,167	Ps. 144,080	Ps.(235,861)	Ps. 212,366

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

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

		Parent		Wholly-owned Guarantors Subsidiaries		Combined non-guarantor Subsidiaries		Eliminations		Consolidated Total
				Condensed consolidating income statements: For the year ended December 31, 2013						
Total revenues	Ps.	–	Ps.	62,750	Ps.	109,054	Ps.	(15,793)	Ps.	156,011
Cost of goods sold		–		30,398		53,779		(1,101)		83,076
Gross profit		–		32,352		55,275		(14,692)		72,935
Administrative expenses		111		8,459		6,504		(8,587)		6,487
Selling expenses		–		16,293		34,640		(6,105)		44,828
Other (income) expenses, net		(3)		107		519		–		623
Interest expense (income), net		353		2,744		(410)		–		2,687
Foreign exchange loss, net		160		98		481		–		739
Other financing (income) expense, net		(82)		26		403		–		347
Income taxes		75		1,896		3,760		–		5,731
Share of the profit of subsidiaries, associates and joint ventures accounted for using the equity method, net of taxes		12,157		5,528		216		(17,612)		289
Consolidated net income	Ps.	11,543	Ps.	8,257	Ps.	9,594	Ps.	(17,612)	Ps.	11,782
Attributable to:										
Equity holders of the parent	Ps.	11,543	Ps.	8,257	Ps.	9,355	Ps.	(17,612)	Ps.	11,543
Non-controlling interest		–		–		239		–		239
Consolidated net income	Ps.	11,543	Ps.	8,257	Ps.	9,594	Ps.	(17,612)	Ps.	11,782

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

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

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

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

	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)
Initial balance of cash and cash equivalents		14,394		981		7,847		–	23,222
Effects of exchange rate changes and inflation effects on the balance sheet of cash held in foreign currencies		(641)		(37)		(3,360)		–	(4,038)
Ending balance of cash and cash equivalents	Ps.	5,485	Ps.	1,220	Ps.	8,601	Ps.	–	Ps. 15,306

NOTE 28. Subsequent Events

In February 17, 2016, the president of Venezuela announced a devaluation of the official exchange rate of 37% and moved the existing three-tier exchange rates system into dual system as part of a package of economic policies aimed to face the economic crisis from the OPEC member-countries. The official exchange rate (6.30 bolivars per USD as of December 31, 2015) and the SICAD exchange rate (13.50 bolivars per USD as of December 31, 2015), were merged into a new official exchange rate at 10 bolivars per USD. The SIMADI exchange rate was maintained in the same conditions it operated before this date. At the date of this report, no specific guidance has been defined with respect to the use of each exchange rate available. The Company will closely monitor developments in this area, which may affect the exchange rate(s) used prospectively.

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.
Sparkling beverage: A non-alcoholic carbonated beverage containing flavorings and sweeteners. It excludes flavored water and carbonated or non-carbonated tea, coffee and sports drinks.
Still beverage: Non-carbonated beverages.
Unit Case: Unit of measurement that equals 24 eight fluid ounce servings
Transaction: Represents the number of individual units (e.g. cans, bottles) sold, regardless of their size, volume or whether they are sold in single or multipack combinations at the retailer point of sale, with the exception of fountain which represents multiple transactions. This indicator better represents the number of interactions with consumers. (As an example: a 355 ml can of Coke will represent 1 transaction, but also a 2 liter bottle of Coke will be one transaction).

BOARD PRACTICES

Finance and Planning Committee

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

Audit Committee

The Audit Committee is responsible for reviewing the accuracy and integrity of quarterly and annual financial statements in accordance with accounting, internal control and auditing requirements. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the independent auditor, who reports directly to the Audit Committee; the internal auditing function also reports to the Audit Committee. The Audit Committee has implemented procedures for receiving, retaining and addressing complaints regarding accounting, internal control and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing matters. To carry out its duties, the Audit Committee may hire independent counsel and other advisors. As necessary, we compensate the independent auditor and any outside advisor hired by the Audit Committee and provide funding for ordinary administrative expenses incurred by the Audit Committee in the course of its duties. José Manuel Canal Hernando is the chairman of the Audit Committee and the "audit committee financial expert". Pursuant to the Mexican Securities Market Law, the chairman of the Audit Committee is elected at our shareholders meeting. The other members are: Alfonso González Migoya, Charles H. McTier, Francisco Zambrano Rodríguez and Ernesto Cruz Velázquez de León. Each member of the Audit Committee is an independent director, as required by the Mexican Securities Market Law and applicable New York Stock Exchange listing standards. The secretary non-member of the Audit Committee is José González Ornelas, vice-president of FEMSA's administration and corporate control area.

Corporate Practices Committee

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

Advisory Board

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

EXECUTIVE OFFICERS

John Santa Maria Otazua
Chief Executive Officer
20 years as an Officer

Héctor Treviño Gutiérrez
Chief Financial and Administrative Officer
22 year as an Officer

Ernesto Silva Almaguer
Chief Operating Officer – Mexico
18 years as an Officer

José Ramon Martínez
Chief Operating Officer – Brazil
2 years as an Officer

Rafael Suárez Olaguibel
Chief Operating Officer – Latin America
21 years as an Officer

Raymundo Yutani Vela
Human Resources Officer
2 years as an Officer

Alejandro Duncan Ancira
Supply Chain and Engineering Officer
12 years as an Officer

Francisco Suárez Hernández
Corporate Affairs Officer
2 years as an Officer

Tanya Avellán Pinoargote
Planning, Information Technology and Commercial Officer
4 years as an Officer

Eduardo Hernández Peña
New Businesses Officer
1 year as an Officer

We have appointed Washington Fabricio Ponce as Chief Operating Officer of Coca-Cola FEMSA Philippines Inc., based on our shareholders agreement.

DIRECTORS

Directors Appointed by Series A Shareholders

José Antonio Fernández Carbajal
Executive Chairman of the Board of Directors of Coca-Cola FEMSA and Chairman of the Board of Directors of FEMSA
23 years as a Board Member
Alternate: Bárbara Garza Lagüera Gonda

Carlos Salazar Lomelín
Chief Executive Officer of FEMSA
15 years as a Board Member
Alternate: Max Michel González

Daniel Alberto Rodríguez Cofré
Chief Financial and Corporate Officer of FEMSA
1 year as a Board Member
Alternate: Paulina Garza Lagüera Gonda

Javier Gerardo Astaburuaga Sanjines
Vice-President of Corporate Development of FEMSA
10 years as a Board Member
Alternate: Francisco José Calderón Rojas

Federico Reyes García
Independent consultant
24 years as a Board Member
Alternate: Alejandro Bailleres Gual

John Anthony Santa María Otazua
Chief Executive Officer of Coca-Cola FEMSA
2 years as a Board Member
Alternate: Héctor Treviño Gutiérrez

Mariana Garza Lagüera Gonda
Private Investor
7 years as a Board Member
Alternate: Alfonso Garza Garza

Ricardo Guajardo Touché
Chairman of the Board of Directors, SOLFI, S.A.
23 years as a Board Member
Alternate: Eduardo Padilla Silva

Alfonso González Migoya [(1)]
Chairman of the board of directors of Controladora Vuela Compañía de Aviación, S.A.B. de C.V. (Volaris).
10 years as a Board Member
Alternate: Ernesto Cruz Velázquez de León

Enrique F. Senior Hernández [(1)]
Managing Director of Allen & Company, LLC.
12 years as a Board Member
Alternate: Herbert Allen III

Alfredo Livas Cantú [(1)]
President of Praxis Financiera, S.C.
2 years as a Board Member
Alternate: Jaime El Koury

Daniel Servitje Montull [(1)]
Chief Executive Officer and Chairman of the board of directors of Bimbo
18 years as a Board Member
Alternate: Sergio Deschamps Ebergenyi

José Luis Cutrale [(1)]
Chief Executive Officer of Sucrocítrico Cutrale, Ltda.
12 years as a Board Member
Alternate: José Luis Cutrale Jr.

Directors Appointed by Series D Shareholders

Gary Fayard
Retired in May 2014 as Executive Vice-President and Chief Financial Officer of The Coca-Cola Company
13 years as a Board Member
Alternate: Wendy Clark

Irial Finan
Executive Vice-President and President of Bottling Investments
12 years as a Board Member
Alternate: Sunil Ghatnekar

Charles H. McTier [(1)]
Trustee, Robert W. Woodruff
18 years as a Board Member

Kathy Waller
Executive Vice-President and Chief Financial Officer of The Coca-Cola Company
1 year as a Board Member
Alternate: Gloria Bowden

Eva María Garza Lagüera Gonda
Private Investor
1 year as a Board Member
Alternate: Luis Rubio Freidberg

Directors Appointed by Series L Shareholders

Herman Harris Fleishman Cahn
Chairman of the board of directors of Grupo Tampico, S.A. de C.V.
4 years as a Board Member
Alternate: Robert A. Fleishman Cahn

José Manuel Canal Hernando [(1)]
Independent consultant
13 years as a Board Member

Francisco Zambrano Rodríguez [(1)]
Chief Executive Officer of Grupo Verterrak, S.A.P.I. de C.V. and Vice Chairman of the board of directors of Desarrollo Inmobiliario y de Valores, S.A. de C.V.
13 years as a Board Member
Alternate: Karl Frei Buechi

Secretary
Carlos Eduardo Aldrete Ancira
General Counsel, FEMSA
23 years as Secretary
Alternate: Carlos Luis Diaz Sáenz

[(1)] *Independent*

SHAREHOLDERS AND ANALYST INFORMATION

INVESTOR RELATIONS

Roland Karig
roland.karig@kof.com.mx

José Manuel Fernández
josemanuel.fernandez@kof.com.mx

Tania Ramírez
tania.ramirez@kof.com.mx

Coca-Cola FEMSA, S.A.B. de C.V.
Mario Pani N° 100
Col. Santa Fe Cuajimalpa 05348,
Ciudad de Mexico, México
Phone: (5255) 1519 5000
Web: www.coca-colafemsa.com

Legal Counsel of the Company
Carlos L. Díaz Sáenz
Marío Pani N° 100
Col. Santa Fe Cuajimalpa 05348,
Ciudad de Mexico, México
Phone: (5255) 1519 5000

Independent Accountants
Mancera, S.C.
A member firm of Ernst & Young Global
Antara Polanco
Av. Ejército Nacional Torre Paseo 843-B Piso 4
Colonia Granada 11520
Ciudad de Mexico, México
Phone:(5255) 5283 1400

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

KOF

New York Stock Exchange
Quarterly Stock Information

U.S. Dollars per ADS			2015
Quarter Ended	$ High	$ Low	$ Close
Dec-31	79.89	68.16	70.81
Sep-30	81.33	65.90	69.38
Jun-30	86.64	77.74	79.45
Mar-31	89.91	78.53	79.86

U.S. Dollars per ADS			2014
Quarter Ended	$ High	$ Low	$ Close
Dec-31	105.80	84.22	86.52
Sep-30	115.78	98.31	99.71
Jun-30	120.08	99.60	112.48
Mar-31	117.83	91.60	103.38

KOF L

Mexican Stock Exchange
Quartery Stock Information

Mexican pesos per share			2015
Quarter Ended	$ High	$ Low	$ Close
Dec-31	131.97	114.45	123.90
Sep-30	128.28	113.51	117.52
Jun-30	131.64	120.01	124.78
Mar-31	132.03	119.22	121.76

Mexican pesos per share			2014
Quarter Ended	$ High	$ Low	$ Close
Dec-31	142.07	124.45	126.64
Sep-30	149.54	131.80	133.89
Jun-30	155.38	129.58	145.68
Mar-31	153.49	121.59	134.58

design: www.signi.com.mx

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 through a joint venture with The Coca-Cola Company), 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.

COTIZA EN BOLSA MEXICANA DE VALORES
KOF L

KOF LISTED NYSE

Empresa Sustentable

ESR EMPRESA SOCIALMENTE RESPONSABLE

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

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.

FSC www.fsc.org MIX Paper from responsible sources FSC® C101537

COCA-COLA FEMSA

ANNUAL REPORT 2015

Mario Pani #100
Col. Santa Fé Cuajimalpa
Delegación Cuajimalpa
Ciudad de México 05348

Phone: +52.55.15195000