

COCA COLA FEMSA SAB DE CV

Form 20-F

April 15, 2016

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As filed with the Securities and Exchange Commission on April 15, 2016.

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 20-F**

**ANNUAL REPORT PURSUANT TO SECTION 13**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

Commission file number 1-12260

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

(Exact name of registrant as specified in its charter)

**Not Applicable**

(Translation of registrant's name into English)

**United Mexican States**

(Jurisdiction of incorporation or organization)

**Calle Mario Pani No. 100,**

**Santa Fe Cuajimalpa,**

**Cuajimalpa de Morelos,**

**05348, Ciudad de México, México**

(Address of principal executive offices)

**Roland Karig**

**Calle Mario Pani No. 100,**

**Santa Fe Cuajimalpa,**

**Cuajimalpa de Morelos,**

**05348 Ciudad de México, México**

**(52-55) 1519-5186/5121**

**krelations@kof.com.mx**

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

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

**Title of Each Class**  
**American Depositary shares, each representing 10 Series L**  
**shares, without par value**  
**Series L shares, without par value**

**Name of Each Exchange on Which Registered**  
**New York Stock Exchange, Inc.**  
**New York Stock Exchange, Inc. (not for trading, for listing**  
**purposes only)**

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

None

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

None

The number of outstanding shares of each class of capital or common stock as of December 31, 2015 was:

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). N/A

Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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

Large Accelerated filer  Accelerated filer  Non-accelerated filer

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

U.S. GAAP  IFRS  Other

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

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Item 17

Item 18

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

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**INTRODUCTION**

**References**

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

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

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

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

**Currency Translations and Estimates**

This annual report contains translations of certain Mexican peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from Mexican pesos at an exchange rate of Ps.17.20 to US\$1.00, the exchange rate for Mexican pesos on December 31, 2015, the last day in 2015 for which information is available, according to the U.S. Federal Reserve Board. On April 8, 2016, this exchange rate was Ps.17.76 to US\$1.00. See **Item 3. Key Information Exchange Rate Information** for information regarding exchange rates since January 1, 2011.

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

**Sources**

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

**Forward-Looking Information**

This annual report contains words such as believe, expect, anticipate and similar expressions that identify forward-looking statements. Use of these words reflects our views about future events and financial performance. Actual results could differ materially from those projected in these forward-looking statements as a result of various factors that may be beyond our control, including, but not limited to, effects on our company from changes in our relationship with The Coca-Cola Company, movements in the prices of raw materials, competition, significant developments in economic or political conditions in Mexico, Central and South America and Asia, including changes in currency exchange and interest rates, our ability to successfully integrate mergers and acquisitions, or changes in our regulatory environment. Accordingly, we caution readers not to place undue reliance on these forward-looking statements. In any event, these statements speak only as of their respective dates, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

**Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.





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**Item 3. Key Information**

**SELECTED CONSOLIDATED FINANCIAL DATA**

We prepared our consolidated financial statements included in this annual report in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, or IASB, referred to herein as IFRS. Our date of transition to IFRS was January 1, 2011. Our consolidated financial statements as of and for the years ended December 31, 2012 and 2011 were our first set of financial statements prepared in accordance with IFRS.

This annual report includes (under Item 18) our audited consolidated statements of financial position as of December 31, 2015 and 2014 and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2015, 2014 and 2013.

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

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

Except when specifically indicated, information in this annual report on Form 20-F is presented as of December 31, 2015 and does not give effect to any transaction subsequent to that date.

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The following table presents selected financial information of our company. This information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements, including the notes thereto, and the information in **Item 5. Operating and Financial Review and Prospects**. The selected financial information contained herein is presented on a consolidated basis, and is not necessarily indicative of our financial position or results at or for any future date or period. See Note 3 to our consolidated financial statements for our significant accounting policies.

	2015 <sup>(1)</sup>	2015	Year Ended December 31,		2012 <sup>(3)</sup>	2011 <sup>(4)</sup>
			2014	2013 <sup>(2)</sup>		
	(in millions of Mexican pesos or millions of U.S. dollars, except ratio, share and per share data)					
<b>Income Statement Data:</b>						
Total revenues	US\$ 8,861	Ps. 152,360	Ps. 147,298	Ps. 156,011	Ps. 147,739	Ps. 123,224
Cost of goods sold	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
Administrative expenses	372	6,405	6,385	6,487	6,217	5,140
Selling expenses	2,436	41,879	40,465	44,828	40,223	32,093
Other income	36	620	1,001	478	545	685
Other expenses	138	2,368	1,159	1,101	1,497	2,060
Interest expenses	369	6,337	5,546	3,341	1,955	1,729
Interest income	24	414	379	654	424	616
Foreign exchange (loss) gain, net	(85)	(1,459)	(968)	(739)	272	61
(Loss) gain on monetary position for subsidiaries in hyperinflationary economies	(2)	(33)	(312)	(393)		61
Market value (gain) loss on financial instruments	(8)	(142)	(25)	(46)	(13)	138
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	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	5	94	424	239	565	551
Consolidated net income	600	10,329	10,966	11,782	13,898	11,213
<b>Ratio to Revenues (%)</b>						
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

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	Year Ended December 31,					
	2015 <sup>(1)</sup>	2015	2014	2013 <sup>(2)</sup>	2012 <sup>(3)</sup>	2011 <sup>(4)</sup>
	(in millions of Mexican pesos or millions of U.S. dollars, except ratio, share and per share data)					
<b>Balance Sheet Data:</b>						
Cash and cash equivalents, marketable securities	US\$ 930	Ps. 15,989	Ps. 12,958	Ps. 15,306	Ps. 23,234	Ps. 12,173
Accounts receivable, net, inventories, recoverable taxes, other current financial assets and other current assets	1,526	26,243	25,170	27,925	22,663	20,551
Total current assets	2,456	42,232	38,128	43,231	45,897	32,724
Investment in associates and joint ventures	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 tax assets, other non-current financial assets and other non-current 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
Bank loans and notes payable	23	384	301	495	4,194	638
Current portion of non-current debt	179	3,086	905	3,091	945	4,902
Interest payable	24	411	371	324	194	206
Suppliers, accounts payable, taxes payable and other current financial liabilities	1,547	26,599	26,826	28,488	24,217	20,029
Total current liabilities	1,773	30,480	28,403	32,398	29,550	25,775
Bank loans and notes payable	3,679	63,260	64,821	56,875	24,775	16,821
Post-employment and other non-current employee benefits, deferred tax liabilities, other non-current financial liabilities and provisions and other non-current liabilities	452	7,774	9,024	10,239	6,950	6,061
Total non-current liabilities	4,131	71,034	73,845	67,114	31,725	22,882
Total liabilities	5,904	101,514	102,248	99,512	61,275	48,657
Total equity	6,324	108,735	110,118	117,153	104,828	93,081
Equity attributable to equity holders of the parent <sup>(5)</sup>	6,092	104,749	105,717	113,111	101,649	90,028
Non-controlling interest in consolidated subsidiaries	232	3,986	4,401	4,042	3,179	3,053

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	2015 <sup>(1)</sup>	2015	Year Ended December 31, 2014		2013 <sup>(2)</sup>	2012 <sup>(3)</sup>	2011 <sup>(4)</sup>
	(in millions of Mexican pesos or millions of U.S. dollars, except ratio, share and per share data)						
<b>Financial Ratios (%)</b>							
Current <sup>(6)</sup>	1.38	1.38	1.34	1.33	1.55	1.27	
Leverage <sup>(7)</sup>	0.93	0.93	0.93	0.85	0.58	0.52	
Capitalization <sup>(8)</sup>	0.39	0.39	0.38	0.35	0.23	0.20	
Coverage <sup>(9)</sup>	3.92	3.92	4.73	8.22	15.45	12.48	
<b>Share Data</b>							
A Shares	992,078,519	992,078,519	992,078,519	992,078,519	992,078,519	992,078,519	
D Shares	583,545,678	583,545,678	583,545,678	583,545,678	583,545,678	583,545,678	
L Shares	497,298,032	497,298,032	497,298,032	497,298,032	454,920,107	409,829,732	
Number of outstanding shares	2,072,922,229	2,072,922,229	2,072,922,229	2,072,922,229	2,030,544,304	1,985,453,929	
<b>Per Share Data</b>							
Book Value <sup>(10)</sup>	2.94	50.53	51.00	54.57	50.06	45.34	
Earnings per share <sup>(11)</sup>	0.29	4.94	5.09	5.61	6.62	5.72	
Ratio of Earnings to Fixed Charges <sup>(12)</sup>	3.22	3.22	3.40	5.71	9.81	8.09	

- (1) Translation to U.S. dollar amounts at an exchange rate of Ps.17.20 to US\$1.00 solely for the convenience of the reader.
- (2) Includes results of Coca-Cola FEMSA Philippines, Inc., or CCFPI (formerly Coca-Cola Bottlers Philippines, Inc.), from February 2013 using the equity method, results of Grupo Yoli, S.A. de C.V., or Grupo Yoli, from June 2013, Companhia Fluminense de Refrigerantes, or Companhia Fluminense, from September 2013 and Spaipa S.A. Industria Brasileira de Bebidas, or Spaipa, from November 2013. See **Item 4. Information on the Company The Company Corporate History.**
- (3) Includes results of Grupo Fomento Queretano, S.A.P.I. de C.V., or Grupo Fomento Queretano, from May 2012. See **Item 4. Information on the Company The Company Corporate History.**
- (4) Includes results of Administradora de Acciones del Noreste, S.A.P.I. de C.V., or Grupo Tampico, from October 2011 and from Corporación de los Angeles, S.A. de C.V., or Grupo CIMSA, from December 2011. See **Item 4. Information on the Company The Company Corporate History.**
- (5) We translated our results of operations in Venezuela for the full year ended December 31, 2015 into our reporting currency, the Mexican peso, using the SIMADI exchange rate of 198.70 bolivars to US\$1.00, which was the exchange rate in effect as of such date. As a result, in 2015, we recognized a reduction in equity of Ps.2,687 million. See **Item 5. Operating and Financial Review and Prospects General Recent Developments in the Venezuelan Exchange Control Regime and Note 2.3 to our consolidated financial statements.**
- (6) Computed by dividing Total current assets by Total current liabilities.
- (7) Computed by dividing Total liabilities by Total equity.
- (8) Computed by adding Current bank loans and notes payable, Current portion of non-current debt and Non-current bank loans and notes payable, and dividing such sum by the sum of Total equity and Non-current bank loans and notes payable.

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- (9) Computed by dividing Net cash flows from operating activities by the difference between Interest expense and Interest income.
- (10) Based on 2,072.92 million ordinary shares as of December 31, 2015, 2014 and 2013, 2,030.54 million ordinary shares as of December 31, 2012 and 1,985.45 million ordinary shares as of December 31, 2011.
- (11) Computed of the basis of the weighted average number of shares outstanding during the period: 2,072.92 million in 2015 and 2014, 2,056.20 million in 2013, 2,015.14 million in 2012 and 1,865.55 million in 2011.
- (12) Exhibit 7.2 to this annual report on Form 20-F includes a calculation of Ratio of Earnings to Fixed Charges.

**Table of Contents****DIVIDENDS AND DIVIDEND POLICY**

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

Fiscal Year with Respect to which Dividend was Declared	Date Dividend Paid or To Be Paid	Mexican Pesos per Share	
		(Nominal)	U.S. Dollars per Share <sup>(1)</sup>
2011	May 30, 2012	2,770	0.121
2012 <sup>(2)</sup>	May 2, 2013	1,450	0.119
	November 5, 2013	1,450	0.119
2013 <sup>(3)</sup>	May 2, 2014	1,450	0.111
	November 5, 2014	1,450	0.111
2014 <sup>(4)</sup>	May 5, 2015	1,540	0.090
	November 3, 2015	1,550	0.090
2015 <sup>(5)</sup>	May 3, 2016	1,670	<sup>(6)</sup>
	November 1, 2016	1,680	<sup>(6)</sup>

(1) Expressed in U.S. dollars using the applicable exchange rate when the dividend was paid.

(2) The dividend declared for the fiscal year 2012 was divided into two equal payments.

(3) The dividend declared for the fiscal year 2013 was divided into two equal payments.

(4) The dividend declared for the fiscal year 2014 was divided into two payments.

(5) The dividend declared for the fiscal year 2015 was divided into two payments.

(6) Since the dividend declared for the fiscal year 2015 has not been paid at the time of this annual report, the U.S. dollar per share amount has not been determined.

The declaration, amount and payment of dividends are subject to approval by a simple majority of the shareholders up to an amount equivalent to 20.0% of the preceding years' retained earnings and by a majority of the shareholders of each of the Series A and Series D shares voting together as a single class above 20.0% of the preceding years' retained earnings, generally upon the recommendation of our board of directors, and will depend upon our results, financial condition, capital requirements, general business conditions and the requirements of Mexican law. Accordingly, our historical dividend payments are not necessarily indicative of future dividends.

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

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

Under Mexican income tax law, dividends, either in cash or in kind, paid to individuals that are Mexican residents, and to individuals and companies that are non-Mexican residents, on our shares, including our Series L shares and our Series L shares represented by ADSs, are subject to a 10.0% Mexican withholding tax. See **Item 10. Additional Information Taxation Mexican Taxation.**





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

Period	Exchange Rate			End of Period
	High	Low	Average <sup>(1)</sup>	
2011	14.25	11.51	12.43	13.95
2012	14.37	12.63	13.14	12.96
2013	13.43	11.98	12.76	13.10
2014	14.79	12.85	13.30	14.75
2015	17.36	14.56	15.87	17.20

Source: U.S. Federal Reserve Board.

(1) Average month-end rates.

	Exchange Rate		
	High	Low	End of Period
2014:			
First Quarter	13.51	13.00	13.06
Second Quarter	13.14	12.85	12.97
Third Quarter	13.48	12.93	13.43
Fourth Quarter	14.79	13.39	14.75
2015:			
First Quarter	15.58	14.56	15.25
Second Quarter	15.69	14.80	15.69
Third Quarter	17.10	15.67	16.90
Fourth Quarter	17.36	16.37	17.20
October	16.89	16.38	16.53
November	16.85	16.37	16.60
December	17.36	16.53	17.20
2016:			
January	18.59	17.36	18.21
February	19.19	18.02	18.43
March	17.94	17.21	17.21

Source: U.S. Federal Reserve Board.

On April 8, 2016, the exchange rate was Ps.17.76 to US\$1.00, according to the U.S. Federal Reserve Board.

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

Substantially all of our sales are derived from sales of *Coca-Cola* trademark beverages. We produce, market, sell and distribute *Coca-Cola* trademark beverages through standard bottler agreements in the territories where we operate, which we refer to as our territories. We are required to purchase concentrate for all *Coca-Cola* trademark beverages from companies designated by The Coca-Cola Company, which price may be unilaterally determined from time to time by The Coca-Cola Company, in all such territories. We are also required to purchase sweeteners and other raw materials only from companies authorized by The Coca-Cola Company. **See Item 4. Information on the Company The Company Our Territories.** Pursuant to our bottler agreements and as a shareholder, The Coca-Cola Company has the right to participate in the process for making certain decisions related to our business.

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

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

We depend on The Coca-Cola Company to continue with our bottler agreements. Our bottler agreements are automatically renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew the applicable agreement. In addition, these agreements generally may be terminated in the case of material breach. **See Item 4. Information on the Company Bottler Agreements.** Termination of any such bottler agreement would prevent us from selling *Coca-Cola* trademark beverages in the affected territory. The foregoing and any other adverse changes in our relationship with The Coca-Cola Company would have an adverse effect on our business, financial condition, results of operations and prospects.

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

The Coca-Cola Company and Fomento Económico Mexicano, S.A.B. de C.V., which we refer to as FEMSA, have substantial influence on the conduct of our business. As of April 8, 2016, The Coca-Cola Company indirectly owned 28.1% of our outstanding capital stock, representing 37.0% of our capital stock with full voting rights. The Coca-Cola Company is entitled to appoint five of our maximum of 21 directors and the vote of at least two of them is required to approve certain actions by our board of directors. As of April 8, 2016, FEMSA indirectly owned 47.9% of our outstanding capital stock, representing 63.0% of our capital stock with full voting rights. FEMSA is entitled to appoint 13 of our maximum of 21 directors and all of our executive officers. The Coca-Cola Company and FEMSA together, or only FEMSA in certain circumstances, have the power to determine the outcome of all actions requiring approval by our board of directors, and FEMSA and The Coca-Cola Company together, or only FEMSA in certain circumstances, have the power to determine the outcome of all actions requiring approval of our shareholders. **See Item 7. Major Shareholders and Related Party Transactions Major Shareholders The Shareholders Agreement.** The interests of The Coca-Cola Company and FEMSA may be different from the interests of our other shareholders, which may result in us taking actions contrary to the interests of such other shareholders.

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

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



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### ***The reputation of Coca-Cola trademarks and trademark infringement could adversely affect our business.***

Substantially all of our sales are derived from sales of *Coca-Cola* trademark beverages owned by The Coca-Cola Company. Maintenance of the reputation and intellectual property rights of these trademarks is essential to our ability to attract and retain retailers and consumers and is essential for our success. Failure to maintain the reputation of *Coca-Cola* trademarks and/or to effectively protect these trademarks could have a material adverse effect on our business, financial condition, results of operations and prospects.

### ***Competition could adversely affect our business, financial condition, results of operations and prospects.***

The beverage industry in the territories where we operate is highly competitive. We face competition from other bottlers of sparkling beverages, such as *Pepsi* trademark products and other bottlers and distributors of local beverage brands, and from producers of low-cost beverages or B brands. We also compete in beverage categories other than sparkling beverages, such as water, juice-based beverages, teas, sport drinks and value-added dairy products. We expect that we will continue to face strong competition in our beverage categories in all of our territories and anticipate that existing or new competitors may broaden their product lines and extend their geographic scope.

Although competitive conditions are different in each of our territories, we compete mainly in terms of price, packaging, effective promotional activities, access to retail outlets and sufficient shelf space, customer service, product innovation and product alternatives and the ability to identify and satisfy consumer preferences. See **Item 4. Information on the Company The Company Competition**. Lower pricing and activities by our competitors and changes in consumer preferences may have an adverse effect on our business, financial condition, results of operations and prospects.

### ***Water shortages or any failure to maintain existing concessions could adversely affect our business, financial condition, results of operations and prospects.***

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

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

Water supply in the Sao Paulo region in Brazil has been reduced in recent years by low rainfall, which has affected the main water reservoir that serves the greater Sao Paulo area (Cantareira). Although our Jundiai plant does not obtain water from this water reservoir, water shortages or changes in governmental regulations aimed at rationalizing water in such region could affect our water supply in our Jundiai plant.

We cannot assure you that water will be available in sufficient quantities to meet our future production needs or will prove sufficient to meet our water supply needs. Continued water scarcity in the regions where we operate may adversely affect our business, financial condition, results of operations and prospects.

### ***Increases in the prices of raw materials would increase our cost of goods sold and may adversely affect our business, financial condition, results of operations and prospects.***

In addition to water, our most significant raw materials are (i) concentrate, which we acquire from affiliates of The Coca-Cola Company, (ii) sweeteners and (iii) packaging materials.

Prices for *Coca-Cola* trademark beverages concentrate are determined by The Coca-Cola Company as a percentage of the weighted average retail price in local currency, net of applicable taxes. The Coca-Cola Company has the right to unilaterally change



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concentrate prices or change the manner in which such prices are calculated. In the past, The Coca-Cola Company has increased concentrate prices for *Coca-Cola* trademark beverages in some of the countries where we operate. We may not be successful in negotiating or implementing measures to mitigate the negative effect this may have in the pricing of our products or our results.

The prices for our other raw materials are driven by market prices and local availability, the imposition of import duties and restrictions and fluctuations in exchange rates. We are also required to meet all of our supply needs (including sweeteners and packaging materials) from suppliers approved by The Coca-Cola Company, which may limit the number of suppliers available to us. Our sales prices are denominated in the local currency in each country where we operate, while the prices of certain materials, including those used in the bottling of our products, mainly resin, preforms to make plastic bottles, finished plastic bottles, aluminum cans, HFCS and certain sweeteners, are paid in, or determined with reference to, the U.S. dollar, and therefore may increase if the U.S. dollar appreciates against the applicable local currency. We cannot anticipate whether the U.S. dollar will appreciate or depreciate with respect to such local currencies in the future. **See Item 4. Information on the Company The Company Raw Materials.**

Our most significant packaging raw material costs arise from the purchase of resin and plastic preforms to make plastic bottles and from the purchase of finished plastic bottles, the prices of which are related to crude oil prices and global resin supply. The average prices that we paid for resin and plastic preforms in U.S. dollars in 2015 decreased 24.0% as compared to 2014 in all our territories; however, given that high currency volatility has affected and continues to affect most of our territories, the average prices for resin and plastic preforms in local currencies were higher in 2015 in Mexico, Colombia, Venezuela and Brazil. In 2015, average sweetener prices were lower in Guatemala, and were higher in the rest of our territories, in each case as compared to 2014. From 2010 through 2015, international sugar prices were volatile due to various factors, including shifting demand, availability and climate issues affecting production and distribution. In all of the countries where we operate, other than Brazil, sugar prices are subject to local regulations and other barriers to market entry that cause us to purchase sugar above international market prices. **See Item 4. Information on the Company The Company Raw Materials.** We cannot assure you that our raw material prices will not further increase in the future. Increases in the prices of raw materials would increase our cost of goods sold and adversely affect our business, financial condition, results of operations and prospects.

*Taxes could adversely affect our business, financial condition, results of operations and prospects.*

The countries where we operate may adopt new tax laws or modify existing tax laws to increase taxes applicable to our business or products. Our products are subject to certain taxes in many of the countries where we operate, which impose taxes on sparkling beverages. **See Item 4. Information on the Company Regulation Taxation of Sparkling Beverages.** The imposition of new taxes increases in existing taxes, or changes in the interpretation of tax laws and regulation by tax authorities may have a material adverse effect on our business, financial condition, results of operations and prospects.

Tax legislation in some of the countries where we operate has recently been subject to major changes. **See Item 4. Information on the Company Regulation Recent Tax Reforms.** We cannot assure you that these reforms or other reforms adopted by governments in the countries where we operate will not have a material adverse effect on our business, financial condition, results of operations and prospects.

*Regulatory developments may adversely affect our business, financial condition, results of operations and prospects.*

We are subject to several laws and regulations in each of the territories where we operate. The principal areas in which we are subject to laws and regulations are water, environment, labor, taxation, health and antitrust. Laws and regulations can also affect our ability to set prices for our products. **See Item 4. Information on the Company Regulation.** Changes in existing laws and regulations, the adoption of new laws or regulations, or a stricter interpretation or enforcement thereof in the countries where we operate may increase our operating and compliance costs or impose restrictions on our operations which, in turn, may adversely affect our financial condition, business, results of operations and prospects. In particular, environmental standards are becoming more stringent in several of the countries where we operate. There is no assurance that we will be able to comply with changes in environmental laws and regulations within the timelines established by the relevant regulatory authorities. **See Item 4. Information on the Company Regulation Environmental Matters.**

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries where we operate. Currently, there are no price controls on our products in any of the territories where we have operations, except for those in Argentina, where authorities directly supervise five of our products sold through supermarkets as a measure to control inflation, and Venezuela, where price controls have been imposed on certain products, including bottled water, and a limit has been imposed on profits earned on the sale of goods, including our products, in an effort to seek price stability of, and equal access to, goods and services. If we exceed such limit on profits, we may be forced to reduce the prices of our products in Venezuela, which would in turn adversely affect our business, financial condition, results of operations and prospects.



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In addition, consumer protection laws in Venezuela are subject to continuing review and changes, and any such changes may have an adverse impact on us. We cannot assure you that existing or future laws and regulations in the countries where we operate relating to goods and services (in particular, laws and regulations imposing statutory price controls) will not affect our products, or that we will not need to implement voluntary price restraints, which could have a negative effect on our business, financial condition, results of operations and prospects. See **Item 4. Information on the Company Regulation Price Controls.**

*Unfavorable results of legal proceedings could have an adverse effect on our business, financial condition, results of operations and prospects.*

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

*Weather conditions may adversely affect our business, financial condition, results of operations and prospects.*

Lower temperatures, higher rainfall and other adverse weather conditions such as typhoons and hurricanes may negatively impact consumer patterns, which may result in reduced sales of our beverage offerings. Additionally, such adverse weather conditions may affect plant installed capacity, road infrastructure and points of sale in the territories where we operate and limit our ability to produce, sell and distribute our products, thus affecting our business, financial condition, results of operations and prospects.

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

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

### **Risks Related to the Series L shares and the ADSs**

*Holder of our Series L shares have limited voting rights.*

Holder of our Series L shares are entitled to vote only in certain circumstances. In general terms, they may elect up to three of our maximum of 21 directors and are only entitled to vote on specific matters, including certain changes in our corporate form, mergers involving our company when our company is the merged entity or when the principal corporate purpose of the merged entity is not related to the corporate purpose of our company, the cancellation of the registration of our shares on the Mexican Stock Exchange or any other foreign stock exchange, and those matters for which the *Ley del Mercado de Valores* (Mexican Securities Market Law) expressly allows them to vote. As a result, Series L shareholders will not be able to influence our business or operations. See **Item 7. Major Shareholders and Related Party Transactions Major Shareholders** and **Item 10. Additional Information Bylaws Voting Rights, Transfer Restrictions and Certain Minority Rights.**

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

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



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

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

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

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

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

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

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

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

We may decide not to file a registration statement with the SEC that would allow holders of our shares or ADSs who are located in the United States to participate in a preemptive rights offering. In addition, under current Mexican law, the sale by the ADS depository of preemptive rights and the distribution of the proceeds from such sales to the holders of our shares in the form of ADSs is not possible. As a result, the equity interest of holders of our shares in the form of ADSs would be diluted proportionately. See **Item 10. Additional Information** **Bylaws** **Preemptive Rights**.

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### **Risks Related to the Countries Where We Operate**

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

We are a Mexican corporation and our Mexican operations are our single most important geographic territory. We also conduct an important part of our operations in Brazil. For the year ended December 31, 2015, approximately 70% of our total revenues were attributable to Mexico and Brazil. In addition to Mexico and Brazil, we conduct operations in Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, and Argentina. Our results are affected by the economic and political conditions in the countries where we conduct operations. Some of these economies continue to be heavily influenced by the U.S. economy, and therefore, deterioration in economic conditions in the U.S. economy may affect these economies. Deterioration or prolonged periods of weak economic conditions in the countries where we conduct operations may have, and in the past have had, a negative effect on our company and a material adverse effect on our business, financial condition, results of operations and prospects.

Our business may also be significantly affected by the interest rates, inflation rates and exchange rates of the local currencies of the countries where we operate. Decreases in growth rates, periods of negative growth and/or increases in inflation or interest rates may result in lower demand for our products, lower real pricing of our products or a shift to lower margin products. **See Item 11. Quantitative and Qualitative Disclosures about Market Risk.** In addition, an increase in interest rates would increase the cost to us of variable rate funding, which constituted approximately 24.0% of our total debt as of December 31, 2015, which would have an adverse effect on our financial position. **See Item 11. Quantitative and Qualitative Disclosures about Market Risk Interest Rate Risk.**

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

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

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

We have operated under exchange controls in Venezuela since 2003, which limit our ability to remit dividends abroad or make payments other than in local currency and that may increase the real price paid for raw materials and services purchased in local currency. Prior to 2014, we had historically used the official exchange rate in our Venezuelan operations. However, since the beginning of 2014, the Venezuelan government has announced a series of changes to the Venezuelan exchange control regime, approving alternative exchange rates in addition to the official exchange rate. In January 2014, the Venezuelan government announced an exchange rate determined by the state-run system known as the *Sistema Complementario de Administración de Divisas*, or SICAD. In March 2014, the Venezuelan government announced a new law that authorized an alternative method of exchanging Venezuelan bolivars to U.S. dollars known as SICAD II. In February 2015, the Venezuelan government announced that it was replacing SICAD II with a new market-based exchange rate determined by the system known as the *Sistema Marginal de Divisas*, or SIMADI. In February 2016, the Venezuelan government announced a 37.0% devaluation of the official exchange rate and changed the existing three-tier exchange rate system into a dual system by combining the official exchange rate and the SICAD exchange rate into a single official exchange rate and maintaining the SIMADI exchange rate. In March 2016, the Venezuelan government announced that it was replacing the SIMADI exchange rate with a new market-based exchange rate known as *Divisas Complementarias*, or DICOM, and the official exchange rate with a preferential exchange rate denominated *Divisa Protegida*, or DIPRO. The DIPRO exchange rate is determined by the Venezuelan government and may be used to settle imports of a list of goods and raw materials which has not been published yet as of the date of this annual report. The DICOM exchange rate is determined based on supply and demand of U.S. dollars. As of April 8, 2016, the DIPRO and DICOM exchange rates were 10 bolivars and 306.07 bolivars per U.S. dollar, respectively. **See Item 5. Operating and Financial Review and Prospects General Recent Developments in the Venezuelan Exchange Control Regime and Note 2.3 to our consolidated financial statements.**

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We translated our results of operations in Venezuela for the full year ended December 31, 2015 into our reporting currency, the Mexican peso, using the SIMADI exchange rate of 198.70 bolivars to US\$1.00, which was the exchange rate in effect as of such date. As a result, in 2015, we recognized a further reduction in equity of Ps.2,687 million.

Based on our facts and circumstances, we anticipate using the DICOM exchange rate to translate our future results of operations in Venezuela into our reporting currency, the Mexican peso. The Venezuelan government may announce further changes to the exchange rate system in the future. To the extent a higher exchange rate is applied to our investment in Venezuela in future periods as a result of changes to existing regulations, subsequently adopted regulations or otherwise, our results of operations in Venezuela and financial condition would be further adversely affected. We will closely monitor any further developments in Venezuela, which may affect the exchange rates used by us to translate the results of our Venezuelan subsidiary in the future. More generally, future currency devaluations or the imposition of exchange controls in any of the countries where we operate may potentially increase our operating costs, which could have an adverse effect on our financial position and results of operations.

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

***Political and social events in the countries where we operate and changes in governmental policies may have an adverse effect on our business, financial condition, results of operations and prospects.***

In recent years, some of the governments in the countries where we operate have implemented and may continue to implement significant changes in laws, public policy and/or regulations that could affect the political and social conditions in these countries. Any such changes may have an adverse effect on our business, results of operations, prospects and financial condition. We cannot assure you that political or social developments in any of the countries where we operate, such as the election of new administrations, political disagreements, civil disturbances and the rise in violence and perception of violence, over which we have no control, will not have a corresponding adverse effect on the local or global markets or on our business, financial condition, results of operations and prospects.

**Table of Contents****Item 4. Information on the Company****THE COMPANY****Overview**

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

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

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

Colombia most of the country.

Venezuela nationwide.

Brazil a major part of the states of Sao Paulo and Minas Gerais, the states of Parana and Mato Grosso do Sul and part of the states of Rio de Janeiro and Goias.

Argentina Buenos Aires and surrounding areas.

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

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

The following is an overview of our operations by consolidated reporting segment in 2015.

**Operations by Consolidated Reporting Segment Overview****Year Ended December 31, 2015**

	<b>Total Revenues</b>		<b>Gross Profit</b>	
	<b>(in millions of Mexican pesos, except percentages)</b>			
Mexico and Central America <sup>(1)</sup>	Ps. 78,709	51.7%	Ps. 40,130	55.7%
South America <sup>(2)</sup> (excluding Venezuela)	64,752	42.5%	27,532	38.2%
Venezuela	8,899	5.8%	4,368	6.1%
Consolidated	Ps. 152,360	100.0%	Ps. 72,030	100.0%

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

(2) Includes Colombia, Brazil and Argentina.

**Corporate History**

We are a subsidiary of FEMSA, a leading company that participates in the beer industry through its ownership of the second largest equity stake in Heineken, one of the world's leading brewers with operations in over 70 countries. FEMSA also participates in the retail industry through FEMSA Comercio, operating various small-format chain stores including OXXO, the largest and fastest-growing chain of stores in Latin America and the OXXO Gas chain of retail service stations for fuels, motor oils and other car care products. Additionally, through its strategic businesses, FEMSA provides logistics, point-of-sale refrigeration solutions and plastics solutions to FEMSA's business units and third-party clients.

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We commenced operations in 1979, when a subsidiary of FEMSA acquired certain sparkling beverage bottlers in Mexico City and surrounding areas. In 1991, FEMSA transferred its ownership in the bottlers to FEMSA Refrescos, S.A. de C.V., our corporate predecessor. In June 1993, a subsidiary of The Coca-Cola Company subscribed for 30% of our capital stock in the form of Series D shares. In September 1993, FEMSA sold Series L shares that represented 19.0% of our capital stock to the public, and we listed these shares on the Mexican Stock Exchange and, in the form of ADSs, on the NYSE.

In a series of transactions since 1994, we have acquired new territories, brands and other businesses which today comprise our business. In May 2003, we acquired Panamerican Beverages Inc., or Panamco, and began producing and distributing *Coca-Cola* trademark beverages in additional territories in the central and gulf regions of Mexico and in Central America (Guatemala, Nicaragua, Costa Rica and Panama), Colombia, Venezuela and Brazil, along with bottled water, beer and other beverages in some of these territories.

In November 2006, FEMSA acquired 148,000,000 of our Series D shares from certain subsidiaries of The Coca-Cola Company, which increased FEMSA's ownership to 53.7%.

In November 2007, we acquired together with The Coca-Cola Company 100.0% of the shares of capital stock of Jugos del Valle, S.A.P.I. de C.V., or Jugos del Valle. In 2008, we, The Coca-Cola Company and all Mexican and Brazilian *Coca-Cola* bottlers entered into a joint business for the Mexican and Brazilian operations, respectively, of Jugos del Valle.

In December 2007 and May 2008, we sold most of our proprietary brands to The Coca-Cola Company. The proprietary brands are now being licensed back to us by The Coca-Cola Company pursuant to our bottler agreements. In May 2008, we entered into a transaction with The Coca-Cola Company to acquire its wholly owned bottling franchise Refrigerantes Minas Gerais, Ltda., or REMIL, located in the State of Minas Gerais in Brazil.

In July 2008, we acquired the Agua de los Angeles bulk water business in Mexico City and surrounding areas from Grupo Embotellador CIMSA, S.A. de C.V., at the time one of the Coca-Cola bottling franchises in Mexico. The trademarks remain with The Coca-Cola Company. We subsequently merged Agua de los Angeles into our bulk water business under the *Ciel* brand.

In February 2009, we acquired together with The Coca-Cola Company the *Brisa* bottled water business in Colombia from Bavaria, S.A., a subsidiary of SABMiller plc. We acquired the production assets and the distribution territory, and The Coca-Cola Company acquired the *Brisa* brand.

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

In August 2010, we acquired from The Coca-Cola Company, along with other Brazilian Coca-Cola bottlers, Leão Alimentos e Bebidas, Ltda., or Leão Alimentos, manufacturer and distributor of the *Matte Leão* tea brand, which would later be integrated with the Brazilian operations of Jugos del Valle.

In March 2011, we acquired together with The Coca-Cola Company, Grupo Industrias Lácteas, S.A. (also known as Estrella Azul), a Panamanian conglomerate that participates in the dairy and juice-based beverage categories in Panama.

In October 2011, we merged with Grupo Tampico, a Mexican bottler with operations in the states of Tamaulipas, San Luis Potosi, and Veracruz, as well as in parts of the states of Hidalgo, Puebla and Queretaro.

In December 2011, we merged with Grupo CIMSA, a Mexican *Coca-Cola* bottler with operations mainly in the states of Morelos and Mexico, as well as in parts of the states of Guerrero and Michoacan. As part of our merger with Grupo CIMSA, we also acquired a 13.2% equity interest in Promotora Industrial Azucarera, S.A de C.V., or PIASA.

In May 2012, we merged with Grupo Fomento Queretano, a Mexican bottler with operations mainly in the state of Queretaro, as well as in parts of the states of Mexico, Hidalgo and Guanajuato. As part of our merger with Grupo Fomento Queretano, we also acquired an additional 12.9% equity interest in PIASA.

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

In January 2013, we acquired a 51.0% non-controlling majority stake in CCFPI from The Coca-Cola Company.

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In May 2013, we merged with Grupo Yoli, a Mexican bottler with operations mainly in the state of Guerrero, as well as in parts of the state of Oaxaca. As part of our merger with Grupo Yoli, we also acquired an additional 10.1% equity interest in PIASA, for a total ownership of 36.3% as of April 8, 2016.

In August 2013, we acquired Companhia Fluminense, a franchise that operates in parts of the states of Sao Paulo, Minas Gerais and Rio de Janeiro in Brazil. As part of our acquisition of Companhia Fluminense, we also acquired an additional 1.2% equity interest in Leão Alimentos.

In October 2013, we acquired Spaipa, a Brazilian bottler with operations in the state of Parana and in parts of the state of Sao Paulo. As part of our acquisition of Spaipa, we also acquired an additional 5.8% equity interest in Leão Alimentos, for a total ownership as of April 8, 2016 of 24.4%, and a 50.0% stake in Fountain Água Mineral Ltda., a joint venture to develop the water category together with The Coca-Cola Company.

For further information, see **Item 7. Major Shareholders and Related Party Transactions Related Party Transactions The Coca-Cola Company.**

## **Capital Stock**

As of April 8, 2016, FEMSA indirectly owned Series A shares equal to 47.9% of our capital stock (63.0% of our capital stock with full voting rights). As of April 8, 2016, The Coca-Cola Company indirectly owned Series D shares equal to 28.1% of the capital stock of our company (37.0% of our capital stock with full voting rights). Series L shares with limited voting rights, which trade on the Mexican Stock Exchange and in the form of ADSs on the NYSE, constitute the remaining 24.0% of our capital stock.

## **Business Strategy**

We operate with a large geographic footprint in Latin America. In January 2015, we restructured the management of our operations as follows: (i) Mexico (covering certain territories in Mexico); (ii) Latin America (covering certain territories in Guatemala, and all of Nicaragua, Costa Rica and Panama, certain territories in Argentina, most of Colombia and all of Venezuela); (iii) Brazil (covering a major part of the states of Sao Paulo and Minas Gerais, the states of Parana and Mato Grosso do Sul and part of the states of Rio de Janeiro and Goias); and (iv) Asia (covering all of the Philippines through a joint venture with The Coca-Cola Company). Through this restructuring, we created a more flexible organizational structure to execute our strategies and continue with our track record of growth. We also aligned our business strategies more efficiently, ensuring a faster introduction of new products and categories, and a more rapid and effective design and deployment of commercial models.

To maximize growth and profitability and to create value for our shareholders and customers, we plan on executing the following key strategies: (i) continue evolving our commercial and client segmentation models to capture the industry's long-term value potential; (ii) implement multi-segmentation strategies to target customers by consumption occasion, competitive environment and income level; (iii) implement well-planned product development, packaging, pricing and marketing strategies through different distribution channels; (iv) drive product innovation along our different product categories; (v) develop new businesses and distribution channels; and (vi) drive operational efficiencies throughout our organization to achieve the full operating potential of our commercial models and processes. In furtherance of these efforts, we intend to continue to focus on, among other initiatives, the following:

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



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

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

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

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

replicating our best practices throughout the value chain;

rationalizing and adapting our organizational and asset structure in order to be in a better position to anticipate and respond to industry changes and trends in a competitive environment;

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

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

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

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

As mentioned above, in 2015, we redesigned our corporate structure to strengthen the core functions of our organization. Through this restructuring we created specialized departments (centers of excellence) focused on manufacturing, distribution and logistics, commercial, and IT innovation areas. These departments not only enable centralized collaboration and knowledge sharing, but also drive standards of excellence and best practices in our key strategic capabilities. Our priorities include enhanced manufacturing efficiency, improved distribution and logistics, and cutting-edge IT-enabled commercial innovation.

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

Sustainable development is a comprehensive part of our strategic framework for business operation and growth. We base our efforts in our core foundation, our ethics and values. We focus on three main areas, (i) our people, by encouraging the comprehensive development of our employees and their families; (ii) our communities, by promoting the generation of sustainable communities where we serve, an attitude of

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health, self-care, adequate nutrition and physical activity, and evaluating the impact of our value chain; and (iii) our planet, by establishing guidelines that we believe will result in efficient use of natural resources to minimize the impact that our operations might have on the environment and create a broader awareness of caring for our environment.

In our company we are conscious that weight issues and obesity are worldwide health problems, which need a collective effort for their solution. We believe that neither beverages nor any other product by itself is the direct cause of these problems, as they are complicated issues related to dietary habits and physical activity. However, as industry leaders, we would like to be a part of the solution. That is why we are committed to find, together with public and private institutions of the countries where we operate, a comprehensive solution to this problem. Through innovation, we have developed new products and expanded the availability of low

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or zero calorie beverages as well as bottled water in different presentations, adapted to consumers' lifestyle. Approximately 40% of our brands are calorie free or low- or non-caloric beverages. In addition, we inform our consumers through front labeling on nutrient composition and caloric content of our beverages. We have been pioneers in the introduction of the Guideline Daily Amounts (GDA), and we perform responsible advertising practices and marketing. We voluntarily adhere to national and international codes of conduct in advertising and marketing, including communications targeted to minors which are developed based on the Responsible Marketing policies and Global School Beverage Guidelines of The Coca-Cola Company, achieving full compliance with all such codes in all of the countries where we operate. Moreover, we actively promote exercise, proper nutrition and healthy habits to promote an energetic balance, demonstrating our commitment to encourage physical activity among consumers. In general, more than 6.1 million people in 2015 benefited from physical activity events we sponsored, and more than 509,000 people in 2015 and 2.5 million people in the period from 2010 to 2015, benefited from our own health and physical activity programs.

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

### **CCFPI Joint Venture**

On January 25, 2013, as part of our efforts to expand our geographic reach, we acquired a 51.0% non-controlling majority stake in CCFPI from The Coca-Cola Company. We have an option to acquire the remaining 49.0% stake in CCFPI at any time during the seven years following the closing date. We also have a put option to sell our ownership in CCFPI to The Coca-Cola Company commencing on the fifth anniversary of the closing date and ending on the sixth anniversary of the closing date. We currently manage the day-to-day operations of the business; however, pursuant to our shareholders' agreement with The Coca-Cola Company (a) during a four-year period ending January 25, 2017, all decisions must be approved jointly with The Coca-Cola Company, (b) following this four-year period, all decisions related to the annual normal operations plan and any other ordinary matters will be approved only by us, (c) The Coca-Cola Company has the right to appoint (and may remove) CCFPI's chief financial officer, and (d) we have the right to appoint (and may remove) the chief executive officer and all other officers of CCFPI.

As of December 31, 2015, our investment under the equity method in CCFPI was Ps.9,996 million. See Notes 9 and 25 to our consolidated financial statements. CCFPI's product portfolio in the Philippines consists of *Coca-Cola* trademark beverages and its total sales volume in 2015 reached 522.5 million unit cases. The operations of CCFPI are comprised of 19 production plants and serve close to 806,369 customers.

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

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**Our Territories**

The following map shows our territories, including CCFPI, our joint venture in the Philippines with The Coca-Cola Company, giving estimates in each case of the population to which we offer products and the number of retailers of our beverages as of December 31, 2015:

**Table of Contents****Our Products**

We produce, market, sell and distribute *Coca-Cola* trademark beverages. The *Coca-Cola* trademark beverages include: sparkling beverages (colas and flavored sparkling beverages), waters and still beverages (including juice drinks, coffee, teas, milk, value-added dairy and isotonic drinks). The following table sets forth our main products as of December 31, 2015:

	Mexico and Central America <sup>(1)</sup>	South America <sup>(2)</sup>	Venezuela
<b>Colas:</b>			
<i>Coca-Cola</i>	ü	ü	ü
<i>Coca-Cola Light</i>	ü	ü	ü
<i>Coca-Cola Zero</i>	ü	ü	
<i>Coca-Cola Life</i>	ü	ü	
<b>Flavored Sparkling Beverages:</b>			
<i>Ameyal</i>	ü		
<i>Canada Dry</i>	ü		
<i>Chinotto</i>			ü
<i>Crush</i>		ü	
<i>Escuis</i>	ü		
<i>Fanta</i>	ü	ü	
<i>Fresca</i>	ü		
<i>Frescolita</i>	ü		ü
<i>Hit</i>			ü
<i>Kist</i>	ü		
<i>Kuat</i>		ü	
<i>Lift</i>	ü		
<i>Limon&amp;Nada</i>	ü		
<i>Mundet</i>	ü		
<i>Naranja&amp;Nada</i>	ü		
<i>Quatro</i>		ü	
<i>Schweppes</i>	ü	ü	ü
<i>Simba</i>		ü	
<i>Sprite</i>	ü	ü	
<i>Victoria</i>	ü		
<i>Yoli</i>	ü		
<b>Water:</b>			
<i>Alpina</i>	ü		
<i>Aquarius<sup>(3)</sup></i>		ü	
<i>Bonaqua</i>		ü	
<i>Brisa</i>		ü	
<i>Ciel</i>	ü		
<i>Crystal</i>		ü	
<i>Dasani</i>	ü		
<i>Manantial</i>		ü	
<i>Nevada</i>			ü

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	Mexico and Central America <sup>(1)</sup>	South America <sup>(2)</sup>	Venezuela
<i>Other Categories:</i>			
<i>Cepita</i> <sup>(4)</sup>		ü	
<i>Del Prado</i> <sup>(5)</sup>	ü		
<i>Estrella Azul</i> <sup>(6)</sup>	ü		
<i>FUZE Tea</i>	ü		ü
<i>Hi-C</i> <sup>(7)</sup>	ü	ü	
<i>Santa Clara</i> <sup>(8)</sup>	ü		
<i>Jugos del Valle</i> <sup>(4)</sup>	ü	ü	ü
<i>Matte Leão</i> <sup>(9)</sup>		ü	
<i>Powerade</i> <sup>(10)</sup>	ü	ü	ü
<i>ValleFrut</i> <sup>(11)</sup>	ü	ü	ü

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

(2) Includes Colombia, Brazil and Argentina.

(3) Flavored water. In Brazil, also a flavored sparkling beverage.

(4) Juice-based beverage.

(5) Juice-based beverage in Central America.

(6) Milk and value-added dairy and juices.

(7) Juice-based beverage. Includes Hi-C Orangeade in Argentina.

(8) Milk, value-added dairy and coffee.

(9) Ready to drink tea.

(10) Isotonic drinks.

(11) Orangeade. Includes *Del Valle Fresh* in Costa Rica, Nicaragua, Panama, Colombia and Venezuela.

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### Sales Overview

We measure total sales volume in terms of unit cases and number of transactions. Unit case refers to 192 ounces of finished beverage product (24 eight-ounce servings) and, when applied to soda fountains, refers to the volume of syrup, powders and concentrate that is required to produce 192 ounces of finished beverage product. Transactions refers to the number of single units (e.g. a can or a bottle) sold, regardless of their size or volume or whether they are sold individually or in multipacks, except for fountain which represents multiple transactions based on a standard 12 oz. serving. Except when specifically indicated, sales volume in this annual report refers to sales volume in terms of unit cases.

The following table illustrates our historical sales volume for each of our consolidated territories.

	Year Ended December 31,		
	2015	2014	2013 <sup>(1)</sup>
	(millions of unit cases)		
Mexico and Central America			
Mexico	1,784.5	1,754.9	1,798.0
Central America <sup>(2)</sup>	167.8	163.6	155.6
South America (excluding Venezuela)			
Colombia	320.0	298.4	275.7
Brazil <sup>(3)</sup>	693.6	733.5	525.2
Argentina	233.9	225.8	227.1
Venezuela	235.6	241.1	222.9
Consolidated Volume	3,435.6	3,417.3	3,204.5

(1) Includes volume from the operations of Grupo Yoli from June 2013, Companhia Fluminense from September 2013 and Spaipa from November 2013.

(2) Includes Guatemala, Nicaragua, Costa Rica and Panama.

(3) Excludes beer sales volume.

The total number of transactions reported in 2015 grew 0.7% to 20,279.6 million transactions as compared to 2014. Excluding our operations in Venezuela, the total number of transactions reported in 2015 would have grown 1.1% to 18,961.5 million as compared to 2014. On the same basis, total transactions reported for our sparkling beverage portfolio in 2015 would have grown 0.4% as compared to 2014, mainly driven by the positive performance in Mexico, Colombia, Argentina and Central America; total transactions reported for our still beverage category would have grown 6.0% as compared to 2014, mainly driven by Colombia, Mexico and Argentina; and total transactions reported for bottled water, including bulk water, would have grown 1.6% as compared to 2014, driven by the performance in Colombia and Argentina.

The number of transactions reported in 2015 in our Mexico and Central America division grew 2.4% to 10,877.1 million transactions as compared to 2014. The number of transactions reported for our sparkling beverage portfolio in 2015 in this division grew 2.8% as compared to 2014, mainly driven by a 2.9% growth in Mexico; transactions reported for our still beverage category in 2015 in this division increased by 6.1% as compared to 2014; and transactions reported for bottled water, including bulk water, decreased 6.4% as compared to 2014, driven by a 7.4% contraction in Mexico. In 2015, the total number of transactions in our Mexican operations and our Central American operations grew 2.3% and 2.8%, respectively, in each case as compared to 2014.

The number of transactions reported in 2015 in our South America division, excluding Venezuela, decreased 0.7% to 8,084.3 million transactions as compared to 2014. The number of transactions reported for our sparkling beverage portfolio in 2015 in this division decreased 2.7% as compared to 2014, driven by a contraction of 6.4% in Brazil which was partially offset by the positive performance in Colombia and Argentina; transactions reported for our still beverage category in 2015 in this division increased 5.9% as compared to 2014; and transactions reported for bottled water, including bulk water, grew 10.0% as compared to 2014. In 2015, the total number of transactions in our Brazilian operations decreased 6.6%, in our Colombian operation grew 9.6% and in our Argentine operations grew 5.5%, in each case as compared to 2014.

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The number of transactions reported in 2015 in our Venezuela division decreased 3.6% to 1,318.1 million transactions as compared to 2014. The number of transactions reported for our sparkling beverage portfolio in 2015 in this division decreased 3.2% as compared to 2014, mainly driven by a contraction of 8.7% in our flavored sparkling beverage category; transactions reported for our still beverage category in 2015 in this division decreased 12.5% as compared to 2014; and transactions reported for bottled water, including bulk water, grew 5.3% as compared to 2014.



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### Product and Packaging Mix

From the more than 113 brands and line extensions of beverages that we sell and distribute, our most important brand, *Coca-Cola*, together with its line extensions, *Coca-Cola Light*, *Coca-Cola Life* and *Coca-Cola Zero*, accounted for 60.8% of total sales volume in 2015. Our next largest brands, *Ciel* (a water brand from Mexico and its line extensions), *Fanta* (and its line extensions), *Sprite* (and its line extensions) and *ValleFrut* (and its line extensions) accounted for 11.1%, 4.7%, 2.9% and 2.9%, respectively, of total sales volume in 2015. We use the term line extensions to refer to the different flavors and low-calorie versions in which we offer our brands. We produce, market, sell and distribute *Coca-Cola* trademark beverages in each of our territories in containers authorized by The Coca-Cola Company, which consist of a variety of returnable and non-returnable presentations in the form of glass bottles, cans and plastic bottles mainly made of polyethylene terephthalate, which we refer to as PET.

We use the term presentation to refer to the packaging unit in which we sell our products. Presentation sizes for our *Coca-Cola* trademark beverages range from a 6.5-ounce personal size to a 3-liter multiple serving size. For all of our products excluding water, we consider a multiple serving size as equal to, or larger than, 1.0 liter. In general, personal sizes have a higher price per unit case as compared to multiple serving sizes. We offer both returnable and non-returnable presentations, which allow us to offer portfolio alternatives based on convenience and affordability to implement revenue management strategies and to target specific distribution channels and population segments in our territories. In addition, we sell some *Coca-Cola* trademark beverage syrups in containers designed for soda fountain use, which we refer to as fountain. We also sell bottled water products in bulk sizes, which refer to presentations equal to or larger than 5.0 liters, which have a much lower average price per unit case than our other beverage products.

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

The following discussion analyzes our product and packaging mix by consolidated reporting segment. The volume data presented is for the years 2015, 2014 and 2013.

**Mexico and Central America.** Our product portfolio consists of *Coca-Cola* trademark beverages, including the *Jugos del Valle* line of juice-based beverages.

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

	Year Ended December 31,		
	2015	2014	2013 <sup>(1)</sup>
	(in percentages, except for total sales volumes)		
<b>Total Sales Volume</b>			
Total (millions of unit cases)	1,952.4	1,918.5	1,953.6
Growth	1.8	(1.8)	4.4
<b>Unit Case Volume Mix by Category</b>			
Sparkling beverages	74.0	73.2	73.1
Water <sup>(2)</sup>	20.2	21.3	21.2
Still beverages	5.8	5.5	5.7
Total	100.0	100.0	100.0

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

(2) Includes bulk water volumes.



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In 2015, multiple serving presentations represented 64.6% of total sparkling beverages sales volume in Mexico, a 10 basis points increase compared to 2014; and 55.0% of total sparkling beverages sales volume in Central America, a 30 basis points decrease compared to 2014. Our strategy is to foster consumption of single serve presentations while maintaining multiple serving volumes. In 2015, returnable packaging, as a percentage of total sparkling beverage sales volume accounted for 36.5% in Mexico, a 140 basis points decrease as compared to 2014; and 37.6% in Central America, a 280 basis points increase as compared to 2014.

In 2015, our sparkling beverages volume as a percentage of total sales volume in our Mexico and Central America division increased marginally to 74.0% as compared with 2014.

Total sales volume in our Mexico and Central America division reached 1,952.4 million unit cases in 2015, an increase of 1.8% compared to 1,918.5 million unit cases in 2014. The sales volume for our sparkling beverage category increased 3.0%, mainly driven by the performance of *Coca-Cola* brand products. Our bottled water portfolio, including bulk water, decreased 3.5%, mainly driven by a contraction of the *Ciel* brand in Mexico. Our still beverage category grew 5.8% mainly due to the performance of the Jugos del Valle portfolio, the *Powerade* brand and our Santa Clara dairy business in Mexico.

In 2014, multiple serving presentations represented 64.5% of total sparkling beverages sales volume in Mexico, a 170 basis points decrease compared to 2013; and 54.7% of total sparkling beverages sales volume in Central America, a 16 basis points decrease compared to 2013. Our strategy is to foster consumption of single serve presentations while maintaining multiple serving volumes. In 2014, returnable packaging, as a percentage of total sparkling beverage sales volume accounted for 37.9% in Mexico, a 290 basis points increase as compared to 2013; and 34.8% in Central America, a 150 basis points increase as compared to 2013.

In 2014, our sparkling beverages volume as a percentage of total sales volume in our Mexico and Central America division increased marginally to 73.2% as compared with 2013.

Total sales volume in our Mexico and Central America division (including Grupo Yoli) reached 1,918.5 million unit cases in 2014, a decrease of 1.8% compared to 1,953.6 million unit cases in 2013. The sales volume for our sparkling beverage category decreased 1.6%, mainly driven by the impact of price increase to compensate the excise tax to sweetened beverages. Our bottled water portfolio, excluding bulk water, grew 4.2%, mainly driven by the performance of the *Ciel* brand in Mexico. Our still beverage category decreased 5.5% mainly due to the performance of the Jugos del Valle portfolio in the division. Organically, excluding the non-comparable effect of Grupo Yoli in 2014, total sales volume for Mexico and Central America division reached 1,878.9 million unit cases in 2014, a decrease of 3.8% as compared to 2013. On the same basis, our sparkling beverage category decreased 3.9%, our bottled water portfolio, excluding bulk water, remained flat, and our still beverage category decreased 7.1%.

In 2013, multiple serving presentations represented 66.2% of total sparkling beverages sales volume in Mexico (including Grupo Fomento Queretano and Grupo Yoli), a 10 basis points decrease compared to 2012; and 56.3% of total sparkling beverages sales volume in Central America, a 50 basis points increase compared to 2012. In 2013, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 35.0% in Mexico (including Grupo Fomento Queretano and Grupo Yoli), a 160 basis points increase compared to 2012; and 33.3% in Central America, a 30 basis points decrease compared to 2012.

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

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

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

During 2013, as part of our efforts to foster sparkling beverage consumption in Brazil, we reinforced the 2.0-liter returnable plastic bottle for the *Coca-Cola* brand and introduced two single-serve 0.2 and 0.3 liter presentations. During 2014, in an effort to increase sales in our still beverage

portfolio in the region, we reinforced our *Jugos del Valle* line of business and *Powerade* brand.

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

	Year Ended December 31,		
	2015	2014	2013 <sup>(1)</sup>
	(in percentages, except for total sales volumes)		
<b>Total Sales Volume</b>			
Total (millions of unit cases)	1,247.6	1,257.7	1,028.1
Growth	(0.8)	22.6	6.3
<b>Unit Case Volume Mix by Category</b>			
Sparkling beverages	82.8	84.1	84.1
Water <sup>(2)</sup>	10.4	9.7	10.1
Still beverages	6.8	6.2	5.8
Total	100.0	100.0	100.0

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

(2) Includes bulk water volumes.

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 category grew 7.5% mainly driven by the Jugos del Valle line of business in Colombia and the *Cepita* and *Hi-C* brands in Argentina. Our sparkling portfolio decreased 2.3% mainly driven by the volume contraction in Brazil. Our bottled water portfolio, including bulk water, increased 7.5% driven by the performance of the *Aquarius*, *Kin* and *Bonaqua* brands in Argentina, the *Manantial* and *Brisa* brands in Colombia and the *Crystal* brand in Brazil.

In 2015, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 29.1% in Colombia, a decrease of 290 basis points as compared to 2014; 22.4% in Argentina, an increase of 270 basis points and 16.9% in Brazil a 140 basis points increase as compared to 2014. In 2015, multiple serving presentations represented 70.6%, 84.5% and 75.7% of total sparkling beverages sales volume in Colombia, Argentina and Brazil, respectively.

Total sales volume in our South America division, excluding Venezuela, increased 22.6% to 1,257.7 million unit cases in 2014 as compared to 2013, as a result of stronger sales volumes in our recently integrated territories in Brazil and better volume performance in Colombia. The still beverage category grew 31.8% mainly driven by the Jugos del Valle line of business in Colombia and Brazil and the performance of *FUZE tea* and *Leão tea* in the division. Our sparkling portfolio increased 22.6% mainly driven by the performance of the *Coca-Cola* brand and other core products in our operations. Our bottled water portfolio, including bulk water, increased 16.9% driven by performance of the *Bonaqua* brand in Argentina and the *Crystal* brand in Brazil. Organically, excluding the non-comparable effect of Companhia Fluminense and Spaipa in 2014, total sales volume in South America division excluding Venezuela, increased 3.7% as compared to 2013. On the same basis, our still beverage category grew 15.3% mainly driven by the Jugos del Valle line of business in the region, our bottled water portfolio, including bulk water, increased 6.9% mainly driven by the performance of the *Crystal* brand in Brazil, and our sparkling beverage category increased 2.5%.

In 2014, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 32.0% in Colombia, a decrease of 520 basis points as compared to 2013; 19.7% in Argentina, a decrease of 230 basis points; and 15.5% in Brazil, a 50 basis points decrease compared to 2013. In 2014, multiple serving presentations represented 69.8%, 85.3% and 75.0% of total sparkling beverages sales volume in Colombia, Argentina and Brazil, respectively.

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

increases compensated for a 1.2% decline in the sparkling beverage portfolio.

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In 2013, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 37.2% in Colombia, a decrease of 320 basis points as compared to 2012; 22.0% in Argentina, a decrease of 690 basis points; and 16.0% in Brazil, excluding the non-comparable effect of Companhia Fluminense and Spaipa, a 170 basis points increase compared to 2012. In 2013, multiple serving presentations represented 66.7%, 85.2% and 72.9% of total sparkling beverages sales volume in Colombia, Argentina and Brazil on an organic basis, respectively.

We continue to distribute and sell the *Heineken* beer portfolio, including *Kaiser* beer brands, in our Brazilian territories through the 20-year term, consistent with the arrangements in place since 2003 with Cervejarias Kaiser, a subsidiary of the Heineken Group. Beginning in the second quarter of 2005, we ceased including beer that we distribute in Brazil in our reported sales volumes.

**Venezuela.** Our product portfolio in Venezuela consists of *Coca-Cola* trademark beverages.

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

	Year Ended December 31,		
	2015	2014	2013
	(in percentages, except for total sales volumes)		
<b>Total Sales Volume</b>			
Total (millions of unit cases)	235.6	241.1	222.9
Growth	(2.3)	8.2	7.3
<b>Unit Case Volume Mix by Category</b>			
Sparkling beverages	86.2	85.7	85.6
Water <sup>(1)</sup>	6.8	6.5	6.9
Still beverages	7.0	7.8	7.5
Total	100.0	100.0	100.0

(1) Includes bulk water volumes.

We have implemented a product portfolio rationalization strategy that allows us to minimize the impact of certain operating disruptions that have been recurrent in Venezuela over the last several years related to difficulties in accessing raw materials due to the delay in obtaining the corresponding import authorizations and the Venezuelan exchange controls. In addition, from time to time, we experience operating disruptions due to prolonged negotiations of collective bargaining agreements.

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 the *Coca-Cola* brand, which grew 3.4%. The bottled water business, including bulk water, grew 6.1% mainly driven by the *Nevada* brand. The still beverage category decreased 11.3%.

In 2015, multiple serving presentations represented 82.4% of total sparkling beverages sales volume in Venezuela, a 50 basis points increase as compared to 2014. In 2015, returnable presentations represented 6.9% of total sparkling beverages sales volume in Venezuela, which remained flat as compared to 2014.

Total sales volume increased 8.2% to 241.1 million unit cases in 2014, as compared to 222.9 million unit cases in 2013. The sales volume in the sparkling beverage category grew 8.3%, driven by the strong performance of the *Coca-Cola* brand, which grew 15.3%. The bottled water business, including bulk water, grew 1.6% mainly driven by the *Nevada* brand. The still beverage category increased 10.8%, due to the performance of the *Del Valle Fresh* orangeade and *Powerade* brand.

In 2014, multiple serving presentations represented 81.9% of total sparkling beverages sales volume in Venezuela, a 100 basis points increase as compared to 2013. In 2014, returnable presentations represented 6.9% of total sparkling beverages sales volume in Venezuela, a 20 basis points increase as compared to 2013.

Total sales volume increased 7.3% to 222.9 million unit cases in 2013, as compared to 207.7 million unit cases in 2012. The sales volume in the sparkling beverage category grew 4.5%, driven by the strong performance of the *Coca-Cola* brand, which grew 10.0%. The bottled water

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business, including bulk water, grew 33.2% mainly driven by the *Nevada* brand. The still beverage category increased 23.5%, due to the performance of the *Del Valle Fresh* orangeade and *Kapo*.



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

### **Seasonality**

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

### **Marketing**

We, in conjunction with The Coca-Cola Company, have developed a marketing strategy to promote the sale and consumption of our products. We rely extensively on advertising, sales promotions and retailer support programs to target the particular preferences of our consumers. Our consolidated marketing expenses in 2015, net of contributions by The Coca-Cola Company, were Ps.3,447 million. The Coca-Cola Company contributed an additional Ps.3,749 million in 2015, which mainly includes contributions for coolers, bottles and cases. Through the use of advanced information technology, we have collected customer and consumer information that allow us to tailor our marketing strategies to target different types of customers located in each of our territories and to meet the specific needs of the various markets we serve.

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

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

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

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

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

**Client Value Management.** We continue transforming our commercial models to focus on our customers' value potential using a value-based segmentation approach to capture the industry's potential. We started the rollout of this new model in our Mexico, Central America, Colombia and Brazil operations in 2009. At the end of 2015, we had successfully transformed the commercial models in all of our territories.

We believe that the implementation of these strategies described above also enables us to respond to competitive initiatives with channel-specific responses as opposed to market-wide responses. In addition, it allows us to be more efficient in the way we go to market and invest our marketing resources in those segments that could provide a higher return. Our marketing, segmentation and distribution activities are facilitated by our management information systems, and are all incorporated within our recently created centers of excellence.

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**Centers of Excellence.** Our centers of excellence focus on manufacturing, distribution and logistics, commercial, and IT innovation areas. These centers not only enable centralized collaboration and knowledge sharing, but also drive standards of excellence and best practices in our key strategic capabilities.

**Manufacturing Center of Excellence.** This center focuses on developing industry-leading operating models, practices and processes mainly by reducing operating costs, increasing efficiency and productivity of our manufacturing assets, minimizing waste disposal by optimizing the materials used in our manufacturing processes, and promoting high industrial quality and product safety. We are in the process of developing a Manufacturing Execution System, a new digital platform that will enable us to map and monitor performance at our plants, including critical data from our production equipment and processes.

**Distribution and Logistics Center of Excellence.** This center seeks to ensure best-in-class customer service by optimizing performance in our supply chain, transport engineering and equipment design, warehouse management and secondary distribution from our warehouses to the point of sale.

**Commercial Center of Excellence.** This center is designed to develop expertise and promote excellence across key commercial areas. The center establishes and aligns our commercial views across key functional areas; identifies and replicates best commercial practices and processes, develops and enforces commercial performance standards; and drives innovation across our commercial activities.

**IT Innovation Center of Excellence.** This center is established to support our other centers of excellence by developing a comprehensive technological platform to create and foster innovative processes, technologies and capabilities to centralize information and promote knowledge sharing across our key strategic areas.

## **Product Sales and Distribution**

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

	As of December 31, 2015		
	Mexico and Central America <sup>(1)</sup>	South America <sup>(2)</sup>	Venezuela
Distribution centers	174	67	33
Retailers <sup>(3)</sup>	966,773	829,703	176,503

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

(2) Includes Colombia, Brazil and Argentina.

(3) Estimated.

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

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

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

elements in an effective selling and distribution system for our products.

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

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

In Mexico, we sell a majority of our beverages at small retail stores to consumers who may take the beverages for consumption at home or elsewhere. We also sell products through the on-premise consumption segment, supermarkets and other locations. The on-premise consumption segment consists of sales through sidewalk stands, restaurants, bars and various types of dispensing machines as well as sales through point-of-sale programs in stadiums, concert halls, auditoriums and theaters.

**Brazil.** In Brazil, we sold 33.4% of our total sales volume through modern distribution channels in 2015. Modern distribution channels in Brazil include large and organized chain retail outlets such as wholesale supermarkets, discount stores and convenience stores that sell fast-moving consumer goods, where retailers can buy large volumes of products from various producers. Also in Brazil, we distribute our finished products to retailers through a combination of our own fleet of trucks and third party distributors, while we maintain control over the selling function. In designated zones in Brazil, third-party distributors purchase our products at a discount from the wholesale price and resell the products to retailers.

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

## **Competition**

While we believe that our products enjoy wider recognition and greater consumer loyalty than those of our principal competitors, the markets in the territories where we operate are highly competitive. Our principal competitors are local *Pepsi* bottlers and other bottlers and distributors of local beverage brands. We face increased competition in many of our territories from producers of low price beverages, commonly referred to as B brands. A number of our competitors in Central America, Venezuela, Brazil and Argentina offer beer in addition to sparkling beverages, still beverages, and water, which may enable them to achieve distribution efficiencies.

While competitive conditions are different in each of our territories, we compete mainly in terms of price, packaging, effective promotional activities, access to retail outlets and sufficient shelf space, customer service, product innovation and product alternatives and the ability to identify and satisfy consumer preferences. We compete by seeking to offer products at an attractive price in the different segments in our markets and by building on the value of our brands. We believe that the introduction of new products and new presentations has been a significant competitive technique that allows us to increase demand for our products, provide different options to consumers and increase new consumption opportunities. See **Product and Packaging Mix.**

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

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

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



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

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

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

**Raw Materials**

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

In the past, The Coca-Cola Company has increased concentrate prices for *Coca-Cola* trademark beverages in some of the countries where we operate. In 2014, The Coca-Cola Company informed us that it will gradually increase concentrate prices for certain *Coca-Cola* trademark beverages over a five-year period in Costa Rica and Panama beginning in 2014. In 2015, it informed us that it will gradually increase concentrate prices for flavored water over a four-year period in Mexico beginning in April 2015. Most recently, The Coca-Cola Company also informed us that it will gradually increase concentrate prices for certain *Coca-Cola* trademark beverages over a two-year period in Colombia beginning in 2016. Based on our estimates, we currently do not expect these increases will have a material adverse effect on our results of operations. The Coca-Cola Company may unilaterally increase concentrate prices again in the future and we may not be successful in negotiating or implementing measures to mitigate the negative effect this may have in the prices of our products or our results. **See Item 7. Major Shareholders and Related Party Transactions Major Shareholders Cooperation Framework with The Coca-Cola Company.**

In addition to concentrate, we purchase sweeteners, carbon dioxide, resin and preforms to make plastic bottles, finished plastic and glass bottles, cans, caps and fountain containers, as well as other packaging materials and raw materials. Sweeteners are combined with water to produce basic syrup, which is added to the concentrate as the sweetener for most of our beverages. Our bottler agreements provide that, with respect to *Coca-Cola* trademark beverages, these materials may be purchased only from suppliers approved by The Coca-Cola Company, including certain affiliates of FEMSA. Prices for certain raw materials, including those used in the bottling of our products, mainly resin, preforms to make plastic bottles, finished plastic bottles, aluminum cans, HFCS and certain sweeteners, are paid in or determined with reference to the U.S. dollar, and therefore local prices in a particular country may increase based on changes in the applicable exchange rates. Our most significant packaging raw material costs arise from the purchase of resin and plastic preforms to make plastic bottles and from the purchase of finished plastic bottles, the prices of which are related to crude oil prices and global resin supply. The average prices that we paid for resin and plastic preforms in U.S. dollars in 2015 decreased 24.0% as compared to 2014 in all our territories; however, given that high currency volatility has affected and continues to affect most of our territories, the average prices for resin and plastic preforms in local currencies were higher in 2015 in Mexico, Colombia, Venezuela and Brazil.

Under our agreements with The Coca-Cola Company, we may use raw or refined sugar or HFCS as sweeteners in our products. Sugar prices in all of the countries where we operate, other than Brazil, are subject to local regulations and other barriers to market entry that cause us to pay for sugar in excess of international market prices for sugar in certain countries. In recent years, international sugar prices experienced significant volatility. Across our territories, our average price for sugar in U.S. dollars decreased approximately 28.0% (12.0% excluding Venezuela) in 2015 as compared to 2014; however, the average price for sugar in local currency was higher in all of our operations, except for Guatemala.

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

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

**Mexico and Central America.** In Mexico, we purchase our returnable plastic bottles from Graham Packaging México, S.A. de C.V., known as Graham, which is the exclusive supplier of returnable plastic bottles for The Coca-Cola Company and its bottlers in Mexico. We mainly purchase resin from Indorama Ventures Polymers México, S. de R.L. de C.V. (formerly Arteva Specialties, S. de R.L. de C.V.), M&G Polímeros México, S.A. de C.V. and DAK Resinas Americas Mexico, S.A. de C.V., which Alpla México, S.A. de C.V., known as Alpla, and Envases Universales de México, S.A.P.I. de C.V. manufacture into non-returnable plastic bottles for us. Also, we have introduced into our business Asian global suppliers, such as Far Eastern New Century Corp. or FENC, which supports our PET strategy mainly for Central America and is known as one of the top five PET global suppliers.

We purchase all of our cans from Fábricas de Monterrey, S.A. de C.V., or FAMOSA, and Envases Universales de México, S.A.P.I. de C.V., through Promotora Mexicana de Embotelladoras, S.A. de C.V., known as PROMESA, a cooperative of *Coca-Cola* bottlers, in which, as of April 8, 2016, we held a 35.0% equity interest. We mainly purchase our glass bottles from Vitro America, S. de R.L. de C.V. (formerly Compañía Vidriera, S.A. de C.V., or VITRO), FEVISA Industrial, S.A. de C.V., known as FEVISA, and Glass & Silice, S.A. de C.V., or SIVESA.

We purchase sugar from, among other suppliers, PIASA and Beta San Miguel, S.A. de C.V., both sugar cane producers in which, as of April 8, 2016, we held a 36.3% and 2.7% equity interest, respectively. We purchase HFCS from Ingredion México, S.A. de C.V., Almidones Mexicanos, S.A. de C.V., known as Almex and Cargill de México, S.A. de C.V.

Sugar prices in Mexico are subject to local regulations and other barriers to market entry that cause us to pay higher prices than those paid in the international market. As a result, prices in Mexico have no correlation to international market prices. In 2015, sugar prices in local currency in Mexico increased approximately 9.0% as compared to 2014.

In Central America, the majority of our raw materials such as glass and plastic bottles are purchased from several local suppliers. We purchase all of our cans from PROMESA. Sugar is available from suppliers that represent several local producers. In Costa Rica, we acquire plastic non-returnable bottles from Alpla C.R. S.A., and in Nicaragua we acquire such plastic bottles from Alpla Nicaragua, S.A.

**South America (excluding Venezuela).** In Colombia, we use sugar as a sweetener in most of our products, which we buy from several domestic sources. We purchase plastic bottles from Amcor Rigid Plastics de Colombia, S.A. and Tapón Corona de Colombia S.A. (affiliate of Envases Universales de México, S.A.P.I. de C.V.) and have historically purchased all of our glass bottles from Peldar O-I; however, we have engaged new suppliers and have recently acquired glass bottles from Al Tajir and Frigoglass in both cases from the United Arab Emirates. We purchase all of our cans from Crown Colombiana, S.A., which are only available through this local supplier. Grupo Ardila Lulle, owners of our competitor Postobón, own a minority equity interest in Peldar O-I and Crown Colombiana, S.A.

Sugar is available in Brazil at local market prices, which historically have been similar to international prices. Sugar prices in Brazil decreased approximately 12.0% in U.S. dollars and increased 26.0% in local currency as compared to 2014. **See Item 11. Quantitative and Qualitative Disclosures about Market Risk Commodity Price Risk.** We purchase glass bottles, plastic bottles and cans from several domestic and international suppliers.

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

**Venezuela.** In Venezuela, we use sugar as a sweetener in most of our products, which we purchase mainly from the local market. Since 2003, from time to time, we have experienced a sugar shortage due to lower domestic production and the inability of the predominant sugar importers to obtain permission to import in a timely manner. While sugar distribution to the food and beverages industry and to retailers is controlled by the government, we did not experience any material disruptions during 2015 with respect to access to sufficient sugar supply. However, we cannot assure you that we will not experience disruptions in our ability to





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meet our sugar requirements in the future should the Venezuelan government impose restrictive measures. We buy glass bottles from one local supplier, Productos de Vidrio, C.A., the only supplier authorized by The Coca-Cola Company. We acquire most of our plastic non-returnable bottles from Alpla de Venezuela, S.A. and most of our aluminum cans from a local producer, Dominguez Continental, C.A.

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

**REGULATION**

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

***Price Controls***

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries where we operate. Currently, there are no price controls on our products in any of the territories where we have operations, except for those in Argentina, where authorities directly supervise five of our products sold through supermarkets as a measure to control inflation, and Venezuela, where the government has imposed price controls on certain products, including bottled water. In addition, in January 2014, the Venezuelan government passed the Fair Prices Law (*Ley Orgánica de Precios Justos*), which was amended in November 2014 and once again in November 2015, mainly to increase applicable fines and penalties. The purpose of this law is to establish regulations and administrative proceedings to impose a limit on profits earned on the sale of goods, including our products, seeking to maintain price stability of, and equal access to, goods and services. A ruling derived from this law imposes an obligation to manufacturing companies to label products with the fair or maximum sales price for each product. This law also creates the National Office of Costs and Prices which main role is to oversee price controls and set maximum retail prices on certain consumer goods and services. We cannot assure you that we will be in compliance at all times with these laws based on changes, market dynamics in these two countries and the lack of clarity of certain basic aspects of the applicable law in Venezuela. Any such changes and potential violations may have an adverse impact on our business. **See Item 3. Key Information Risk Factors Regulatory developments may adversely affect our business.**

***Taxation of Sparkling Beverages***

All the countries where we operate, except for Panama, impose a value-added tax on the sale of sparkling beverages, with a rate of 16.0% in Mexico, 12.0% in Guatemala, 15.0% in Nicaragua, an average percentage of 15.8% in Costa Rica, 16.0% in Colombia (applied only to the first sale in the supply chain), 12.0% in Venezuela, 21.0% in Argentina, and in Brazil 17.0% in the states of Mato Grosso do Sul and Goias and 18.0% in the states of Sao Paulo, Minas Gerais, Parana and Rio de Janeiro. The state of Rio de Janeiro also charges an additional 1.0% as a contribution to a poverty eradication fund. In Brazil the value-added tax is grossed-up and added, along with federal sales tax, at the taxable basis. In addition, we are responsible for charging and collecting the value-added tax from each of our retailers in Brazil, based on average retail prices for each state where we operate, defined primarily through a survey conducted by the government of each state, which in 2015 represented an average taxation of approximately 9.7% over net sales. In addition, several of the countries where we operate impose the following excise or other taxes:

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

Guatemala imposes an excise tax of 0.18 cents in local currency (Ps.0.41 as of December 31, 2015) per liter of sparkling beverage.

Costa Rica imposes a specific tax on non-alcoholic bottled beverages based on the combination of packaging and flavor, currently assessed at 18.11 colones (Ps.0.57 as of December 31, 2015) per 250 ml, and an excise tax currently assessed at 6.313 colones

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(approximately Ps.0.20 as of December 31, 2015) per 250 ml.

Nicaragua imposes a 9.0% tax on consumption, and municipalities impose a 1.0% tax on our Nicaraguan gross income.

Panama imposes a 5.0% tax based on the cost of goods produced and a 10.0% selective consumption tax on syrups, powders and concentrate.

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

Brazil assesses an average production tax of approximately 4.2% and an average sales tax of approximately 10.2% over net sales. Until April 30, 2015, these taxes were fixed by the federal government based on national average retail prices obtained through surveys. The national average retail price of each product and presentation was multiplied by a fixed rate combined with specific multipliers for each presentation, to obtain a fixed tax per liter, per product and presentation. These taxes were applied only to the first sale and we were responsible for charging and collecting these taxes from each of our retailers. Beginning on May 1, 2015, these federal taxes were applied based on the price sold, as detailed in our invoices, instead of an average retail price combined with a fixed tax rate and multiplier per presentation. Except for sales to wholesalers, this production and sales taxes apply only to the first sale and we are responsible for charging and collecting these taxes from each of our retailers. For sales to wholesalers, they are entitled to recover the sales tax and charge this tax again upon the resale of our products to retailers.

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

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

**Recent Tax Reforms**

On January 1, 2014, a general tax reform became effective in Mexico. This reform included the imposition of a new special tax on the production, sale and importation of beverages with added sugar and HFCS, at the rate of Ps.1.00 per liter. In addition, the tax reform in Mexico, as applicable to us, confirmed the income tax rate of 30.0%, eliminated the corporate flat tax (IETU), imposed a withholding tax at a rate of 10.0% on the payment of dividends, an income tax rate of 10.0% on capital gains from the sale of shares traded in the stock exchange by individuals that are Mexican residents and a withholding tax at a rate of 10.0% on capital gains from the sale of shares traded in the stock exchange by individuals and companies that are non-Mexican residents, limited the total compensation of income tax paid or retained on dividends paid outside of Mexico and limited the total amount that can be deducted for income tax purposes from exempt payments to employees.

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

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

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 25.0% 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 enacted a package of tax reforms that became effective in January 2016. This reform mainly (i) eliminated the inflationary adjustments for the calculation of income tax as well as the new investment tax deduction, and (ii) imposed a new tax on financial transactions effective as of February 1, 2016, for those identified as special taxpayers, at a rate of 0.75% over certain financial transactions, such as bank withdrawals, transfer of bonds and securities, payment of debts without intervention of the financial system and debits on bank accounts for cross-border payments, which will be immediately withheld by the banks.



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

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

In addition, as of January 1, 2016, the Brazilian federal production tax rates will be reduced and the rates of the federal sales tax will increase. We expect the average of these taxes will range between 14.4% and 15.5% over the net sales.

### **Water Supply**

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

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

In Brazil, we obtain water and mineral water from wells pursuant to concessions granted by the Brazilian government for each plant. According to the Brazilian Constitution, water is considered an asset of common use and can only be exploited for the national interest by Brazilians or companies formed under Brazilian law. Concessionaires and users have the responsibility for any damage to the environment. The exploitation and use of water is regulated by the Code of Mining, Decree Law No. 227/67 (*Código de Mineração*), the Mineral Water Code, Decree Law No. 7841/45 (*Código de Águas Minerais*), the National Water Resources Policy (Law No. 9433/97) and by regulations issued thereunder. The companies that exploit water are supervised by the National Department of Mineral Production (*Departamento Nacional de Produção Mineiral* - DNPM) and the National Water Agency (*Agência Nacional de Águas*) in connection with federal health agencies, as well as state and municipal authorities. In the Jundiai, Marília, Curitiba, Maringa, Porto Real and Itabirito plants, we do not exploit spring water. In the Mogi das Cruzes, Bauru and Campo Grande plants, we have all the necessary permits for the exploitation of spring water.

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

In Colombia, in addition to natural spring water for *Manantial*, we obtain water directly from wells and from utility companies. We are required to have a specific concession to exploit water from natural sources. Water use in Colombia is regulated by Law No. 9 of 1979 and Decrees No. 2811 of 1974 and No. 3930 of 2010. In addition, Decree No. 303 requires us to apply for water concessions and for authorization to discharge our water into public waterways. The Ministry of Environment and Sustainable Development and Regional Autonomous Corporations supervises companies that use water as a raw material for their businesses.



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

In Venezuela, we use private wells in addition to water provided by the municipalities, and we have taken the appropriate actions, including actions to comply with water regulations, to have water supply available from these sources, regulated by the Water Law (*Ley de Aguas*).

In addition, we obtain water for the production of some of our natural spring water products, such as *Manantial* in Colombia and *Crystal* in Brazil, from spring water pursuant to concessions granted. **See Regulation Water Supply.**

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

### **Environmental Matters**

In all of our territories, our operations are subject to federal and state laws and regulations relating to the protection of the environment. In Mexico, the principal legislation is the Federal General Law for Ecological Equilibrium and Environmental Protection (*Ley General de Equilibrio Ecológico y Protección al Ambiente*, or the Mexican Environmental Law), and the General Law for the Prevention and Integral Management of Waste (*Ley General para la Prevención y Gestión Integral de los Residuos*) which are enforced by the Ministry of the Environment and Natural Resources (*Secretaría del Medio Ambiente y Recursos Naturales*, or SEMARNAT). SEMARNAT can bring administrative and criminal proceedings against companies that violate environmental laws, and it also has the power to close non-complying facilities. Under the Mexican Environmental Law, rules have been promulgated concerning water, air and noise pollution and hazardous substances. In particular, Mexican environmental laws and regulations require that we file periodic reports with respect to hazardous wastes and set forth standards for waste water discharge that apply to our operations. We are also subject to certain minor restrictions on the operation of delivery trucks in Mexico City. We have implemented several programs designed to facilitate compliance with air, waste, noise and energy standards established by current Mexican federal and state environmental laws, including a program that installs catalytic converters and liquid petroleum gas in delivery trucks for our operations in Mexico City. **See The Company Product Sales and Distribution.**

In March 2015, the General Law of Climate Change (*Ley General de Cambio Climático*), its regulation and certain decrees related to such law became effective, imposing upon different industries (including the food and beverage industry) the obligation to report direct or indirect gas emissions exceeding 25,000 tons of carbon dioxide. Currently, we are not required to report these emissions, since we do not exceed this threshold. We cannot assure you that we will not be required to comply with this reporting requirement in the future.

In our Mexican operations, we established a partnership with The Coca-Cola Company and Alpla, our supplier of plastic bottles in Mexico, to create Industria Mexicana de Reciclaje (IMER), a PET recycling facility located in Toluca, Mexico. This facility began operations in 2005 and has a recycling capacity of approximately 25,000 metric tons per year from which 15,000 metric tons can be re-used in PET bottles for food packaging purposes. We have also continued contributing funds to ECOCE, A.C., a nationwide collector of containers and packaging materials. In addition, our plants located in Toluca, Reyes, Cuautitlan, Apizaco, San Cristobal, Morelia, Ixtacomitan, Coatepec, Poza Rica, Pacifico, Ojuelos and Cuernavaca have received or are in the process of receiving a Certificate of Clean Industry (*Certificado de Industria Limpia*). In addition, seven of our distribution centers located in the State of Mexico, Mexico have received or are in the process of receiving a Certificate of Clean Industry.

As part of our environmental protection and sustainability strategies, in December 2009, we, jointly with strategic partners, entered into a wind energy supply agreement with a Mexican subsidiary of the Spanish wind farm developer, GAMESA Energía, S.A., or GAMESA, to supply green energy to our bottling facility in Toluca, Mexico, owned by our subsidiary, Propimex, S. de R.L. de C.V., or Propimex, and to some of our suppliers of PET bottles. In 2010, GAMESA sold its interest in its Mexican subsidiary that owned the wind farm, to Iberdrola Renovables México, S.A. de C.V. The wind farm, which is located in La Ventosa, Oaxaca, generates approximately 100,000 megawatt hours annually. In 2013, 2014 and 2015, this wind farm provided us with approximately 81,000, 90,000 and 64,500 megawatt hours, respectively.





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Additionally, we have entered into 20-year wind power supply agreements with two suppliers to receive clean energy for use at our production and distribution facilities throughout Mexico: (a) Energía Eólica del Sur, S.A.P.I. de C.V. (formerly known as Mareña Renovables Wind Power Farm) with a 396,000 megawatt installed capacity wind farm in Oaxaca, Mexico, which is expected to begin operations in 2017; and (b) Enel Green Power with a 100,000 megawatt installed capacity wind farm in San Luis Potosi, Mexico, which provided a total of 6,863 megawatt hours for use at 50 of our production and distribution facilities. In 2015, five of our manufacturing facilities received a total of 19,100 megawatt hours from renewable energy sources such as biomass and bagasse cogeneration from the PIASA Tres Valles sugar mill. Currently, 56 of our Mexican facilities receive energy from renewable energy sources, which represent 50.0% of our current energy consumption in Mexico.

Our Central American operations are subject to several federal and state laws and regulations relating to the protection of the environment, which have been enacted in the last ten years, as awareness has increased in this region about the protection of the environment and the disposal of hazardous and toxic materials, as well as water usage. Our Costa Rican operations have participated in a joint effort along with the local division of The Coca-Cola Company, Misión Planeta, for the collection and recycling of non-returnable plastic bottles.

Our Colombian operations are subject to several Colombian federal and state laws and regulations related to the protection of the environment and the disposal of treated water and toxic and hazardous materials. These laws include the control of atmospheric emissions, noise emissions, disposal of treated water and strict limitations on the use of chlorofluorocarbons. In addition, on February 6, 2012, Colombia promulgated Decree No. 303, which requires us to apply for an authorization to discharge our water into public waterways. We are engaged in nationwide reforestation programs and campaigns for the collection and recycling of glass and plastic bottles, among other programs with positive environmental impacts. We have also obtained and maintained the ISO 9001, ISO 14001, OHSAS 18001, FSSC 22000 and PAS 220 certifications for our plants located in Medellin, Cali, Bogota, Barranquilla, Bucaramanga and La Calera, as recognition for the highest quality and food harmlessness in our production processes, which is evidence of our strict level of compliance with relevant Colombian regulations. Our six plants joined a small group of companies that have obtained these certifications. We expect our new plant located in Tocancipa, that commenced operations in February 2015, will obtain the Leadership in Energy and Environmental Design (LEED) certification in 2017.

Our Venezuelan operations are subject to several Venezuelan federal, state and municipal laws and regulations related to the protection of the environment. The most relevant of these laws are the Organic Environmental Law (*Ley Orgánica del Ambiente*), the Substance, Material and Dangerous Waste Law (*Ley Sobre Sustancias, Materiales y Desechos Peligrosos*), the Criminal Environmental Law (*Ley Penal del Ambiente*) and the Water Law (*Ley de Aguas*). Since the enactment of the Organic Environmental Law in 1995, our Venezuelan subsidiary has presented the corresponding authorities with plans to bring our production facilities and distribution centers into compliance with applicable laws, which mainly consist of building or expanding the capacity of water treatment plants in our bottling facilities. We currently have water treatment plants in our bottling facilities located in the cities of Barcelona, Valencia and in our Antimano bottling plant in Caracas, and we are still under construction and expansion of our current water treatment plant in our bottling facility in Maracaibo.

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

Our production plant located in Jundiai has been recognized by the Brazilian authorities for its compliance with environmental regulations and for having standards well above those imposed by the law. The plant of Jundiai has been certified for GAO-Q and GAO-E. In addition, the plants of Jundiai, Mogi das Cruzes, Campo Grande, Marilia, Maringa, Curitiba and Bauru have been certified for (i) ISO 9001: 2008; (ii) ISO 14001: 2004 and; (iii) norm OHSAS 18001: 2007. In 2012, the Jundiai, Campo Grande, Bauru, Marilia, Curitiba, Maringa, Porto Real and Mogi das Cruzes plants were certified in standard FSSC22000.

In May 2008, a municipal regulation of the City of Sao Paulo, implemented pursuant to Law 13.316/2002, came into effect requiring us to collect for recycling a specified annual percentage of plastic bottles made from PET sold in the City of Sao Paulo. Beginning in May 2011, we were required to collect for recycling 90.0% of PET bottles sold. Currently, we are not able to collect the entire required volume of PET bottles we sell in the City of Sao Paulo for recycling. Since we do not meet the requirements of this regulation, which we believe to be more onerous than those imposed by the countries with the highest recycling standards, we could be fined and be subject to other sanctions, such as the suspension of operations in any of our plants and/or distribution centers located in the City of Sao Paulo. In May 2008, when the law came into effect, we and other bottlers in the City of Sao Paulo, through the Brazilian Soft Drink and Non-Alcoholic Beverage Association, or ABIR (*Associação Brasileira das Indústrias de Refrigerantes e de Bebidas Não-alcoólicas*), filed a motion requesting a court to overturn this regulation due to the impossibility of compliance.

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In addition, in November 2009, in response to a municipal authority request for us to demonstrate the destination of the PET bottles sold in Sao Paulo, we filed a motion presenting all of our recycling programs and requesting a more practical timeline to comply with the requirements of the law. In October 2010, the municipal authority of Sao Paulo levied a fine on our Brazilian operating subsidiary of 250,000 Brazilian reais (approximately Ps.1.1 million as of December 31, 2015) on the grounds that the report submitted by our Brazilian operating subsidiary did not comply with the 75.0% proper disposal requirement for the period from May 2008 to May 2010. We filed an appeal against this fine, which was denied by the municipal authority in May 2013. This resolution is final and non-appealable and, therefore, the administrative stage is closed. In July 2012, the State Appellate Court of Sao Paulo rendered a decision admitting an interlocutory appeal filed on behalf of ABIR suspending the fines and other sanctions to ABIR's associated companies, including our Brazilian subsidiary, for alleged noncompliance with the recycling municipal regulation up to the final resolution of the lawsuit. We are still awaiting final resolution of the lawsuit filed on behalf of ABIR. We cannot assure you that these measures will have the desired effect or that we will prevail in our judicial challenge.

In August 2010, Law No. 12.305/2010 established the Brazilian National Solid Waste Policy. This policy is based on the principle of shared responsibility between the government, companies and the public, and provides for the post-consumption return of products to companies and requires public authorities to implement waste management programs. This law is regulated by Federal Decree No. 7.404/2010, and was published in December 2010. In response to the Brazilian National Solid Waste Policy, in December 2012, a proposal of agreement was provided to the Ministry of the Environment by almost 30 associations involved in the packaging sector, including ABIR in its capacity as representative for The Coca-Cola Company, our Brazilian subsidiary and other bottlers. This agreement proposed the creation of a coalition to implement systems for reverse logistics packaging non-dangerous waste that make up the dry fraction of municipal solid waste or equivalent. The goal of the proposal is to create methodologies for sustainable development, and improve the management of solid waste by increasing recycling rates and decreasing incorrect disposal in order to protect the environment, society and the economy. The Ministry of Environment approved and signed this agreement in November 2015.

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

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

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

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

### **Other Regulations**

In December 2009, the Venezuelan government issued a decree requiring a reduction in energy consumption by at least 20.0% for industrial companies whose consumption is greater than two megawatts per hour and to submit an energy-usage reduction plan. Since some of our bottling operations in Venezuela outside of Caracas met this threshold, we submitted a plan, which included the purchase of generators for our plants. We have installed electrical generators in our Antimano, Barcelona, Maracaibo and Valencia bottling facilities to mitigate any such risks and filed the respective energy-usage reduction plans with the authorities. In addition, since January 2010, the Venezuelan government has implemented and continues to implement power cuts and other measures for all industries in Caracas whose consumption is above 35 kilowatts per hour.

In May 2014, the Mexican government approved a decree that established mandatory guidelines applicable to the entire national education system (from elementary school through college). According to the decree, the sale of specific sparkling beverages and still beverages that contain sugar or HFCS by schools is prohibited. Schools are still allowed to sell water and certain still beverages, such



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as juices and juice-based beverages that comply with the guidelines established in such decree. We cannot assure you that the Mexican government will not further restrict sales of other of our products by such schools. These restrictions and any further restrictions could have an adverse impact on our results of operations.

In January 2012, the Costa Rican government approved a decree which regulates the sale of food and beverages in public schools. According to the decree, the sale of all sparkling beverages and certain still beverages that contain sugar, syrup or HFCS in any type of presentation in schools is prohibited. We are still allowed to sell water and certain still beverages in schools. Although we are in compliance with this law, we cannot assure you that the Costa Rican government will not further restrict sales of other of our products in schools in the future; these restrictions and any further restrictions could have an adverse impact on our results of operations.

In May 2012, the Venezuelan government adopted significant changes to labor regulations that had a negative impact on our business and operations. The principal changes that impacted our operations were and still are: (i) the requirement that employee terminations are now subject to governmental authorization; (ii) retroactive assessments for any modifications to our severance payment system; (iii) a reduction in the maximum daily and weekly working hours (from 44 to 40 weekly); (iv) an increase in mandatory weekly breaks, prohibiting a reduction in salaries as a result of such increase; and (v) the requirement that all third party contractors participating in the manufacturing and sales processes of our products be included in our payroll. We are currently in compliance with these labor regulations.

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

In June 2013, following a comprehensive amendment to the Mexican Constitution, a new antitrust authority with autonomy was created: the Federal Antitrust Commission (*Comisión Federal de Competencia Económica*, or COFECE). As a result of these amendments, new antitrust and telecommunications specialized courts were created and commenced hearing cases in August 2013. In July 2014, a new federal antitrust law came into effect based on the amended constitutional provisions. As part of these amendments, two new relative monopolistic practices were included: reductions in margins between prices to access essential raw materials and end-user prices of such raw materials and limitation or restriction on access to essential raw materials or supplies. Furthermore, the ability to close a merger or acquisition without antitrust clearance from the COFECE was eliminated. The regular waiting period for authorization has been extended to 60 business days. We cannot assure you that these new amendments and the creation of new governmental bodies and courts will not have an adverse effect on our business or our inorganic growth plans.

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

In June 2014, the Brazilian government issued Law No. 12,997 (Law of Motorcycle Drivers), which imposes a risk premium of 30.0% of the base salary payable to all employees who drive motorcycles in their job. This risk premium became enforceable in October 2014, when the related rules and regulations were issued by the Ministry of Labor and Employment. We believe that these rules and regulations (Decree No. 1.565/2014) were unduly issued by such Ministry since it did not comply with all the essential requirements established in Decree No. 1.127/2003. In November 2014, we, in conjunction with other bottlers of the Coca-Cola system in Brazil and through the ABIR, filed an action against the Ministry of Labor and Employment to suspend the effects of such decree. ABIR's associated companies, including our Brazilian subsidiary, were issued a preliminary injunction suspending the effects of the decree and exempting us from paying the risk premium. The Ministry of Labor and Employment filed an interlocutory appeal against the preliminary injunction in order to restore the effects of Decree No. 1.565/2014, which was denied. We are currently awaiting final resolution of the lawsuit filed on behalf of ABIR. In the meantime, in December 2015, the Ministry of Labor and Employment started a new discussion with the participation of all interested parties seeking to reissue Decree No. 1.565/2014, in order to comply with the essential requirements.

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In January 2014, a new Anti-Corruption Law in Brazil came into effect, which regulates bribery, corruption practices and fraud in connection with agreements entered into with governmental agencies. The main purpose of this law is to impose liability on companies carrying out such practices, establishing fines that can reach up to 20.0% of a company's gross revenues in the previous fiscal year. Although we believe we are in compliance with this law, if we were found liable for any of these practices, this law may have an adverse effect on our business.

In December 2015, the Venezuelan Ministry of Health issued a resolution which imposes an obligation to label certain products, including sparkling beverages and still beverages that contain sugar with health warnings. Recently, the Venezuelan Ministry of Health granted a nine-month extension for the enforcement of this resolution. We, together with other companies of the industry and the corresponding authorities, are currently discussing a new resolution with a different scope, which would amend or supersede the resolution issued in December 2015.

## **BOTTLER AGREEMENTS**

### **Coca-Cola Bottler Agreements**

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

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

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

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

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

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

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

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

submit annually to The Coca-Cola Company our marketing, management, promotional and advertising plans for the ensuing year. The Coca-Cola Company contributed a significant portion of our total marketing expenses in our territories during 2015 and has reiterated its intention to continue providing such support as part of our cooperation framework. Although we believe that The Coca-Cola Company will continue to provide funds for advertising and marketing, it is not obligated to do so. Consequently, future levels of advertising and marketing support provided by The Coca-Cola Company may vary materially from the levels historically provided. **See Item 7. Major Shareholders and Related Party Transactions Major Shareholders The Shareholders Agreement and Item 7. Major Shareholders and Related Party Transactions Major Shareholders Cooperation Framework with The Coca-Cola Company.**

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

As of December 31, 2015, we had:

nine bottler agreements in Mexico: (i) two 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 Bajío territory, which are up for renewal in May 2016 and May 2025;

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

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





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**DESCRIPTION OF PROPERTY, PLANT AND EQUIPMENT**

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

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

installing clarification facilities to process different types of sweeteners;

installing plastic bottle-blowing equipment;

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

closing obsolete production facilities.

In 2013, we began the construction of a production plant in Tocancipa, Colombia, which was completed and began operations in February 2015. This project required an investment of 459 billion Colombian pesos (approximately US\$194 million). We believe that the plant has the capacity to generate approximately 800 direct and indirect jobs. The plant is located on a parcel of land 298,000 square meters in size, and has an annual production capacity of approximately 730 million liters of sparkling beverages (or approximately 130 million unit cases), representing an increase of approximately 35.0% as compared to the current installed capacity of our plants in Colombia.

In 2012, we began the construction of a production plant in Minas Gerais, Brazil, which was completed and began operations in November 2014. This project required an investment of 619 million Brazilian reais (equivalent to approximately US\$260 million). We believe that the plant has the capacity to generate approximately 700 direct and indirect jobs. The plant is located on a parcel of land 320,000 square meters in size, and has an annual production capacity of approximately 1.2 billion liters of sparkling beverages (or approximately 200 million unit cases), representing an increase of approximately 62.0% as compared to the current installed capacity of our plant in Belo Horizonte, Brazil.

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

As of December 31, 2015, we owned 44 bottling plants company-wide. By country, as of such date, we had 17 bottling facilities in Mexico, 5 in Central America, 7 in Colombia, 4 in Venezuela, 9 in Brazil and 2 in Argentina.

As of December 31, 2015, we operated 276 distribution centers, approximately 53.0% of which were in our Mexican territories. As of such date, we owned more than 84.0% of these distribution centers and leased the remainder. **See The Company Product Sales and Distribution.**

We maintain an all risk insurance policy covering our properties (owned and leased), machinery and equipment and inventories as well as losses due to business interruptions. The policy covers damages caused by natural disaster, including hurricane, hail, earthquake and damages caused by human acts, including explosion, fire, vandalism and riot; we also maintain a freight transport insurance policy that covers damages to goods in transit. In addition, we maintain a liability insurance policy that covers product liability. We purchase our insurance coverage through an insurance broker. In 2015, the policies for all risk property insurance and liability insurance were issued by Mapfre Tepeyac, S.A. and the policy for freight transport insurance was issued by ACE Seguros, S.A. We believe that our coverage is consistent with the coverage maintained by similar companies.

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

**Bottling Facility Summary**

As of December 31, 2015

Country	Installed Capacity (thousands of unit cases)	Utilization <sup>(1)</sup> (%)
Mexico	2,786,295	62%
Guatemala	37,931	77%
Nicaragua	66,847	71%
Costa Rica	70,587	66%
Panama	49,646	69%
Colombia	572,978	57%
Venezuela	290,391	81%
Brazil	1,228,126	55%
Argentina	328,441	71%

(1) Annualized rate.

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

**Bottling Facility by Location**

As of December 31, 2015

Country	Plant	Facility Area (thousands of sq. meters)
Mexico	San Cristobal de las Casas, Chiapas	45
	Cuautitlan, Estado de Mexico	35
	Los Reyes la Paz, Estado de Mexico	50
	Toluca, Estado de Mexico	317
	Leon, Guanajuato	124
	Morelia, Michoacan	50
	Ixtacomitan, Tabasco	117
	Apizaco, Tlaxcala	80
	Coatepec, Veracruz	142
	La Pureza Altamira, Tamaulipas	300
	Poza Rica, Veracruz	42
	Pacifico, Estado de Mexico	89
	Cuernavaca, Morelos	37
	Toluca, Estado de Mexico (Ojuelos)	41
	San Juan del Rio, Queretaro	84
	Queretaro, Queretaro	80
Cayaco, Acapulco	104	
Guatemala	Guatemala City	46
Nicaragua	Managua	54
Costa Rica	Calle Blancos, San Jose	52

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	Coronado, San Jose	14
Panama	Panama City	29
Colombia	Barranquilla	37
	Bogota, DC	105
	Bucaramanga	26
	Cali	76
	Manantial, Cundinamarca	67
	Tocancipa	298
	Medellin	47

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Country	Plant	Facility Area (thousands of sq. meters)
Venezuela	Antimano	15
	Barcelona	141
	Maracaibo	68
	Valencia	100
Brazil	Campo Grande	36
	Jundiai	191
	Mogi das Cruzes	119
	Porto Real	108
	Maringa	160
	Marilia	159
	Curitiba	119
	Bauru	39
Argentina	Itabirito	320
	Alcorta, Buenos Aires	73
	Monte Grande, Buenos Aires	32

**SIGNIFICANT SUBSIDIARIES**

The table below sets forth all of our direct and indirect significant subsidiaries and the percentage of equity of each subsidiary we owned directly or indirectly as of December 31, 2015:

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

**Item 4.A. Unresolved Staff Comments**

None.

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

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

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

**Effects of Changes in Economic Conditions.** Our results are affected by changes in economic conditions in Mexico, Brazil and in the other countries where we operate. For the year ended December 31, 2015, approximately 70% of our total revenues were attributable to Mexico and Brazil. In addition to Mexico and Brazil, we also conduct operations in Central America (including Guatemala, Nicaragua, Costa Rica and Panama), Colombia, Venezuela and Argentina. Our results are affected by the economic conditions in the countries where we conduct operations. Some of these economies continue to be heavily influenced by the U.S. economy, and therefore, deterioration in economic conditions in the U.S. economy may affect these economies. Deterioration or prolonged periods of weak economic conditions in the countries where we conduct operations may have, and in the past have had, a negative effect on our company and a material adverse effect on our results and financial condition. Our business may also be significantly affected by the interest rates, inflation rates and exchange rates of the local currencies of the countries where we operate. Decreases in growth rates, periods of negative growth and/or increases in inflation or interest rates may result in lower demand for our products, lower real pricing of our products or a shift to lower margin products. In addition, an increase in interest rates would increase the cost to us of variable rate funding, which would have an adverse effect on our financial position.

**Recent Developments in the Venezuelan Exchange Control Regime.** Prior to 2014, we had historically used the official exchange rate in our Venezuelan operations. However, since the beginning of 2014, the Venezuelan government has announced a series of changes to the Venezuelan exchange control regime, approving alternative exchange rates in addition to the official exchange rate. In January 2014, the Venezuelan government announced an exchange rate determined by the state-run system known as the *Sistema Complementario de Administración de Divisas*, or SICAD. In March 2014, the Venezuelan government announced a new law that authorized an alternative method of exchanging Venezuelan bolivars to U.S. dollars known as SICAD II. In February 2015, the Venezuelan government announced that it was replacing SICAD II with a new market-based exchange rate determined by the system known as the *Sistema Marginal de Divisas*, or SIMADI. In February 2016, the Venezuelan government announced a 37.0% devaluation of the official exchange rate and changed the existing three-tier exchange rate system into a dual system by combining the official exchange rate and the SICAD exchange rate into a single official exchange rate and maintaining the SIMADI exchange rate. The decision was part of a package of economic policies intended to mitigate the economic crisis of the member countries of the Organization of the Petroleum Exporting Countries (OPEC). In March 2016, the Venezuelan government announced that it was replacing the SIMADI exchange rate with a new market-based exchange rate known as *Divisas Complementarias*, or DICOM, and the official exchange rate with a preferential exchange rate denominated *Divisa Protegida*, or DIPRO. The DIPRO exchange rate is determined by the Venezuelan government and may be used to settle imports of a list of goods and raw materials which has not been published yet as of the date of this annual report. The DICOM exchange rate is determined based on supply and demand of U.S. dollars. As of April 8, 2016, the DIPRO and DICOM exchange rates were 10 bolivars and 306.07 bolivars per U.S. dollar, respectively.

We translated our results of operations in Venezuela for the full year ended December 31, 2015 into our reporting currency, the Mexican peso, using the SIMADI exchange rate of 198.70 bolivars to US\$1.00, which was the exchange rate in effect as of such date. As a result, in 2015, we recognized a further reduction in equity of Ps.2,687 million. We will closely monitor any further developments in Venezuela, which may affect the exchange rates used by us to translate the results of our Venezuelan subsidiary in the future.

### **Critical Accounting Judgments and Estimates**

In the application of our accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. For a description of all of our critical accounting judgments and estimates, see Note 2.3 to our consolidated financial statements.

**Table of Contents****New Accounting Pronouncements**

For a description of the new IFRS and amendments to IFRS adopted during 2015, see Note 2.4 to our consolidated financial statements.

**Results**

The following table sets forth our consolidated income statements for the years ended December 31, 2015, 2014 and 2013.

	2015 <sup>(1)</sup>	Year Ended December 31, 2015      2014		2013 <sup>(2)</sup>
	(in millions of Mexican pesos or millions of U.S. dollars, except per share data)			
<b>Revenues:</b>				
Net sales	US\$ 8,835	Ps. 151,914	Ps. 146,948	Ps. 155,175
Other operating revenues	26	446	350	836
<b>Total revenues</b>	<b>8,861</b>	<b>152,360</b>	<b>147,298</b>	<b>156,011</b>
Cost of goods sold	4,671	80,330	78,916	83,076
<b>Gross profit</b>	<b>4,190</b>	<b>72,030</b>	<b>68,382</b>	<b>72,935</b>
<b>Costs and expenses:</b>				
Administrative expenses	372	6,405	6,385	6,487
Selling expenses	2,436	41,879	40,465	44,828
Other income	36	620	1,001	478
Other expenses	138	2,368	1,159	1,101
Interest expenses	369	6,337	5,546	3,341
Interest income	24	414	379	654
Foreign exchange (loss) gain, net	(85)	(1,459)	(968)	(739)
(Loss) gain on monetary position for subsidiaries in hyperinflationary economies	(2)	(33)	(312)	(393)
Market value (gain) loss on financial instruments	(8)	(142)	(25)	(46)
<b>Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method</b>	<b>856</b>	<b>14,725</b>	<b>14,952</b>	<b>17,224</b>
Income taxes	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	155	(125)	289
<b>Consolidated net income</b>	<b>600</b>	<b>10,329</b>	<b>10,966</b>	<b>11,782</b>
Equity holders of the parent	595	10,235	10,542	11,543
Non-controlling interest	5	94	424	239
<b>Consolidated net income</b>	<b>600</b>	<b>10,329</b>	<b>10,966</b>	<b>11,782</b>
<b>Per share data:</b>				
Earnings per share <sup>(3)</sup>	0.29	4.94	5.09	5.61

- (1) Translation to U.S. dollar amounts at an exchange rate of Ps.17.20 to US\$1.00 solely for the convenience of the reader.
- (2) Includes results of CCFPI from February 2013 using the equity method, results of Grupo Yoli from June 2013, Companhia Fluminense from September 2013 and Spaipa from November 2013. See **Item 4. Information on the Company The Company Corporate History.**
- (3) Computed on the basis of the weighted average number of shares outstanding during the period: 2,072.92 million in 2015 and 2014 and 2,056.20 million in 2013.



**Table of Contents****Operations by Consolidated Reporting Segment**

The following table sets forth certain financial information for each of our consolidated reporting segments for the years ended December 31, 2015, 2014 and 2013. See Note 25 to our consolidated financial statements for additional information about all of our consolidated reporting segments.

	Year Ended December 31,		
	2015	2014	2013
	(in millions of Mexican pesos)		
<b>Total revenues</b>			
Mexico and Central America <sup>(1)</sup>	78,709	71,965	70,679
South America (excluding Venezuela) <sup>(2)</sup>	64,752	66,367	53,774
Venezuela	8,899	8,966	31,558
<b>Gross profit</b>			
Mexico and Central America <sup>(1)</sup>	40,130	36,453	34,941
South America (excluding Venezuela) <sup>(2)</sup>	27,532	27,372	22,374
Venezuela	4,368	4,557	15,620

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

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

**Results for the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014****Consolidated Results**

The comparability of our underlying financial and operating performance in 2015 as compared to 2014 was affected by the following factors: (1) translation effects from fluctuations in exchange rates and (2) our results of operations 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 depreciations to the U.S. dollar of currencies used in our main operations during 2015, as compared to 2014, were: 41.6% for the Brazilian real, 37.0% for the Colombian peso, 19.2% for the Mexican peso and 14.1% for the Argentine peso.

**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 operations and the depreciation of the Brazilian real, the Colombian peso, the Mexican peso and the Argentine peso. Excluding the effect of currency fluctuations and the results of our Venezuelan operations, 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 results of our Venezuelan operations, 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 operations, the sparkling beverage portfolio would have grown 0.7% as a result of positive performance of the *Coca-Cola* brand 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 operations, the 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 operations, 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 to 2014, mainly driven by a contraction of the *Ciel* brand in Mexico.



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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 operations and the depreciation of the Brazilian real, the Colombian peso and the Argentine peso. Excluding the effect of currency fluctuations and our Venezuelan operations, average price per unit case would have grown 8.8% in 2015, driven by average price per unit case increases in local currency in each of our operations.

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**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 the results of our Venezuelan operations, 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 labor costs 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.** Our reported administrative and selling expenses as a percentage of total revenues decreased 10 basis points to 31.7% in 2015 as compared to 2014. Our reported administrative and selling expenses in absolute terms increased 3.1% as compared to 2014. Excluding the effect of currency fluctuations and the results of our Venezuelan operations, 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 as a percentage of revenues decreased in Mexico, Venezuela and Argentina. In 2015, we continued investing across our territories to support marketplace execution, increase cooler coverage and bolster returnable presentation base.

**Other Expenses Net.** We recorded other expenses net of Ps.1,748 million in 2015, mainly due to certain restructuring charges and the negative operating currency fluctuation effects across our territories.

**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 the monetary position of hyperinflationary countries where 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 occurs first, and the date it is repaid or the end of the period, whichever occurs 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.

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 not repeated in 2015.

**Net Controlling Interest Income (Equity holders of the parent).** Our reported consolidated net controlling interest income reached Ps. 10,235 million in 2015 as compared to Ps. 10,542 million in 2014. Earnings per share in 2015 were Ps. 4.94 (Ps. 49.37 per ADS) computed on the basis of 2,072.9 million shares outstanding (each ADS represents 10 Series L shares).

**Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes.** In 2015, we reported a gain of Ps.155 million in the share of the profits of associates and joint ventures line, mainly due to an equity method gain from our participation in associated companies and in CCFPI.

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### Results by Consolidated Reporting Segment

#### Mexico and Central America

**Total Revenues.** Reported total revenues from our Mexico and Central America division increased 9.4% to Ps. 78,709 million in 2015. Excluding the effect of currency fluctuations, total revenues from our Mexico and Central America division would have grown 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 the *Coca-Cola* brand and 5.5% growth of our flavored sparkling beverages. Our bottled water portfolio, including bulk water, decreased 3.5% driven by a contraction of the *Ciel* brand. The still beverage category grew 5.8%.

Total sales volume in Mexico grew 1.7% to 1,784.5 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 the *Coca-Cola* brand and 5.8% growth of our 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 the *del Valle* portfolio, *Powerade* brand and our *Santa Clara* dairy business. Our bottled water portfolio, including bulk water, decreased 3.7% driven by a contraction of the *Ciel* brand.

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 Panama. Sales volume in our still beverage category increased 8.5%, due to the performance of the *Powerade* brand in Central America, *Fuze tea* in Costa Rica and *Hi-C* juice in Nicaragua. The bottled water business, including bulk water, grew 7.6% across the region.

**Gross Profit.** Our reported gross profit increased 10.1% to Ps. 40,133 million in 2015 as compared to 2014, and reported gross margin increased 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 to 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, a decrease of 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 as compared to the Mexican peso. Revenues of beer accounted for Ps. 6,459 million. Excluding the effect of currency fluctuations, total revenues would have grown 10.8%, driven by average price per unit case increases in local currency in each of the operations of our South America division.

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 offset 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* brands in Argentina. Our bottled water portfolio, including bulk water, increased 7.5%, mainly driven by the *Aquarius*, *Kin* and *Bonaqua* brands in Argentina, the *Manantial* and *Brisa* brands in Colombia, and the *Crystal* brand in Brazil. The sparkling beverage portfolio decreased 2.3%, as compared to 2014.

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 the *del Valle Fresh* and *Fuze tea* brands. Our bottled water business, including bulk water, increased 5.8% driven by the *Manantial* and *Brisa* brands in single serve presentations.



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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 the *Coca-Cola* brand was mostly offset by the performance of the *Sprite* and *Schweppes* brands. Sales volume in the still beverage category increased 31.9%, mainly driven by the *Hi-C*, *Cepita* and *Powerade* brands. Our bottled water business, including bulk water, increased 28.0% driven by the *Aquarius*, *Kin* and *Bonaqua* brands.

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. Sales volume in our bottled water business, including bulk water, increased 1.2% driven by the *Crystal* brand. The volume of our sparkling beverage portfolio contracted 5.8%. The sales volume in our still beverage category decreased 8.8%.

**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 increase of 130 basis points to 42.5%. Excluding the effect of currency fluctuations, gross profit would have grown 14.0% during the year, a gross margin expansion of 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 division's 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, administrative and selling expenses in absolute terms would have grown 11.8%, an increase of 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 resulting from 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 unit 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 offset by the positive performance of the *Coca-Cola* brand, which grew 3.4%. The still beverage category decreased 11.3%. Our bottled water business, including bulk water, grew 6.1% driven by the *Nevada* brand.

**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 translate the results of our Venezuelan operation into Mexican pesos. Excluding the effect of currency fluctuations, gross profit would have grown 226.0%, 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%, a decrease of 410 basis points as a percentage of total revenues.

### **Results for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013**

#### **Consolidated Results**

**Total Revenues.** Our reported consolidated total revenues decreased 5.6% to Ps.147,298 million in 2014, as compared to 2013, mainly due to the negative translation effect resulting from the use of the SICAD II exchange rate to translate the results of our Venezuelan operations to Mexican pesos. Excluding the non-comparable effects of Companhia Fluminense and Spaipa in Brazil and Grupo Yoli in Mexico, total revenues were Ps.134,088 in 2014, a decrease of 14.1% with respect to 2013. On a currency neutral basis and excluding the non-comparable effects of Companhia Fluminense, Spaipa and Grupo Yoli in 2014, total revenues grew 24.7%, driven by average price per unit case increases in most of our territories, and volume growth in Brazil, Colombia, Venezuela and Central America.



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Total sales volume increased 6.6% to 3,417.3 million unit cases in 2014, as compared to 2013. Excluding the integration of Grupo Yoli in Mexico and Companhia Fluminense and Spaipa in Brazil, volumes declined 0.7% to 3,182.8 million unit cases in 2014. This decrease was mainly due to a volume decline in our Mexican operation as a result of price increases implemented to offset the effect of the recently imposed excise tax on sweetened beverages. On the same basis, our bottled water portfolio grew 5.0%, mainly driven by the performance of the *Crystal* brand in Brazil, the *Aquarius* and *Bonaqua* brands in Argentina, the *Nevada* brand in Venezuela and the *Manantial* brand in Colombia. The still beverage category grew 1.9%, mainly driven by the performance of the *Jugos del Valle* line of business in Colombia, Venezuela and Brazil, and the *Powerade* brand across most of our territories. These increases partially compensated for the performance of our sparkling beverage category, which declined 0.9%, driven by the volume decline in our Mexican operations and a 3.5% volume decline in our bulk water business.

Consolidated average price per unit case decreased 13.2%, reaching Ps.40.92 in 2014, as compared to Ps.47.15 in 2013. This decline was driven by the negative translation effect in the results of our Venezuelan operations discussed above. In local currency, average price per unit case increased in all of our territories, except for Colombia.

**Gross Profit.** Our reported gross profit decreased 6.2% to Ps.68,382 million in 2014, as compared to 2013, mainly due to the negative translation effect in the results of our Venezuelan operations discussed above. In local currency, lower sweetener and PET prices in most of our operations were offset by the depreciation of the average exchange rate of the Argentine peso, the Brazilian real, the Colombian peso and the Mexican peso as applied to our U.S. dollar-denominated raw material costs. Reported gross margin reached 46.4% in 2014.

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 the labor force employed at our production facilities and certain overhead costs. Concentrate prices are determined as a percentage of the retail price of our products in local currency net of applicable taxes. Packaging materials, mainly PET and aluminum, and HFCS, used as a sweetener in some countries, are denominated in U.S. dollars.

**Administrative and Selling Expenses.** Administrative and selling expenses as a percentage of total revenues decreased 110 basis points to 31.8% in 2014 as compared to 2013. Administrative and selling expenses in absolute terms decreased 8.7%, mainly as a result of the lower contribution of our Venezuelan operations driven by the negative translation effect discussed above. In local currency, operating expenses decreased as a percentage of revenues in most of our territories, despite the continued marketing investments to support our marketplace execution and bolster our returnable packaging base across our operations, higher labor costs in Venezuela and Argentina and higher freight costs in Brazil and Venezuela.

**Other Expenses Net.** We recorded other expenses net of Ps.548 million in 2014. These expenses were mainly driven by (i) an operating currency fluctuation effect in Venezuela recorded during the second quarter of 2014, (ii) an operating currency fluctuation effect across our territories in the fourth quarter of 2014, (iii) restructuring charges mainly in our Mexican operations and (iv) a loss on the sale of certain fixed assets.

**Comprehensive Financing Result.** Our comprehensive financing result in 2014 recorded an expense of Ps.6,422 million as compared to an expense of Ps.3,773 million in 2013. This increase was mainly driven by higher interest expense due to a larger debt position and a foreign exchange loss mainly as a result of the depreciation of the end-of-period exchange rate of the Mexican peso during the year as applied to a higher U.S. dollar-denominated net debt position.

**Income Taxes.** Income taxes decreased to Ps.3,861 million, from Ps.5,731 million in 2013. In 2014, income taxes, as a percentage of income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method, were 25.8% as compared to 33.3% in 2013. The lower effective tax rate registered during 2014 was mainly driven by (i) a smaller contribution from our Venezuelan subsidiary (resulting from the use of the SICAD II rate for translation purposes) which carries a higher effective tax rate, (ii) the inflationary tax effects in Venezuela, and (iii) a one-time benefit related to the settlement of certain contingent tax liabilities under the tax amnesty program offered by the Brazilian tax authorities, which was registered during the third quarter of 2014.

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**Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes.** In 2014, we reported a loss of Ps.125 million in share of the profit of associates and joint ventures accounted for using the equity method, net of taxes, mainly due to an equity method loss of CCFPI, which was partially compensated by an equity method gain from our non-carbonated joint ventures in Mexico and Brazil.

On January 25, 2013, as part of our efforts to expand our geographic reach, we acquired a 51.0% non-controlling majority stake in CCFPI from The Coca-Cola Company. In 2014, we recognized an equity loss of Ps.334 million regarding our economic interest in CCFPI. In 2014, we reported our equity method investment in CCFPI as a separate reporting segment. For further information see Notes 9 and 25 to our consolidated financial statements.

**Net Controlling Interest Income (Equity holders of the parent).** Our consolidated net controlling interest income decreased 8.7% to Ps.10,542 million in 2014, as compared to 2013, mainly as a result of the lower contribution of our Venezuelan operations driven by the negative translation effect discussed above. Earnings per share in 2014 were Ps.5.09 (Ps.50.86 per ADS) computed on the basis of 2,072.9 million outstanding shares (each ADS represents 10 Series L shares) as of December 31, 2014.

### **Results by Consolidated Reporting Segment**

#### **Mexico and Central America**

**Total Revenues.** Reported total revenues from our Mexico and Central America division increased 1.8% to Ps.71,965 million in 2014, as compared to 2013, driven by the integration of Grupo Yoli in our Mexican operations. Excluding the non-comparable effect of Grupo Yoli in Mexico in 2014, total revenues decreased 0.5% as a result of a volume decline in Mexico related to price increases implemented to offset the effect of the recently imposed excise tax on sweetened beverages. On a currency neutral basis and excluding the non-comparable effect of Grupo Yoli in Mexico in 2014, total revenues in the division decreased 0.6%.

Total sales volume decreased 1.8% to 1,918.5 million unit cases in 2014, as compared to 2013. Excluding the non-comparable effect of Grupo Yoli in Mexico in 2014, total volume decreased 3.8%. On the same basis, a 4.6% volume contraction in Mexico was partially compensated by a 5.1% volume increase in Central America, mainly driven by growth in Nicaragua and Guatemala. Our bottled water portfolio, including bulk water, decreased 2.7%. Our sparkling beverage category and our still beverage category decreased 3.9% and 6.9%, respectively.

Total sales volume in Mexico decreased 2.4% to 1,754.9 million unit cases in 2014, as compared to 1,798.0 million unit cases in 2013. Excluding the non-comparable effect of Grupo Yoli in Mexico, total volume decreased 4.6% to 1,715.2 million unit cases. The volume contraction in our Mexican operation was driven by the price increase implemented in the country as a result of the excise tax on sweetened beverages. On the same basis, sales volume of our sparkling beverage category, our bottled water portfolio, our bulk water business and our still beverage category decreased 4.8%, 2.3%, 3.2% and 8.8%, respectively.

Total sales volume in Central America increased 5.1% to 163.6 million unit cases in 2014, as compared to 155.6 million unit cases in 2013. The sales volume in our sparkling beverage category grew 5.0%, mainly driven by the strong performance of the *Coca-Cola* brand in Guatemala and Nicaragua, which grew 8.9% and 7.1%, respectively. Sales volume in the still beverage category increased 3.9%, due to the performance of the *Powerade* brand in Guatemala and Panama and the *Hi-C* brand in Nicaragua. The bottled water business, including bulk water, grew 11.4%, mainly driven by the performance of the *Alpina* and *Dasani* brands.

**Gross Profit.** Our reported gross profit increased 4.3% to Ps.36,453 million in 2014, as compared to 2013. Lower sweetener and PET prices in the division 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. Reported gross margin reached 50.7% in 2014, an increase of 122 basis points as compared with the previous year.

**Administrative and Selling Expenses.** Administrative and selling expenses as a percentage of total revenues increased 30 basis points to 33.4% in 2014, as compared with the same period in 2013. Administrative and selling expenses in absolute terms increased 2.9% as compared to 2013. Excluding the non-comparable effect of Grupo Yoli in 2014, administrative and selling expenses remained flat as compared to 2013 due to a tight expense control.



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### **South America (excluding Venezuela)**

**Total Revenues.** Reported total revenues were Ps.66,367 million in 2014, an increase of 23.4% as compared to 2013, mainly due to the integration of the new territories in Brazil, average price per unit case increases in local currency in Argentina and Brazil, and volume growth in Colombia and Brazil (excluding Companhia Fluminense and Spaipa). Excluding beer, which accounted for Ps.7,117.7 million during 2014, total revenues increased 17.8% as compared to 2013. Excluding the non-comparable effect of Companhia Fluminense and Spaipa in 2014, total revenues increased 1.8%.

Total sales volume in our South America division, excluding Venezuela, increased 22.3% to 1,257.7 million unit cases in 2014 as compared to 2013, as a result of growth in Brazil and Colombia, which compensated for a volume decline in Argentina. Excluding the non-comparable effect of Companhia Fluminense and Spaipa in 2014, volumes increased 3.5% as compared to 2013. On the same basis, the still beverage portfolio grew 15.5%, mainly driven by the *Jugos del Valle* line of business in Colombia and Brazil and the performance of the *Powerade* brand in Argentina and Colombia. Our bottled water portfolio, including bulk water, increased 7.7% mainly driven by the *Crystal* brand in Brazil and the *Aquarius* and *Bonaqua* brands in Argentina. The sparkling beverage portfolio increased 2.1% as compared to 2013.

Total sales volume in Colombia increased 8.2% to 298.4 million unit cases in 2014, as compared to 275.7 million unit cases in 2013. The sales volume in the sparkling beverage category grew 8.1%, mainly driven by a 7.2% increase of the *Coca-Cola* brand. Sales volume in the still beverage category increased 34.8%, mainly driven by the performance of the *Del Valle Fresh* and *FUZE tea* brands. The bottled water business, including bulk water, decreased 2.2% mainly driven by the performance of the *Brisa* brand.

Total sales volume in Argentina decreased 0.6% to 225.7 million unit cases in 2014, as compared to 227.1 million unit cases in 2013. Sales volume in the sparkling beverage category decreased 2.5%. The bottled water business, including bulk water, increased 18.3%, driven by the *Aquarius* and *Bonaqua* brands. Sales volume in the still beverage category grew 7.5%, driven by the performance of the *Powerade* brand.

Total sales volume in Brazil increased 39.7% to 733.5 million unit cases in 2014, as compared to 525.2 million unit cases in 2013. Excluding the non-comparable effect of Companhia Fluminense and Spaipa in 2014, volume grew 2.7% to 539.5 million unit cases in 2014. On the same basis, sales volume in the bottled water business, including bulk water, increased 18.7%. Sales volume in the still beverage category increased 2.7%, mainly due to the performance of the *Jugos del Valle* line of business, and our sparkling beverage category increased 1.6%.

**Gross Profit.** Gross profit reached Ps.27,372 million, an increase of 22.3% in 2014, as compared to 2013. In local currency, cost of goods sold increased as a result of the depreciation of the average exchange rate of the Argentine peso, the Brazilian real and the Colombian peso as applied to our U.S. dollar-denominated raw material costs, which were partially compensated by lower PET prices in Colombia and Argentina, and lower sweetener prices in Argentina and Brazil. Reported gross margin reached 41.2% in 2014.

**Administrative and Selling Expenses.** Administrative and selling expenses as a percentage of total revenues decreased 110 basis points to 29.3% in 2014, as compared to 2013. Administrative and selling expenses in absolute terms increased 18.9%, mainly as a result of the integration of the new franchises in Brazil. Excluding the non-comparable effect of Companhia Fluminense and Spaipa in Brazil in 2014, administrative and selling expenses remained flat as compared to 2013, despite continued marketing investments to support our marketplace execution and bolster our returnable packaging base in Brazil, higher labor costs in Argentina and higher freight costs in Brazil.

### **Venezuela**

**Total Revenues.** Total revenues in Venezuela reached Ps.8,966 million in 2014, a decrease of 71.6% as compared to 2013, mainly due to the negative translation effect resulting from the use of the SICAD II exchange rate to translate the results of our Venezuelan operations to Mexican pesos. Average price per unit case was Ps.37.18 in 2014, a decrease of 73.7% as compared to 2013. On a currency neutral basis, our revenues in Venezuela increased by 100.3%.

Total sales volume increased 8.2% to 241.1 million unit cases in 2014, as compared to 222.9 million unit cases in 2013. The sales volume in the sparkling beverage category grew 8.4%, driven by the strong performance of the *Coca-Cola* brand, which grew 15.9%. The bottled water business, including bulk water, grew 1.5%. The still beverage category increased 12.0%, due to the performance of the *Del Valle Fresh* orangeade, *Powerade* and *Kapo*.

**Gross Profit.** Gross profit was Ps.4,557 million, a decrease of 70.8% in 2014, as compared to 2013, as a result of the negative translation effect in the results of our Venezuelan operations discussed above. In local currency, cost of goods sold increased as a result of higher sugar prices. Reported gross margin reached 50.8% in 2014, an increase of 132 basis points as compared with the previous year.



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**Administrative and Selling Expenses.** Administrative and selling expenses as a percentage of total revenues decreased 150 basis points to 35.1% in 2014, as compared to 2013. Administrative and selling expenses in absolute terms decreased 72.7% as compared to 2013, mainly as a result of the negative translation effect in the results of our Venezuelan operations discussed above. In local currency, administrative and selling expenses growth exceeded inflation growth as a consequence of higher labor and freight costs in the country.

**Liquidity and Capital Resources**

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

Our total indebtedness was Ps.66,730 million as of December 31, 2015, as compared to Ps.66,027 million as of December 31, 2014. Short-term debt and long-term debt were Ps.3,470 million and Ps.63,260 million, respectively, as of December 31, 2015, as compared to Ps.1,206 million and Ps.64,821 million, respectively, as of December 31, 2014. Total debt increased Ps.703 million in 2015, compared to year end 2014. We had cash outflows in 2015 resulting from dividend payments and the prepayment of outstanding bank debt. As of December 31, 2015, our cash and cash equivalents were Ps.15,989 million, as compared to Ps.12,958 million as of December 31, 2014. As of December 31, 2015, our cash and cash equivalents were comprised of 66.4% U.S. dollars, 21.2% Mexican pesos, 6.4% Brazilian reais, 2.3% Venezuelan bolivars, 1.1% Argentine pesos, 1.3% Colombian pesos, 0.7% Costa Rican colones and 0.6% other legal currencies. As of March 31, 2016, our cash and cash equivalents balance, including restricted cash, was Ps.17,741 million including US\$544 million denominated in U.S. dollars. We believe that these funds, in addition to the cash generated by our operations, are sufficient to meet our operating requirements.

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

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

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

**Sources and Uses of Cash.** The following table summarizes the sources and uses of cash for the years in the periods ended December 31, 2015, 2014 and 2013, from our consolidated statements of changes in cash flows:

	Year Ended December 31,		
	2015	2014	2013
	(in millions of Mexican pesos)		
Net cash flows from operating activities	23,202	24,406	22,097
Net cash flows used in investing activities <sup>(1)</sup>	(10,945)	(11,137)	(49,481)
Net cash flows (used in)/from financing activities	(8,567)	(11,350)	23,506
Dividends paid	(6,416)	(6,030)	(6,002)

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

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The table below sets forth our contractual obligations as of December 31, 2015:

	As of December 31, 2015				Total
	Maturity less than 1 year	Maturity 1 3 years	Maturity 4 5 years	Maturity in excess of 5 years	
	(in millions of Mexican pesos)				
<b>Debt<sup>(1)</sup></b>					
Mexican pesos	2,496		2,496	7,493	12,485
U.S. dollars		17,158	8,566	25,609	51,333
Brazilian reais	177	611	185	80	1,053
Colombian pesos	465	628			1,093
Argentine pesos	265	41			306
<b>Capital Leases</b>					
Brazilian reais	67	131	113	149	460
<b>Interest Payments on Debt<sup>(2)</sup></b>					
Mexican pesos	864	2,237	1,112	580	4,793
U.S. dollars	1,288	4,217	2,350	13,030	20,885
Brazilian reais	2,928	5,207	31	12	8,178
Colombian pesos	68	18			86
Argentine pesos	42	6			48
<b>Cross Currency Swaps</b>					
Mexican pesos to U.S. dollars <sup>(3)</sup>		1,899			1,899
Brazilian reais to U.S. dollars <sup>(4)</sup>		317			317
<b>Forwards</b>					
U.S. dollars to Mexican pesos <sup>(5)</sup>	104				104
U.S. dollars to Brazilian reais <sup>(6)</sup>	112				112
U.S. dollars to Colombian pesos <sup>(7)</sup>	41				41
U.S. dollars to Argentine pesos <sup>(8)</sup>	126				126
<b>Options</b>					
U.S. dollars to Mexican pesos <sup>(9)</sup>	57				57
U.S. dollars to Colombian pesos <sup>(10)</sup>	8				8
<b>Operating Leases</b>					
Mexican pesos	114	368	129	264	875
U.S. dollars	87	271	90	177	625
<b>Commodity Hedge Contracts</b>					
Sugar <sup>(11)</sup>	(190)				(190)
Aluminum <sup>(12)</sup>	(84)				(84)
<b>Expected Benefits to be Paid for Pension and Retirement Plans, Seniority Premiums and Post-employment</b>	196	584	264	1,195	2,239

(1) Excludes the effect of cross currency swaps.

(2) Interest was calculated using the contractual debt and nominal interest rates as of December 31, 2015. Liabilities denominated in U.S. dollars were converted to Mexican pesos at an exchange rate of Ps.17.20 per U.S. dollar, the exchange rate reported by *Banco de México* quoted to us by dealers for the settlement of obligations in foreign currencies on December 31, 2015.

(3)

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Cross-currency swaps used to convert U.S. dollar-denominated debt into Mexican peso-denominated debt with a notional amount of Ps.7,571 million with a maturity date as of 2018. These cross-currency swaps are considered hedges for accounting purposes, and are related to U.S. dollar-denominated senior notes. The amounts shown in the table are fair value figures as of December 31, 2015.

- (4) Cross-currency swaps used to convert U.S. dollar-denominated debt into Brazilian real denominated debt with a notional amount of Ps. 23,143 million with a maturity date as of 2018. These cross-currency swaps are considered hedges for accounting purposes and the amounts shown in the table are fair value figures as of December 31, 2015.

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- (5) Reflects the market value as of December 31, 2015 of forward derivative instruments used to hedge against fluctuation in the Mexican pesos. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2015.
- (6) Reflects the market value as of December 31, 2015 of forward derivative instruments used to hedge against fluctuation in the Brazilian real. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2015.
- (7) Reflects the market value as of December 31, 2015 of forward derivative instruments used to hedge against fluctuation in the Colombian pesos. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2015.
- (8) Reflects the market value as of December 31, 2015 of forward derivative instruments used to hedge against fluctuation in the Argentine pesos. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2015.
- (9) Reflects the market value as of December 31, 2015 of a call option derivative instrument used to hedge against fluctuation in the Mexican pesos. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2015.
- (10) Reflects the market value as of December 31, 2015 of a call option derivative instrument used to hedge against fluctuation in the Colombian pesos. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2015.
- (11) Reflects the market value as of December 31, 2015 of futures contracts used to hedge sugar cost. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2015.
- (12) Reflects the market value as of December 31, 2015 of futures and forwards contracts used to hedge aluminum cost. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2015.

**Debt Structure**

The following chart sets forth the debt breakdown of our company and its subsidiaries by currency and interest rate type as of December 31, 2015:

Currency	Percentage of Total Debt <sup>(1)(2)</sup>	Average Nominal Rate <sup>(3)</sup>	Average Adjusted Rate <sup>(1)(4)</sup>
Mexican pesos	28.2%	5.6%	5.0%
U.S. dollars	32.3%	3.8%	4.7%
Colombian pesos	1.7%	6.5%	6.5%
Brazilian reais	37.3%	6.8%	13.4%
Argentine pesos	0.5%	28.0%	28.0%

- (1) Includes the effects of our derivative contracts as of December 31, 2015, including cross currency swaps from U.S. dollars to Mexican pesos and U.S. dollars to Brazilian reais.

- (2) Due to rounding, these figures may not equal 100.0%.
- (3) Annual weighted average interest rate per currency as of December 31, 2015.
- (4) Annual weighted average interest rate per currency as of December 31, 2015 after giving effect to interest rate swaps and cross currency swaps. See **Item 11. Quantitative and Qualitative Disclosures about Market Risk Interest Rate Risk.**

**Table of Contents****Summary of Significant Debt Instruments**

The following is a brief summary of our significant long-term indebtedness with restrictive covenants outstanding as of the date of this annual report:

***Mexican Peso-Denominated Bonds (Certificados Bursátiles).***

On May 24, 2013, we issued Ps.7,500 million aggregate principal amount of *certificados bursátiles* bearing a 5.46% coupon and due May 2023. These *certificados bursátiles* are guaranteed by Propimex, our main operating subsidiary in Mexico, Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., 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.), Yoli de Acapulco, S. de R.L. de C.V. and Controladora Interamericana de Bebidas, S. de R.L. de C.V., or the Guarantors.

On April 18, 2011, we issued (i) Ps.2,500 million aggregate principal amount of 5-year floating rate *certificados bursátiles*, priced at 28-day THIE plus 13 basis points, which matured and were repaid in full on April 11, 2016, and (ii) Ps.2,500 million aggregate amount of 10-year fixed rate *certificados bursátiles* bearing a 8.27% coupon. These two series of *certificados bursátiles* are guaranteed by the Guarantors.

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

Issue Date	Maturity	Amount	Rate
2013	May 12, 2023	Ps.7,500 million	5.46%
2011	April 5, 2021	Ps.2,500 million	8.27%

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

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

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

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

**5.250% Notes due 2043.** On November 26, 2013, we issued US\$400 million aggregate principal amount of 5.250% senior notes due November 26, 2043. On January 21, 2014, we issued US\$200 million aggregate principal amount of additional notes under this series. These notes are guaranteed by the Guarantors. The indenture governing these notes imposes, among others, certain conditions upon a consolidation or merger by us and restricts the incurrence of liens and the entering into sale and leaseback transactions by us and our significant subsidiaries.

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



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**Bank Loans.** As of December 31, 2015, we had a number of bank loans in Colombian pesos, Brazilian reais, and Argentine pesos, with an aggregate principal amount of Ps.2,452 million.

In December 2015, we prepaid in full our outstanding bank debt denominated in U.S. dollars for an amount of US\$450 million (nominal amount).

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

**Off-Balance Sheet Arrangements**

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

**Contingencies**

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

We have various losses related to tax, labor and other legal proceedings. We periodically assess the probability of loss for such contingencies and accrue a provision and/or disclose the relevant circumstances, as appropriate. If the potential loss of any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a provision for the estimated loss. See Note 24 to our consolidated financial statements. We use outside legal counsel for certain complex legal proceedings. The following table presents the nature and amount of the loss contingencies recorded as of December 31, 2015:

	<b>Long-Term</b>
Tax, primarily indirect taxes	Ps. 1,658
Labor	1,340
Other legal	319
<b>Total</b>	<b>Ps. 3,317</b>

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

As is customary in Brazil, we have been required by the relevant authorities to collateralize tax contingencies currently in litigation amounting to Ps.3,569 million, Ps.3,026 million and Ps.2,248 million as of December 31, 2015, 2014 and 2013, respectively, by pledging fixed assets, or providing bank guarantees.

**Capital Expenditures**

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

	<b>Year Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>(in millions of Mexican pesos)</b>		
Capital expenditures, net <sup>(1)</sup>	11,484	11,313	11,703

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

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	Year Ended December 31,		
	2015	2014	2013
	(in millions of Mexican pesos)		
Mexico and Central America <sup>(1)</sup>	4,672	3,952	5,287
South America (excluding Venezuela) <sup>(2)</sup>	5,686	6,198	4,447
Venezuela	1,126	1,163	1,969
Total	11,484	11,313	11,703

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

(2) Includes Colombia, Brazil and Argentina.

In 2015, we focused our capital expenditures on investments in (i) increasing production capacity; (ii) placing coolers with retailers; (iii) returnable bottles and cases; (iv) improving the efficiency of our distribution infrastructure; and (v) information technology. Through these measures, we continuously seek to improve our profit margins and overall profitability.

In 2014 and 2013, we focused part of our capital expenditures in the construction of a production plant in Minas Gerais, Brazil, which was completed and began operations in November 2014, and the construction of a production plant in Tocancipa, Colombia, which was completed and began operations in February 2015. See **Item 4. Information on the Company Description of Property, Plant and Equipment**.

We have budgeted approximately US\$690 million for our capital expenditures in 2016. Our capital expenditures in 2016 are primarily intended for:

investments in production capacity;

market investments;

returnable bottles and cases;

improvements throughout our distribution network; and

investments in information technology.

We estimate that of our projected capital expenditures for 2016, approximately 36.0% will be for our Mexican territories and the remaining will be for our non-Mexican territories. We believe that internally generated funds will be sufficient to meet our budgeted capital expenditure for 2016. Our capital expenditure plan for 2016 may change based on market and other conditions, our results and financial resources.

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

**Table of Contents****Hedging Activities**

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

The following table provides a summary of the fair value of derivative instruments as of December 31, 2015. The fair market value is estimated using market prices that would apply to terminate the contracts at the end of the period and are confirmed by external sources, which generally are also our counterparties to the relevant contracts.

	Fair Value As Of December 31, 2015				Total fair value
	Maturity less than 1 year	Maturity 1 to 3 years	Maturity 4 to 5 years	Maturity in excess of 5 years	
(in millions of Mexican pesos)					
<b>Cross Currency Swaps</b>					
Mexican pesos to U.S. dollars		1,899			1,899
Brazilian reais to U.S. dollars		317			317
<b>Forwards</b>					
U.S. dollars to Mexican pesos	104				104
U.S. dollars to Brazilian reais	112				112
U.S. dollars to Colombian pesos	41				41
U.S. dollars to Argentine pesos	126				126
<b>Options</b>					
U.S. dollars to Mexican pesos	57				57
U.S. dollars to Colombian pesos	8				8
<b>Commodity Hedge Contracts</b>					
Sugar	(190)				(190)
Aluminum	(84)				(84)

In addition, our call option to acquire the remaining 49.0% stake in CCFPI and our put option to sell our ownership in CCFPI to The Coca-Cola Company are treated as derivative instruments for accounting purposes. See Note 19 to our consolidated financial statements for more information.

**Table of Contents****Item 6. Directors, Senior Management and Employees****Directors**

Management of our business is vested in our board of directors and in our chief executive officer. In accordance with our bylaws and Article 24 of the Mexican Securities Market Law, our board of directors will consist of no more than 21 directors and their respective alternates, elected at the annual ordinary shareholders meeting for renewable terms of one year. Our board of directors currently consists of 21 directors and 19 alternate directors; 13 directors and their respective alternate directors are elected by holders of the Series A shares voting as a class; five directors and their respective alternate directors are elected by holders of the Series D shares voting as a class; and up to three directors and their respective alternate directors are elected by holders of the Series L shares voting as a class. Directors may only be elected by a majority of shareholders of the appropriate series, voting as a class.

In accordance with our bylaws and Article 24 of the Mexican Securities Market Law, at least 25.0% of the members of our board of directors must be independent (as defined by the Mexican Securities Market Law). The board of directors may designate interim directors in the case that a director is absent or an elected director and corresponding alternate are unable to serve; the interim directors serve until the next shareholders meeting, at which the shareholders elect a replacement.

Our bylaws provide that when Series B shares are issued, which has not yet occurred, for every 10.0% of issued and paid shares of capital stock of our company held by shareholders of such Series B, either individually or as a group, such shareholders shall have the right to designate and revoke one director and the corresponding alternate, pursuant to Article 50 of the Mexican Securities Market Law.

Our bylaws provide that the board of directors shall meet at least four times a year. Since our major shareholders amended their Shareholders Agreement in February 2010, our bylaws were modified accordingly establishing that actions by the board of directors must be approved by at least a majority of the directors present and voting, except under certain limited circumstances which must include the favorable vote of at least two directors elected by the Series D shares. **See Item 7. Major Shareholders and Related Party Transactions Major Shareholders The Shareholders Agreement.** The chairman of the board of directors, the chairman of our audit or Corporate Practices Committee, or at least 25.0% of our directors may call a board of directors meeting to include matters in the meeting agenda.

At our general ordinary shareholders meeting held on March 7, 2016, the following directors were appointed or confirmed: 13 directors and their respective alternates as applicable, were appointed or confirmed by holders of Series A shares, five directors and their respective alternates as applicable, were appointed or confirmed by holders of Series D shares and three directors and their respective alternates as applicable, were appointed or confirmed by holders of Series L shares. Our board of directors is currently comprised of 21 members.

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

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

**Series A Directors**

José Antonio	Born:	February 1954
	First elected:	1993, as director; 2001 as chairman.
Fernández Carbajal		
<i>Chairman</i>	Term expires:	2017
	Principal occupation:	Executive Chairman of the Board of Directors of FEMSA.
	Other directorships:	Chairman of the board of directors of Fundación FEMSA and Instituto Tecnológico y de Estudios Superiores de Monterrey, or ITESM. Chairman Emeritus of US Mexico Foundation. Member of the board of directors of Heineken Holding, N.V., and vice-chairman of the supervisory board, chairman of the America's committee and member of the preparatory committee and selection and appointment committee of Heineken, N.V. Member of the board of directors of Industrias Peñoles, S.A.B. de C.V., Grupo Televisa, S.A.B. de C.V., or Televisa, and Co-Chairman of the advisory board of Woodrow Wilson Center, Mexico Institute.



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	Business experience:	Joined the strategic planning department of FEMSA in 1988, after which he held managerial positions at FEMSA Cerveza's commercial division and OXXO. He was appointed Deputy Chief Executive Officer of FEMSA in 1991 and Chief Executive Officer in 1995, a position he held until December 31, 2013. As of January 1, 2014, he was appointed Executive Chairman of the board of directors of FEMSA.
	Education:	Holds a degree in Industrial Engineering and a Master in Business Administration, or MBA, from ITESM.
	Alternate director:	Bárbara Garza Lagüera Gonda <sup>(2)</sup>
Carlos Salazar	Born:	April 1951
	First elected:	2000
Lomelín	Term expires:	2017
<i>Director</i>	Principal occupation:	Chief Executive Officer of FEMSA.
	Other directorships:	Member of the board of directors of FEMSA, Grupo Financiero BBVA Bancomer, S.A. de C.V., or Grupo BBVA Bancomer, and Fundación FEMSA. Member of the advisory board of Premio Eugenio Garza Sada, Centro Internacional de Negocios Monterrey A.C. (CINTERMEX), Asociación Promotora de Exposiciones, A.C. and the ITESM's EGADE Business School. Executive Chairman of the strategic planning board of the State of Nuevo Leon, Mexico.
	Business experience:	In addition, he has held managerial positions in several subsidiaries of FEMSA, including Grafo Regia, S.A. de C.V. and Plásticos Técnicos Mexicanos, S.A. de C.V., served as Chief Executive Officer of FEMSA Cerveza, where he also held various management positions in the Commercial Planning and Export divisions. In 2000 he was appointed our Chief Executive Officer, a position he held until December 31, 2013. As of January 1, 2014, he was appointed Chief Executive Officer of FEMSA.
	Education:	Holds a degree in Economics from ITESM, and performed postgraduate studies in Business Administration at ITESM and Economic Development in Italy.
	Alternate director:	Max Michel González
Miguel Eduardo Padilla Silva	Born:	January 1955
	First elected:	2016
	Term expires:	2017
<i>Director</i>	Principal occupation:	Chief Financial and Corporate Officer of FEMSA.
	Other directorships:	Member of the board of directors of Grupo Lamosa, S.A.B. de C.V., Club Industrial, A.C., Universidad Tec Milenio and Coppel, S.A. de C.V.
	Business experience:	He held the position of Chief Executive Officer of FEMSA Comercio from 2004 to 2016. Also, he held the positions of Planning and Control Officer of FEMSA from 1997 to 1999 and Chief Executive Officer of the Strategic Procurement Business Division of FEMSA from 2000 to 2003. He had a 20-year career in Alfa, S.A.B. de C.V., or Alfa, and held a position in Terza, S.A. de C.V. as Chief Executive Officer.
	Education:	Holds a degree in Mechanical Engineering from ITESM, a MBA from Cornell University and executive management studies at Instituto Panamericano de Alta Dirección de Empresa, or IPADE.
	Alternate director:	Paulina Garza Lagüera Gonda <sup>(2)</sup>

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Javier Gerardo	Born:	July 1959
	First elected:	2006
Astaburuaga Sanjines		
<i>Director</i>	Term expires:	2017
	Principal occupation:	Vice-President of Corporate Development of FEMSA.
	Business experience:	Joined FEMSA as a financial information analyst and later acquired experience in corporate development, administration and finance, held various senior positions at FEMSA Cerveza between 1993 and 2001, including Chief Financial Officer and for two years he served as FEMSA Cerveza's Director of Sales for the north region of Mexico, prior to his current position and until 2003, when he was appointed FEMSA Cerveza's Co-Chief Executive Officer. He held the position of Chief Financial and Corporate Officer of FEMSA from 2006 to 2015.
	Other directorships:	Member of the supervisory board and audit committee of Heineken N.V.
	Education:	Holds a degree in accounting from ITESM and is licensed as a Certified Public Accountant, or CPA.
	Alternate director:	Francisco José Calderón Rojas
Federico Reyes	Born:	September 1945
	First elected:	1992
García	Term expires:	
<i>Director</i>		2017
	Principal occupation:	Independent Consultant.
	Business experience:	At FEMSA, he held the position of Executive Vice-President of Corporate Development from 1992 to 1993, Chief Financial Officer from 1999 to 2006, and Corporate Development Officer until 2015.
	Other directorships:	Member of the board of directors of Fundación FEMSA and Tec Salud.
	Education:	Holds a degree in Business and Finance from ITESM.
	Alternate director:	Alejandro Bailleres Gual
John Anthony Santa Maria Otazua	Born:	August 1957
	First elected:	2014
	Term expires:	2017
<i>Director</i>	Principal occupation:	Our Chief Executive Officer.
	Business experience:	Has served as our Strategic Planning and Business Development Officer and Chief Operating Officer of our Mexican operations. Has served as Strategic Planning and Commercial Development Officer and Chief Operating Officer of our South America division. As Strategic Planning Officer, he led the integration of the Panamco acquisition with our operations. He also has experience in several areas of our company, namely development of new products and mergers and acquisitions. Has experience with different bottler companies in Mexico in areas such as Strategic Planning and General Management.
	Other directorships:	Member of the board of directors and the commercial committee of Gentera, S.A.B. de C.V., or Gentera.
	Education:	Holds a degree in Business Administration and a MBA with a major in Finance from Southern Methodist University.
	Alternate director:	Héctor Treviño Gutiérrez
Mariana Garza	Born:	April 1970
	First elected:	2009
Lagüera Gonda <sup>(2)</sup>	Term expires:	
<i>Director</i>		2017
	Business experience:	Private Investor
	Other directorships:	Member of the board of directors of FEMSA, ITESM, Museo de Historia Mexicana, Inmobiliaria Valmex, S.A. de C.V., Inversiones Bursátiles Industriales, S.A. de C.V.,



Desarrollo Inmobiliario la Sierrita, S.A. de C.V., Refrigeración York, S.A. de C.V., Peñitas, S.A. de C.V., Controladora Pentafem, S.A.P.I. de C.V. and Monte Serena, S.A. de C.V.

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	Education:	Holds a degree in Industrial Engineering from ITESM and a Master's degree in International Administration from the Thunderbird American Graduate School of International Administration.
	Alternate director:	Alfonso Garza Garza <sup>(1)</sup>
Ricardo Guajardo Touché	Born:	May 1948
<i>Director</i>	First elected:	1993
	Term expires:	2017
	Principal occupation:	Chairman of the board of directors of Solfi, S.A. de C.V.
	Other directorships:	Member of the board of directors of FEMSA, Grupo Valores Operativos Monterrey, S.A.P.I. de C.V., El Puerto de Liverpool, S.A.B. de C.V., Alfa, Grupo BBVA Bancomer, BBVA Bancomer, S.A., Institución de Banca Múltiple, or BBVA Bancomer, Grupo Aeroportuario del Sureste, S.A. de C.V., Grupo Bimbo, S.A.B. de C.V., or Bimbo, Coppel, S.A. de C.V., ITESM and Vitro, S.A.B. de C.V.
	Business experience:	Has held senior executive positions at FEMSA, Grupo AXA, S.A. de C.V. and Valores de Monterrey, S.A.B. de C.V.
	Education:	Holds a degree in Electrical Engineering from ITESM and the University of Wisconsin and a Master's degree from the University of California at Berkeley.
	Alternate director:	Daniel Alberto Rodríguez Cofré
Alfonso González Migoya	Born:	January 1945
<i>Independent Director</i>	First elected:	2006
	Term expires:	2017
	Principal occupation:	Chairman of the board of directors of Controladora Vuela Compañía de Aviación, S.A.B. de C.V. (Volaris), and managing partner of Acumen Empresarial, S.A. de C.V.
	Other directorships:	Member of the board of directors of Nemark, S.A.B. de C.V., Bolsa Mexicana de Valores, S.A.B. de C.V., Banregio Grupo Financiero, S.A., Cuprum, S.A. de C.V., Berel, S.A. de C.V., Servicios Corporativos Javer, S.A.B. de C.V. and ITESM.
	Business experience:	Served as Corporate Director of Alfa from 1995 to 2005 and as Chairman of the board of directors and Chief Executive Officer of Grupo Industrial Saltillo, S.A.B. de C.V. from 2009 to 2014.
	Education:	Holds a degree in Mechanical Engineering from ITESM and a MBA from the Stanford University Graduate School of Business.
	Alternate director:	Ernesto Cruz Velázquez de León
Enrique F. Senior Hernández	Born:	August 1943
<i>Independent Director</i>	First elected:	2004
	Term expires:	2017
	Principal occupation:	Managing Director of Allen & Company, LLC.
	Other directorship:	Member of the board of directors of Televisa, Cinemark USA, Inc. and Univision Communications, Inc.
	Business experience:	Among other clients, has provided financial advisory services to FEMSA and Coca-Cola FEMSA.
	Education:	Holds a Bachelor's degree from Yale University, a law degree and Honorary Law Doctorate from Emerson College and a MBA from Harvard University Business School.
	Alternate director:	Herbert Allen III

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Alfredo Livas Cantú  
*Independent Director*

Born: July 1951  
 First elected: 2014  
 Term expires: 2017  
 Principal occupation: President of Praxis Financiera, S.C.  
 Other directorships: Member of the board of directors of FEMSA, Grupo Senda Autotransporte, S.A. de C.V., Grupo Acosta Verde, S.A. de C.V., Grupo Industrial Saltillo, S.A.B. de C.V., and Grupo Financiero Banorte, S.A.B. de C.V., and member of the governance committee of Grupo Proeza, S.A.P.I. de C.V.  
 Education: Holds a degree in Economics from Universidad Autónoma de Nuevo León and a MBA and Master's in Economics from the University of Texas.  
 Alternate director: Jaime El Koury

Daniel Servitje  
Montull  
*Independent Director*

Born: April 1959  
 First elected: 1998  
 Term expires: 2017  
 Principal occupation: Chief Executive Officer and Chairman of the board of directors of Bimbo.  
 Other directorships: Member of the board of directors of Grupo Financiero Banamex, S.A. de C.V., Instituto Mexicano para la Competitividad, A.C., The Consumer Goods Forum, Latin America Conservation Council (The Nature Conservancy) and Stanford GSB Advisory Council, and Chairman of the board of directors of Corporación Aura Solar, S.A.P.I. de C.V. and Servicios Comerciales de Energía, S.A. de C.V.  
 Business experience: Served as Vice-President of Bimbo.  
 Education: Holds a degree in Business Administration from the Universidad Iberoamericana in Mexico and a MBA from the Stanford University Graduate School of Business.  
 Alternate director: Sergio Deschamps Ebergenyi

José Luis Cutrale  
*Director*

Born: September 1946  
 First elected: 2004  
 Term expires: 2017  
 Principal occupation: Chief Executive Officer of Sucocítrico Cutrale, Ltda.  
 Other directorships: Member of the board of directors of Cutrale North America, Inc., Cutrale Citrus Juice USA, Inc., Citrus Products, Inc. and Chiquita Brands International  
 Business experience: Founding partner of Sucocítrico Cutrale and member of the Brazilian American Chamber of Commerce.  
 Education: Holds a degree in Business Administration.  
 Alternate director: José Luis Cutrale, Jr.

**Series D Directors**

José Octavio Reyes  
Lagunes  
*Director*

Born: March 1952  
 First elected: 2016  
 Term expires: 2017

Principal occupation: Vice Chairman of The Coca-Cola Export Corporation.  
 Other directorships: Member of the board of directors of MasterCard Worldwide, Coca-Cola Hellenic Bottling Company and Keurig Green Mountain, Inc.  
 Business experience: He served as President of the Latin American Group of The Coca-Cola Company from 2002 to 2012. Prior to that, he began his career with The Coca-Cola Company in 1980 as Manager of Strategic Planning at Coca-Cola de México, was appointed Manager of the *Sprite* and *Diet Coke* brands at the corporate headquarters in Atlanta in 1987, became Marketing Director for the Brazil Division in 1990, was named Marketing and Operations Vice President for the Mexico Division and became President for the Mexico Division in 1996.

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	Education:	Holds a degree in Chemical Engineering from the Universidad Nacional Autónoma de México and a MBA from ITESM.
	Alternate director:	Robin Moore
Irial Finan	Born:	June 1957
	First elected:	2004
<i>Director</i>	Term expires:	2017
	Principal occupation:	Executive Vice-President and President of Bottling Investments.
	Other directorships:	Member of the board of directors of Coca-Cola HBC, Coca-Cola East Japan, The Coca-Cola Foundation, Supervisory Board for CCE AG (Germany), Smurfit Kappa Group and The American-Ireland Fund.
	Business experience:	He served as Chief Executive Officer of Coca-Cola Hellenic. Has experience in several Coca-Cola bottlers, mainly in Europe.
	Education:	Holds a Bachelor's degree in Commerce from National University of Ireland and is an Associate of the Institute of Chartered Management Accountants.
	Alternate director:	Sunil Ghatnekar
Charles H. McTier	Born:	January 1939
	First elected:	1998
<i>Independent Director</i>	Term expires:	2017
	Principal occupation:	Retired
	Business experience:	Has been associated with the Robert W. Woodruff Foundation for over forty years, serving as its President from 1988-2006 and served as a trustee from 2006-2015. Served on the board of directors of nine U.S. Coca-Cola bottling companies in the 1970s and 1980s.
	Education:	Holds a Bachelor's degree in Business Administration from Emory University.
Kathy Waller	Born:	May 1958
	First elected:	2015
<i>Director</i>	Term expires:	2017
	Principal occupation:	Executive Vice-President and Chief Financial Officer of The Coca-Cola Company.
	Other directorships:	Serves on the board of trustees of the University of Rochester, the advisory board of Catalyst, Inc. and the board of directors of Delta Airlines and Monster Beverage Corporation.
	Business experience:	Joined The Coca-Cola Company in 1987 as a Senior Accountant in the Accounting Research Department and assumed roles of increasing responsibility, including Principal Accountant for the Northeast Europe/Africa Group, Chief of Internal Audit as well as Comptroller, and Marketing Comptroller for the McDonald's Group.
	Education:	Holds a Bachelor's degree and a MBA from the University of Rochester and is licensed as a CPA.
	Alternate director:	Gloria Bowden
Eva María Garza Lagüera Gonda <sup>(3)</sup>	Born:	April 1958
	First elected:	2015
	Term expires:	2017
<i>Director</i>	Principal occupation:	Private Investor.
	Other directorships:	Member of the board of directors of ITESM, Premio Eugenio Garza Sada, Inmobiliaria Valmex, S.A. de C.V., Inversiones Bursátiles Industriales, S.A. de C.V., Desarrollo Inmobiliario la Sierrita, S.A. de C.V., Refrigeración York, S.A. de C.V., Peñitas, S.A. de C.V. and Controladora Pentafem, S.A.P.I. de C.V. and alternate member of the board of directors of FEMSA. Co-Founder and former President of Alternativas Pacíficas A.C.
	Education:	Holds a degree in Communications Science from ITESM.
	Alternate director:	Luis Rubio Freidberg

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Robert A. Fleishman Cahn	Born: First elected: Term expires:	February 1962 2012 2017
<i>Independent Director</i>	Principal occupation: Other directorships: Education: Alternate:	Chief Executive Officer of Grupo Tampico, S.A.P.I. de C.V. Secretary of the board of directors of Grupo Tampico, S.A.P.I. de C.V. and its subsidiaries, and member of the regional board of Banco Nacional de México, S.A. and BBVA Bancomer. Holds a degree in Business Administration from the University of Texas and an Executive Development Program from Wharton School of the University of Pennsylvania. Herman Harris Fleishman Cahn
José Manuel Canal Hernando	Born: First elected: Term expires:	February 1940 2003 2017
<i>Independent Director</i>	Principal occupation: Business experience: Other directorships: Education: Alternate:	Independent Consultant. Former managing partner at Arthur Andersen (Ruiz, Urquiza y Cía, S.C.) from 1981 to 1999, acted as statutory examiner of FEMSA from 1984 to 2002, founder and chairman of the Mexican Accounting Standards Board. Member of the board of directors of FEMSA, Grupo Kuo, S.A.B. de C.V., Grupo Industrial Saltillo, S.A.B. de C.V. and Estafeta Mexicana, S.A. de C.V., member of the risk committee of Gentera, and statutory examiner of Grupo BBVA Bancomer. Holds a degree in Accounting from the Universidad Nacional Autónoma de México and is licensed as a CPA. Luis A. Nicolau Gutiérrez
Francisco Zambrano Rodríguez	Born: First elected: Term expires:	January 1953 2003 2017
<i>Independent Director</i>	Principal occupation: Other directorships: Business experience: Education: Alternate director:	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. Member of the supervisory board of ITESM. Has extensive experience in investment banking and private investment services in Mexico. Holds a degree in Chemical Engineering from ITESM and a MBA from the University of Texas. Karl Frei Buechi

(1) Cousin of Eva María Garza Lagüera Gonda, Paulina Garza Lagüera Gonda, Mariana Garza Lagüera Gonda and Bárbara Garza Lagüera Gonda.

(2) Sister of Eva Maria Garza Lagüera Gonda and sister-in-law of José Antonio Fernández Carbajal.

(3) Wife of José Antonio Fernández Carbajal.

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

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



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Pursuant to a shareholders' agreement dated October 10, 2011, by and among Mr. Herman Harris Fleishman Cahn, Mr. Robert Alan Fleishman Cahn and FEMSA, Mr. Herman Harris Fleishman Cahn and Mr. Robert Alan Fleishman Cahn have been elected as director and alternate director of our board of directors beginning in October 2011 for six consecutive one-year terms. Mr. Herman Harris Fleishman Cahn and Mr. Robert Alan Fleishman Cahn alternate the roles of director and alternate director each year.

**Executive Officers**

The following are the principal executive officers of our company:

John Anthony Santa	Born:	August 1957
	Joined:	1995
Maria Otazua	Appointed to current position:	
<i>Chief Executive Officer</i>		2014
	Business experience with us:	Has served as our Strategic Planning and Business Development Officer and Chief Operating Officer of our Mexican operations. Has served as Strategic Planning and Commercial Development Officer and Chief Operating Officer of our South America division. As Strategic Planning Officer, he led the integration of the Panamco acquisition with our operations. He also has experience in several areas of our company, namely development of new products and mergers and acquisitions.
	Other business experience:	Has experience with different bottler companies in Mexico in areas such as Strategic Planning and General Management.
	Education:	Holds a degree in Business Administration and a MBA with a major in Finance from Southern Methodist University.
Héctor Treviño Gutiérrez	Born:	August 1956
	Joined:	1981
<i>Chief Financial Officer</i>	Appointed to current position:	1993
	Other business experience:	At FEMSA, was in charge of the International Financing department, served as Manager of Financial Planning and Manager of International Financing, Chief Officer of Strategic Planning and Chief Officer of Business Development and headed the Corporate Development department.
	Education:	Holds a degree in Chemical Engineering from ITESM and a MBA from the Wharton School of Business.
Tanya Cecilia Avellan Pinoargote	Born:	May 1966
	Joined:	2002
<i>Planning, Information Technology and Commercial Officer</i>	Appointed to current position:	2014
	Business experience with us:	Served as Strategic Planning Officer at FEMSA, Chief Operations Officer at our Central America division and Commercial Planning and Strategic Development Officer.
	Other business experience:	Has undertaken responsibilities in different multinational companies with vast experience in mass consumer goods.
	Education:	Holds a degree in Communications from Universidad Politécnica del Ecuador and a MBA specialized in marketing from INCAE Business School.
Raymundo Yutani Vela	Born:	June 1958
	Joined:	1999
<i>Human Resources Officer</i>	Appointed to current position:	2014
		Human Resources Officer at FEMSA Comercio from 1999 to 2014.

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Business experience  
with us:

Other business  
experience:

Worked as Human Resources Officer at Banco Santander-Serfin from 1995 to 1999.

Education:

Holds a Bachelor's degree in Accounting and a Master's degree in Human Resources at Universidad Regiomontana and is licensed as a CPA.



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Ernesto Javier Silva Almaguer  <i>Chief Operating Officer Mexico</i>	Born: Joined: Appointed to current position: Business experience with us: Other business experience:  Education:	March 1953 1972 2011 Has served as Strategic Planning Officer, Chief Operating Officer in Argentina, Mercosur, Mexico and Central America. Has worked as General Director of former packaging subsidiaries of FEMSA, served as Vice-President of International Sales at FEMSA Empaques and Manager of FEMSA's Corporate Planning and held several positions at Alfa. Holds a degree in Mechanical and Administrative Engineering from Universidad Autónoma de Nuevo León and a MBA from The University of Texas at Austin.
Rafael Alberto Suárez Olaguibel  <i>Chief Operating Officer Latin America</i>	Born: Joined: Appointed to current position: Business experience with us:  Other business experience: Education:	April 1960 1986 2015 Has served as Chief Operating Officer Latincentro Division, Commercial Planning and Strategic Development Officer, Chief Operating Officer of Mexico, Chief Operating Officer of Argentina, Distribution and Sales Director of Valley of Mexico and Marketing Director of Valley of Mexico. Has worked as Franchises Manager and in other positions at The Coca-Cola Company in Mexico. Holds a degree in Economics and a MBA from ITESM.
José Ramón de Jesús Martínez Alonso  <i>Chief Operating Officer Brazil</i>	Born: Joined: Appointed to current position: Business experience with us: Other business experience:  Education:	July 1961 2012 2014 Served as Operational Planning Officer, Corporate Affairs Director for Mexico and Central America and Strategic Planning Director of our South America division. Operations vice-president of Panamco from 1994 to 1999, Chief Operating Officer of Panamco from 1999 to 2002 and President of the National Association of Coca-Cola Bottlers in Mexico from 2005 to 2012. Holds a degree in Chemical Engineering from La Salle University and a MBA from IPADE.
Francisco Suárez Hernández  <i>Corporate Affairs Officer</i>	Born: Joined: Appointed to current position: Business experience with us:  Education:	November 1971 1997 2014 He served as the Chief of Staff of the chairman of FEMSA's board of directors and CEO of FEMSA. He also held positions in FEMSA's packaging division in the commercial area in Mexico City and manufacturing plants in Baja California and other states in Mexico. He was named Sustainability Officer of FEMSA in February 2011. Holds a bachelor's degree in Accounting from the Universidad Autónoma de Baja California, a MBA and a Doctorate degree in Business Administration at CETYS Universidad in Baja California.

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Alejandro Javier Duncan Ancira	Born: Joined: Appointed to current position:	May 1957 1980 2015
<i>Supply Chain and Engineering Officer</i>	Business experience with us: Other business experience: Education:	Infrastructure Planning Director of Mexico and our Technical Officer. Logistics, Manufacturing Officer in Argentina and Plant Manager in Mexico. Has undertaken responsibilities in different areas such as technology, production, logistics, engineering and project management in manufacturing companies. Holds a degree in Mechanical-Electrical Engineering from ITESM and a MBA from Universidad de Monterrey.
Eduardo Guillermo Hernández Peña	Born: Joined: Appointed to current position:	October 1965 2015 2015
<i>New Businesses Officer</i>	Other business experience: Education:	At Empresas Polar he held several positions in the beer, wine and food business. Since 2010, he served as Chief Executive Officer of Gloria, S.A. Holds a bachelor s degree in Business Administration from Universidad Metropolitana in Venezuela, a degree in Marketing from Harvard University and a MBA from Northwestern University.

(1) See **Directors.**

**Compensation of Directors and Officers**

For the year ended December 31, 2015, the aggregate compensation of all of our executive officers paid or accrued for services in all capacities was approximately Ps.225 million. The aggregate compensation amount includes approximately Ps.117 million of cash bonus awards and bonuses paid to certain of our executive officers pursuant to our incentive plan for stock purchases. See **EVA-Based Bonus Program.**

The aggregate compensation for directors during 2015 was Ps.22 million. For each meeting attended we paid US\$13,000 to each director with foreign residence and US\$9,000 to all other directors with residence in Mexico in 2015.

We paid US\$5,000 to each of the members of the Audit, Finance and Planning and the Corporate Practices Committees per each meeting attended, and we paid US\$6,500 to the chairman of the Audit Committee per meeting attended.

Our senior management and executive officers participate in our benefit plans in the same terms as our other employees. Members of our board of directors do not participate in our benefit plans. As of December 31, 2015, amounts accrued for all employees under our pension and retirement plans were Ps.2,687 million, of which Ps.864 million are already funded.

**EVA-Based Bonus Program**

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

The quantitative objectives represent approximately 50.0% of the bonus and are based on the Economic Value Added, or EVA, methodology. These quantitative objectives, established for the executives at each entity, are based on a combination of the EVA generated per entity and by our company and the EVA generated by our parent company, FEMSA. The qualitative goals and special projects represent the remaining 50.0% 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 calculated considering the level of responsibility within the organization, the employees evaluation and competitive compensation in the market.

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

*Share-based payment bonus plan.* We have a stock incentive plan for the benefit of our executive officers. This plan uses as its main evaluation metric the EVA methodology. Under the EVA stock incentive plan, eligible executive officers are entitled to receive a special annual bonus (fixed amount), to purchase FEMSA and Coca-Cola FEMSA shares, based on the executive's responsibility in the organization, their business EVA result and their individual performance. Until 2015, the acquired shares were deposited in a trust, and the executives accessed them one year after they were vested, at 20.0% per year. Beginning on January 1, 2016, the executives may access their acquired shares ratably over a three-year period. Fifty percent of our annual executive bonus under our stock incentive plan is to be used to purchase FEMSA shares and the remaining 50.0% to purchase our company's shares. As of December 31, 2015, 2014 and 2013, no stock options had been granted to our employees.

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

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

## **Share Ownership**

As of April 8, 2016, several of our directors and alternate directors were trust participants under the Irrevocable Trust No. 463 established at Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero, as trustee, which is the owner of approximately 74.9% of the voting stock of FEMSA, which in turn owns 47.9% of our outstanding capital stock. As a result of the voting trust's internal procedures, the voting trust as a whole is deemed to have beneficial ownership with sole voting power of all the shares deposited in the voting trust, and each of the trust participants are deemed to have beneficial ownership with shared voting power over those same deposited shares. These directors and alternate directors are Alfonso Garza Garza, Paulina Garza Lagüera Gonda, Bárbara Garza Lagüera Gonda, Mariana Garza Lagüera Gonda and Eva María Garza Lagüera Gonda. **See Item 7. Major Shareholders and Related Party Transactions Major Shareholders.** None of our other directors, alternate directors or executive officers is the beneficial owner of more than 1% of any class of our capital stock. See Note 15 to our consolidated financial statements.

## **Board Practices**

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

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

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

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

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Silva. The secretary non-member of the Finance and Planning Committee is Héctor Treviño Gutiérrez, our Chief Financial Officer.

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*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 internal corporate control department.

*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, Karl Frei Buechi, Luis Rubio Freidberg and Luis A. Nicolau Gutiérrez. The secretary non-member of the Corporate Practices Committee is Raymundo Yutani Vela.

*Advisory Board.* The Advisory Board's main role is to advise and propose initiatives to our board of directors through the Chief Executive Officer. This committee is mainly comprised of former shareholders of the various bottling businesses that merged with us, whose experience constitute an important contribution to our operations.

**Employees**

As of December 31, 2015, our headcount was as follows: 50,186 in Mexico and Central America, 26,190 in South America (excluding Venezuela) and 7,336 in Venezuela. In the headcount we include the employees of third party distributors. The table below sets forth headcount by category for the periods indicated:

	As of December 31,		
	2015	2014	2013
Executives	1,024	1,038	1,054
Non-union	24,479	24,502	24,955
Union	49,855	49,150	51,076
Employees of third party distributors	8,354	8,681	7,837
<b>Total</b>	<b>83,712</b>	<b>83,371</b>	<b>84,922</b>

As of December 31, 2015, approximately 56.0% of our employees, most of whom were employed in Mexico, were members of labor unions. We had 239 separate collective bargaining agreements with 133 labor unions. In general, we have a good relationship with the labor unions throughout our operations, except in Colombia, Venezuela and Guatemala, which are or have been the subjects of significant labor-related litigation. See **Item 8. Financial Information Consolidated Statements and Other Financial Information** and **Item 8. Financial Information Legal Proceedings**. We believe we have appropriate reserves for these litigation proceedings and do not currently expect them to have a material adverse effect.

**Insurance Policies**

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

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

Our outstanding capital stock consists of three classes of securities: Series A shares held by FEMSA, Series D shares held by The Coca-Cola Company and Series L shares held by the public. The following table sets forth our major shareholders as of April 8, 2016:

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

- (1) FEMSA owns these shares through its wholly owned subsidiary Compañía Internacional de Bebidas, S.A. de C.V. Approximately 74.9% of the voting stock of FEMSA is owned by the technical committee and trust participants under Irrevocable Trust No. 463 established at Banco Invex, S.A. Institución de Banca Múltiple, Invex Grupo Financiero, as Trustee. As a consequence of the voting trust's internal procedures, the following trust participants are deemed to have beneficial ownership with shared voting power of the shares deposited in the voting trust: BBVA Bancomer, S.A., as Trustee under Trust No. F/25078-7 (controlled by the estate of Max Michel Suberville), J.P. Morgan Trust Company (New Zealand) Limited, as Trustee under a trust (controlled by Paulina Garza Lagüera Gonda), Bárbara Garza Lagüera Gonda, Mariana Garza Lagüera Gonda, Eva Maria Garza Lagüera Gonda, Eva Gonda Rivera, Consuelo Garza Lagüera de Garza, Alfonso Garza Garza, Patricio Garza Garza, Juan Carlos Garza Garza, Eduardo Garza Garza, Eugenio Garza Garza, Alberto Bailleres Gonzalez, Maria Teresa Gual Aspe de Bailleres, Inversiones Bursátiles Industriales, S.A. de C.V. (controlled by the Garza Lagüera family), Corbal, S.A. de C.V. (controlled by Alberto Bailleres González), Magdalena Michel de David, Alepage, S.A. (controlled by Consuelo Garza Lagüera de Garza), BBVA Bancomer, S.A. as Trustee under Trust No. F/29013-0 (controlled by the Calderón Rojas family), the estate of Max Michel Suberville, Max David Michel, Juan David Michel, Monique David de VanLathem, Renee Michel de Guichard, Magdalena Guichard Michel, Rene Guichard Michel, Miguel Guichard Michel, Graciano Guichard Michel, Juan Guichard Michel, Franca Servicios, S.A. de C.V. (controlled by the Calderón Rojas family), BBVA Bancomer, S.A., as Trustee under Trust No. F/29490-0 (controlled by Alberto, Susana and Cecilia Bailleres), BBVA Bancomer, S.A., as Trustee under Trust No. F/710004 (controlled by Magdalena Michel de David) and BBVA Bancomer, S.A., as Trustee under Trust No. F/700005 (controlled by Renee Michel de Guichard).
- (2) The Coca-Cola Company indirectly owns these shares through its wholly owned subsidiaries, The Inmex Corporation and Dulux CBAI 2003 B.V.
- (3) Holders of Series L shares are only entitled to vote in limited circumstances. **See Item 10. Additional Information Bylaws.** Holders of ADSs are entitled, subject to certain exceptions, to instruct The Bank of New York Mellon, a depositary, as to the exercise of the limited voting rights pertaining to the Series L shares underlying their ADSs.

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

As of December 31, 2015, there were 14,850,774 of our outstanding ADSs (each ADS represents 10 Series L shares), and 29.9% of our outstanding Series L shares were represented by ADSs. As of April 8, 2016, 30.22% of our outstanding Series L shares were represented by ADSs, held by 349 holders (including The Depository Trust Company) with registered addresses outside of Mexico.





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### **The Shareholders Agreement**

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

In February 2010, our main shareholders, FEMSA and The Coca-Cola Company, amended the shareholders agreement, and our bylaws were amended accordingly. The amendment mainly related to changes in the voting requirements for decisions on: (1) ordinary operations within an annual business plan and (2) appointment of the chief executive officer and all officers reporting to him, all of which now may be taken by the board of directors by simple majority voting. Also, the amendment provided that payment of dividends, up to an amount equivalent to 20.0% of the preceding years' retained earnings, may be approved by a simple majority of the shareholders. Any decision on extraordinary matters, as they are defined by our bylaws and which include any new business acquisition, business combinations or any change in the existing line of business, among other things, shall require the approval of the majority of the members of the board of directors, with the vote of two of the members appointed by The Coca-Cola Company. Also, any decision related to such extraordinary matters or any payment of dividends above 20.0% of the preceding years' retained earnings shall require the approval of a majority of Series A and Series D shares voting together as a single class.

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

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

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

In the event that (1) one of the principal shareholders buys the other's interest in our company in any of the circumstances described above or (2) the ownership of our shares of capital stock other than the Series L shares of the subsidiaries of The Coca-Cola Company or FEMSA is reduced below 20.0% and upon the request of the shareholder whose interest is not so reduced, the shareholders agreement requires that our bylaws be amended to eliminate all share transfer restrictions and all special-majority voting and quorum requirements, after which the shareholders agreement would terminate.

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

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### **The Coca-Cola Memorandum**

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

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

FEMSA will continue to consolidate our financial results under Mexican financial reporting standards. (We have complied with Mexican law by transitioning to IFRS as of 2011 and FEMSA currently consolidates our financial results under IFRS).

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

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

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

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

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

The Coca-Cola Company agreed to sell to a subsidiary of FEMSA sufficient shares to permit FEMSA to beneficially own 51.0% of our outstanding capital stock (assuming that this subsidiary of FEMSA does not sell any shares and that there are no issuances of our stock other than as contemplated by the acquisition). As a result of this understanding, in November 2006, FEMSA acquired, through a subsidiary, 148,000,000 of our Series D shares from certain subsidiaries of The Coca-Cola Company, representing 9.4% of the total outstanding voting shares and 8.0% of our total outstanding equity, at a price of US\$2.888 per share for an aggregate amount of US\$427.4 million. Pursuant to our bylaws, the acquired shares were converted from Series D shares to Series A shares.

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

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

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### **Cooperation Framework with The Coca-Cola Company**

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

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

***Our horizontal growth:*** The framework includes The Coca-Cola Company's endorsement of our aspiration to continue being a leading participant in the consolidation of the *Coca-Cola* system in Latin America, as well as our exploration of potential opportunities in other markets where our operating model and strong execution capabilities could be leveraged. For example, in 2008 we entered into a transaction with The Coca-Cola Company to acquire from it, REMIL, which was The Coca-Cola Company's wholly owned bottling franchise in the majority of the State of Minas Gerais, Brazil. On January 25, 2013 we closed the acquisition of 51.0% non-controlling majority stake of the outstanding shares of CCFPI from The Coca-Cola Company. From 2011 to 2013, we closed four mergers in Mexico and two acquisitions in Brazil. See **Item 4. Information on the Company The Company Corporate History.**

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

### **RELATED PARTY TRANSACTIONS**

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

### **FEMSA**

We regularly engage in transactions with FEMSA and its subsidiaries.

We sell our products to certain FEMSA subsidiaries, substantially all of which consists of our sales to a chain of convenience stores under the name OXXO. The aggregate amount of these sales to OXXO was Ps.3,749 million, Ps.3,414 million and Ps.3,078 million in 2015, 2014 and 2013, respectively.

We also purchase products from FEMSA and its subsidiaries. The aggregate amount of these purchases was Ps.7,720 million, Ps.7,368 million and Ps.5,200 million in 2015, 2014 and 2013, respectively. These amounts principally relate to raw materials, assets and services provided to us by FEMSA. In January 2008, we renewed our service agreement with another subsidiary of FEMSA, which provides for the continued provision of administrative services relating to insurance, legal and tax advice, relations with governmental authorities and certain administrative and internal auditing services that it has been providing since June 1993. In November 2000, we entered into a service agreement with a subsidiary of FEMSA for the transportation of finished products from our production facilities to our distribution centers within Mexico. In September 2010, FEMSA sold the *Mundet* brand in Mexico to The Coca-Cola Company through The Coca-Cola Company's acquisition of 100.0% of the equity interest of Promotora de Marcas Nacionales, S.A. de C.V. We remain the licensee of the *Mundet* trademark under the license agreements

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with Promotora de Marcas Nacionales, S.A. de C.V. Both agreements are renewable for ten-year terms, subject to non-renewal by either party with notice to the other party. We recently expanded the territories covered by these agreements to certain of our operations outside of Mexico. We

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primarily purchase our glass bottles in Mexico from SIVESA, which until 2015 was a wholly owned subsidiary of Cuauhtémoc Moctezuma Holding, S.A. de C.V., formerly known as FEMSA Cerveza, currently a wholly owned subsidiary of the Heineken Group. The aggregate amount of our purchases from SIVESA amounted to Ps.216 million, Ps.278 million and Ps.266 million in 2015, 2014 and 2013, respectively. Finally, we continue to distribute and sell the *Heineken* beer portfolio, including *Kaiser* beer brands, in our Brazilian territories through the 20-year term, consistent with arrangements in place with Cervejarias Kaiser since 2006.

We also purchase products from Heineken and its subsidiaries. The aggregate amount of these purchases was Ps.6,944 million, Ps.6,288 million and Ps.3,734 million in 2015, 2014 and 2013, respectively. These amounts principally relate to raw materials and beer.

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

### **The Coca-Cola Company**

We regularly engage in transactions with The Coca-Cola Company and its affiliates. We purchase all of our concentrate requirements for *Coca-Cola* trademark beverages from The Coca-Cola Company. Total expenses charged to us by The Coca-Cola Company for concentrates were approximately Ps.27,330 million, Ps.28,084 million and Ps.25,985 million in 2015, 2014 and 2013, respectively. Our company and The Coca-Cola Company pay and reimburse each other for marketing expenditures. The Coca-Cola Company also contributes to our coolers, bottles and case investment program. We received contributions to our marketing expenses of Ps.3,749 million, Ps.4,118 million and Ps.4,206 million in 2015, 2014 and 2013, respectively.

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

In Argentina, we purchase plastic preforms, as well as returnable plastic bottles, at competitive prices from Andina Empaques S.A., a local subsidiary of Embotelladora Andina S.A., a bottler of The Coca-Cola Company with operations in Argentina, Chile, Brazil and Paraguay in which The Coca-Cola Company has a substantial interest, and other local suppliers. We also acquire plastic preforms from Alpla Avellaneda S.A. and other suppliers.

In November 2007, we acquired together with The Coca-Cola Company 100.0% of the shares of capital stock of Jugos del Valle. Jugos del Valle sells fruit juice-based beverages and fruit derivatives. The business of Jugos del Valle in the United States was acquired and sold by The Coca-Cola Company. In 2008, we, The Coca-Cola Company and all Mexican and Brazilian *Coca-Cola* bottlers entered into a joint business for the Mexican and Brazilian operations, respectively, of Jugos del Valle. As of April 8, 2016, we held an interest of 26.3% in the Mexican joint business. In August 2010, we acquired from The Coca-Cola Company, along with other Brazilian Coca-Cola bottlers, Leão Alimentos, manufacturer and distributor of the *Matte Leão* tea brand. In January 2013, our Brazilian joint business of Jugos del Valle merged with Leão Alimentos. As of April 8, 2016, we held a 24.4% indirect interest in the *Matte Leão* business in Brazil.

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

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

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

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

In August 2012, we acquired, through Jugos del Valle, an indirect participation in Santa Clara, a producer of milk and dairy products in Mexico. As of April 8, 2016, we owned an indirect participation of 26.3% in Santa Clara.

In January, 2013, as part of our efforts to expand our geographic reach, we acquired a 51.0% non-controlling majority stake in CCFPI from The Coca-Cola Company. We have an option to acquire the remaining 49.0% stake in CCFPI at any time during the seven years following the closing date. We also have a put option to sell our ownership in CCFPI to The Coca-Cola Company commencing on the fifth anniversary of the closing date and ending on the sixth anniversary of the closing date. We currently manage the day-to-day operations of the business; however, pursuant to our shareholders' agreement with The Coca-Cola Company (a) during a four-year period ending January 25, 2017, all decisions must be approved jointly with The Coca-Cola Company, (b) following this four-year period, all decisions related to the annual normal operations plan and any other ordinary matters will be approved only by us, (c) The Coca-Cola Company has the right to appoint (and may remove) CCFPI's chief financial officer, and (d) we have the right to appoint (and may remove) the chief executive officer and all other officers of CCFPI. We currently recognize the results of CCFPI in our financial statements using the equity method.

## **Associated Companies**

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

In Mexico, we purchase sparkling beverages in cans from Industria Envasadora de Querétaro, S.A. de C.V., or IEQSA, in which we hold an equity interest of 26.5%. We paid IEQSA Ps.731 million, Ps.591 million and Ps.615 million in 2015, 2014 and 2013, respectively. IEQSA purchases aluminum cans from FEMSA. We also purchase sugar from Beta San Miguel and PIASA, both sugar-cane producers in which, as of April 8, 2016, we held a 2.7% and 36.3% equity interest, respectively. We paid Ps.1,264 million, Ps.1,389 million and Ps.1,557 million to Beta San Miguel in 2015, 2014 and 2013, respectively. We paid Ps.1,236 million, Ps.1,020 million, and Ps.956 million to PIASA in 2015, 2014 and 2013, respectively.

In Mexico, we hold a 35.0% interest as of April 8, 2016 in PROMESA, a cooperative of *Coca-Cola* bottlers. Through PROMESA, we purchase cans for our Mexican operations, which are manufactured by FAMOSA, a wholly owned subsidiary of Cuauhtémoc Moctezuma Holding, S.A. de C.V., currently a wholly owned subsidiary of the Heineken Group. We purchased from PROMESA approximately Ps.587 million, Ps.567 million and Ps.670 million in 2015, 2014 and 2013, respectively.

## **Other Related Party Transactions**

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

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

Ricardo Guajardo Touché, a member of our board of directors, is also a member of the board of directors of ITESM.

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

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





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

See Notes 6 and 13 to our consolidated financial statements for more information on our related party transactions, including transactions with parties that fall within the related party definition pursuant to IFRS rules.

### **Item 8. Financial Information**

#### **CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION**

##### **Consolidated Financial Statements**

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

##### **Dividend Policy**

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

##### **Significant Changes**

Except as disclosed under **Item 5. Operating and Financial Review and Prospects General Recent Developments in the Venezuelan Exchange Control Regime**, no significant changes have occurred since the date of the annual financial statements included in this annual report.

#### **LEGAL PROCEEDINGS**

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

##### **Mexico**

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

In addition, among the companies involved in the 2000 complaint filed by PepsiCo and other bottlers in Mexico, were some of our less significant subsidiaries acquired with the Grupo Yoli merger. On June 30, 2005, the COFECE imposed a fine on one of our subsidiaries for approximately Ps.10.5 million. A motion for reconsideration on this matter was filed on September 21, 2005, which was resolved by the COFECE confirming the original resolution on December 1, 2005. A constitutional challenge (*amparo*) was filed against said resolution and a Federal Court issued a favorable resolution in our benefit. Both the COFECE and PepsiCo filed appeals against said resolution and a Circuit Court in Acapulco, Guerrero resolved to request the COFECE to issue a new resolution regarding the Ps.10.5 million fine. COFECE then fined

our subsidiary again, for the same amount. A new *amparo* claim was filed against said resolution.

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On May 17, 2012, such new *amparo* claim was resolved, again in favor of one of our subsidiaries, requesting the COFECE to recalculate the amount of the fine. The COFECE maintained the amount of the fine in a new resolution which we challenged through a new *amparo* claim filed on July 31, 2013 before a District Judge in Acapulco, Guerrero and are still awaiting final resolution.

In February 2009, the COFECE began a new investigation of alleged monopolistic practices filed by PepsiCo consisting of sparkling beverage sales subject to exclusivity agreements and the granting of discounts and/or benefits in exchange for exclusivity arrangements with certain retailers. In December 2011, the COFECE closed this investigation on the grounds of insufficient evidence of monopolistic practices by The Coca-Cola Company and some of its bottlers, including us. On February 9, 2012, PepsiCo appealed the decision of the COFECE. The COFECE confirmed its decision on May 3, 2012.

In June and July 2010, Ajemex, S.A. de C.V., or Ajemex, filed two complaints with the COFECE against The Coca-Cola Export Corporation and certain *Coca-Cola* bottlers, including us, alleging the continued performance of monopolistic practices in breach of COFECE's resolution dated June 30, 2005. On January 23, 2015, The Coca-Cola Export Corporation and the *Coca-Cola* bottlers provided evidence to COFECE against these allegations. The COFECE ruled upon these proceedings in favor of The Coca-Cola Export Corporation and the *Coca-Cola* bottlers. On April 6, 2015, Ajemex filed an *amparo* claim against said resolution, which was dismissed and denied by a Federal District Judge. No further action was pursued by Ajemex, and the resolution became final.

**Item 9. The Offer and Listing**

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

	Mexican Stock Exchange		New York Stock Exchange	
	Mexican pesos per Series L Share High <sup>(1)</sup>	Low <sup>(1)</sup>	U.S. dollars per ADS High <sup>(1)</sup>	Low <sup>(1)</sup>
<b>2011:</b>				
Full year	Ps. 135.91	Ps. 87.40	US\$ 98.90	US\$ 72.08
<b>2012:</b>				
Full year	191.34	125.61	149.43	94.30
<b>2013:</b>				
Full year	219.70	146.23	178.66	111.66
<b>2014:</b>				
Full year	155.38	121.59	120.08	84.22
First quarter	153.49	121.59	117.83	91.60
Second quarter	155.38	129.58	120.08	99.60
Third quarter	149.54	131.80	115.78	98.31
Fourth quarter	142.07	124.45	105.80	84.22
<b>2015:</b>				
Full year	132.03	113.51	89.91	65.90
First quarter	132.03	119.22	89.91	78.53
Second quarter	131.64	120.01	86.64	77.74
Third quarter	128.28	113.51	81.33	65.90
Fourth quarter	131.97	114.45	79.89	68.16
October	128.88	114.45	77.40	68.16
November	131.97	126.20	79.89	75.24
December	129.26	122.52	78.25	70.70
<b>2016</b>				
January	127.50	116.91	70.81	64.48
February	135.65	124.27	73.84	67.12
March	143.56	134.54	83.13	75.16

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

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**TRADING ON THE MEXICAN STOCK EXCHANGE**

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

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

**Item 10. Additional Information**

**BYLAWS**

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

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

**Organization and Register**

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

**Purposes**

The main corporate purposes of our company include the following:

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

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

to provide or receive advisory, consulting or other types of services;

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

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

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

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

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

### **Voting Rights, Transfer Restrictions and Certain Minority Rights**

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

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

limitations on the voting rights of Series L shares;

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

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

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

Under our bylaws, holders of Series L shares are entitled to vote in limited circumstances. They may appoint for election and elect up to three of our maximum of 21 directors and, in certain circumstances where holders of Series L shares have not voted for the director elected by holders of the majority of these series of shares, they may be entitled to elect and remove one director, through a general shareholders meeting, for every 10.0% they own of all issued, subscribed and paid shares of the capital stock of our company, pursuant to the Mexican Securities Market Law. **See Item 6. Directors, Senior Management and Employees.** In addition, they are entitled to vote on certain matters, including certain changes in our corporate form, mergers involving our company when our company is the merged entity or when the principal corporate purpose of the merged entity is not related to the corporate purpose of our company, the cancellation of the registration of the Series L shares in the Mexican Stock Exchange or any other foreign stock exchange and those matters for which the Mexican Securities Market Law expressly allow them to vote.

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

A quorum of 82.0% of our subscribed and paid shares of capital stock (including the Series L shares) and the vote of at least a majority of our capital stock voting (and not abstaining) at such extraordinary meeting is required for:

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

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

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

In the event of cancellation of the registration of any of our shares in the RNV, whether by order of the CNBV or at our request with the prior consent of 95.0% of the holders of our outstanding capital stock, our bylaws and the Mexican Securities Market Law require us to make a public offer to acquire these shares prior to their cancellation.

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

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



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

for every 10.0% of our outstanding capital stock entitled to vote (including in a limited or restricted manner) held by holders, either individually or as a group, such holders may require the chairman of the board of directors or of the Audit or Corporate Practices Committees to call a shareholders meeting;

holders of at least 5.0% of our outstanding capital stock may bring an action for liability against our directors, the secretary of the board of directors or certain key officers;

for every 10.0% of our outstanding capital stock who are entitled to vote, including limited or restricted vote, held by holders, either individually or as a group, such holders at any shareholders meeting to request that resolutions with respect to any matter on which they considered they were not sufficiently informed be postponed;

holders of 20.0% of our outstanding capital stock to oppose any resolution adopted at a shareholders meeting in which they are entitled to vote and file a petition for a court order to suspend the resolution temporarily within 15 days following the adjournment of the meeting at which the action was taken, provided that (1) the challenged resolution violates Mexican law or our bylaws, (2) the opposing shareholders neither attended the meeting nor voted in favor of the challenged resolution and (3) the opposing shareholders deliver a bond to the court to secure payment of any damages that we may suffer as a result of suspending the resolution in the event that the court ultimately rules against the opposing shareholder; and

for every 10.0% of our outstanding capital stock who are entitled to vote, including limited or restricted vote, held by holders, either individually or as a group, such holders to appoint one member of our board of directors and one alternate member of our board of directors up to the maximum number of directors that each series is entitled to appoint under our bylaws.

### **Shareholders Meetings**

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

Pursuant to Mexican law, an ordinary annual meeting must be held at least once each year (1) to consider the approval of the financial statements of our company for the preceding fiscal year, (2) to determine the allocation of the profits of the preceding fiscal year and (3) to appoint the members of the board of directors of our company. The holders of Series A and Series D shares are entitled to vote in such ordinary annual meeting regarding all three matters mentioned above, and the holders of Series L shares are exclusively entitled to vote in relation to the appointment of members of the board of directors (i.e. three directors and their respective alternate directors). Further, any transaction to be entered into by us or our subsidiaries within the next fiscal year that represents 20.0% or more of our consolidated assets must be approved at an ordinary shareholders meeting at which holders of Series L shares shall be entitled to vote.

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

The quorum for ordinary and extraordinary meetings at which holders of Series L shares are not entitled to vote is 76.0% of the holders of subscribed and paid Series A and Series D shares, and the quorum for an extraordinary meeting at which holders of Series L shares are entitled to vote is 82.0% of the subscribed and paid shares of capital stock.



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The quorum for special meetings of any series of shares is 75.0% of the holders of the subscribed and paid capital stock of such shares, and action may be taken by holders of a majority of such series of shares.

Resolutions adopted at an ordinary or extraordinary shareholders meeting are valid when adopted by holders of at least a majority of the subscribed and paid in capital stock voting (and not abstaining) at the meeting, unless in the event of any decisions defined as extraordinary matters by the bylaws or any payment of dividends above 20.0% of the preceding years' retained earnings, which shall require the approval of a majority of shareholders of each of Series A and Series D shares voting together as a single class. Resolutions adopted at a special shareholders meeting are valid when adopted by the holders of at least a majority of the subscribed and paid shares of the series of shares entitled to attend the special meeting.

Shareholders meetings may be called by the board of directors, the Audit Committee or the Corporate Practices Committee and, under certain circumstances, a Mexican court. For every 10.0% or more of our capital stock held by holders, either individually or as a group, such holders may require the chairman of the board of directors, or the chairmen of the Audit Committee or Corporate Practices Committee to call a shareholders meeting. A notice of meeting and an agenda must be published in a newspaper of general circulation in Mexico City at least 15 days prior to the meeting. Notices must set forth the place, date and time of the meeting and the matters to be addressed and must be signed by whoever convened the meeting. All relevant information relating to the shareholders meeting must be made available to shareholders starting on the date of publication of the notice. To attend a meeting, shareholders must deposit their shares with us or with Indeval or an institution for the deposit of securities prior to the meeting as indicated in the notice. If entitled to attend the meeting, a shareholder may be represented by an attorney-in-fact.

### **Additional Transfer Restrictions Applicable to Series A and Series D Shares**

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

### **Dividend Rights**

At the annual ordinary meeting of holders of Series A and Series D shares, the board of directors submits our financial statements for the previous fiscal year, together with a report thereon by the board of directors. Once the holders of Series A and Series D shares have approved the financial statements, they determine the allocation of our net income for the preceding year. Mexican law requires the allocation of at least 5.0% of net income to a legal reserve, which is not subsequently available for distribution until the amount of the legal reserve equals 20.0% of our capital stock. Thereafter, the holders of Series A and Series D shares may determine and allocate a certain percentage of net income to any general or special reserve, including a reserve for open-market purchases of our shares. The remainder of net income is available for distribution in the form of dividends to the shareholders.

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

### **Change in Capital**

According to our bylaws, any change in our authorized capital stock requires a resolution of an extraordinary meeting of shareholders. We are permitted to issue shares representing fixed capital and shares representing variable capital. The fixed portion of our capital stock may be increased or decreased only by amendment of our bylaws adopted by a resolution at an extraordinary meeting of the shareholders. The variable portion of our capital stock may be increased or decreased by resolution of an ordinary meeting of the shareholders without amending our bylaws. All changes in the fixed or variable capital have to be registered in our capital variation registry, as required by the applicable law.



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

### **Preemptive Rights**

The Mexican Securities Market Law permits the issuance and sale of shares through a public offering without granting shareholders preemptive rights, if permitted by the bylaws and upon, among other things, authorization of the CNBV and the approval of the extraordinary shareholders meeting called for such purpose. Under Mexican law and our bylaws, except in these circumstances and other limited circumstances (including mergers, sale of repurchased shares, convertible securities into shares and capital increases by means of payment in kind for shares or shares issued in return for the cancellation of debt), in the event of an increase in our capital stock, a holder of record generally has the right to subscribe shares of a series held by such holder sufficient to maintain such holder's existing proportionate holding of shares of that series. Preemptive rights must be exercised during a term fixed by the shareholders at the meeting declaring the capital increase, which term must last at least 15 days following the publication of notice of the capital increase in the Mexican Official State Gazette. As a result of applicable United States securities laws, holders of ADSs may be restricted in their ability to participate in the exercise of preemptive rights under the terms of the deposit agreement. Shares subject to a preemptive rights offering, with respect to which preemptive rights have not been exercised, may be sold by us to third parties on the same terms and conditions previously approved by the shareholders or the board of directors. Under Mexican law, preemptive rights cannot be waived in advance or be assigned, or be represented by an instrument that is negotiable separately from the corresponding shares.

### **Limitations on Share Ownership**

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

As a general rule, the Mexican Foreign Investment Law allows foreign holdings of up to 100.0% of the capital stock of Mexican companies, except for those companies engaged in certain specified restricted industries. The Mexican Foreign Investment Law and its regulations require that Mexican shareholders retain the power to determine the administrative control and the management of corporations in industries in which special restrictions on foreign holdings are applicable. Foreign investment in our shares is not limited under either the Mexican Foreign Investment Law or its regulations.

Although the Mexican Foreign Investment Law grants broad authority to the Mexican Foreign Investment Commission to allow foreign investors to own more than 49.0% of the capital of Mexican enterprises after taking into consideration public policy and economic concerns, our bylaws provide that Series A shares must at all times constitute no less than 51.0% of all outstanding common shares with full voting rights (excluding Series L shares) and may only be held by Mexican investors. Under our bylaws, in the event Series A shares are subscribed or acquired by any other shareholders holding shares of any other series, and the shareholder is of a citizenship other than Mexican, these Series A shares are automatically converted into shares of the same series of stock that this shareholder owns, and this conversion will be considered perfected at the same time as the subscription or acquisition.

### **Other Provisions**

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

any related party transactions outside the ordinary course of our business;

significant asset transfers or acquisitions;

material guarantees or collateral;

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

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

other material transactions.

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

unlawfully use material non-public information; and

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

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

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

**Actions Against Directors.** Shareholders (including holders of Series L shares) representing, in the aggregate, not less than 5.0% of the capital stock may directly bring an action against directors.

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

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

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



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**MATERIAL AGREEMENTS**

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

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

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

In July 2015, after a bidding process, we executed new agreements with Hewlett Packard for the outsourcing of technology services in all of our territories. These agreements are valid until July 2020, unless terminated by us through previous notice to Hewlett Packard.

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

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

**TAXATION**

The following summary contains a description of certain U.S. federal income and Mexican federal tax consequences of the purchase, ownership and disposition of our Series L shares or ADSs by a holder that is a citizen or resident of the United States, a U.S. domestic corporation or a person or entity that otherwise will be subject to U.S. federal income tax on a net income basis in respect of the Series L shares or ADSs, which we refer to as a U.S. holder, but it does not purport to be a description of all of the possible tax considerations that may be relevant to a decision to purchase, hold or dispose of the Series L shares or ADSs. In particular, this discussion does not address all Mexican or U.S. federal income tax considerations that may be relevant to a particular investor, nor does it address the special tax rules applicable to certain categories of investors, such as banks, dealers, traders who elect to mark to market, tax-exempt entities, insurance companies, certain short-term holders of Series L shares or ADSs or investors who hold the Series L shares or ADSs as part of a hedge, straddle, conversion or integrated transaction, partnerships or partners therein or investors who have a functional currency other than the U.S. dollar. U.S. holders should be aware that the tax consequences of holding the Series L shares or ADSs may be materially different for investors described in the preceding sentence. This summary deals only with U.S. holders that will hold the Series L shares or ADSs as capital assets and does not address the tax treatment of a U.S. holder that owns or is treated as owning 10.0% or more of the voting shares (including Series L shares) of our company.

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

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### **Mexican Taxation**

For purposes of this summary, the term *non-resident holder* means a holder that is not a resident of Mexico and that does not hold the Series L shares, or ADSs in connection with the conduct of a trade or business through a permanent establishment in Mexico. For purposes of Mexican taxation, an individual is a resident of Mexico if he or she has established his or her home in Mexico, or if he or she has another home outside Mexico but his or her center of vital interests (as defined in the Mexican Tax Code) is located in Mexico. The center of vital interests of an individual is situated in Mexico when, among other circumstances, more than 50.0% of that person's total income during a calendar year originates from within Mexico. A legal entity is a resident of Mexico if it has its principal place of business or its place of effective management in Mexico. A Mexican citizen is presumed to be a resident of Mexico unless such a person can demonstrate that the contrary is true. If a legal entity or an individual is deemed to have a permanent establishment in Mexico for tax purposes, all income attributable to such a permanent establishment will be subject to Mexican taxes, in accordance with applicable tax laws.

### **Tax Considerations Relating to the Series L shares and the ADSs**

***Taxation of Dividends.*** Effective as of January 1, 2014, under Mexican income tax law, dividends, either in cash or in kind, paid to individuals that are Mexican residents, and to individuals and companies that are non-Mexican residents on our Series L shares and our Series L shares represented by ADSs are subject to a 10.0% Mexican withholding tax. However, profits that were earned and subject to income tax before January 1, 2014 are exempt from this withholding tax.

***Taxation of Dispositions of ADSs or Series L shares.*** Effective as of January 1, 2014, gains from the sale or disposition of ADSs or Series L shares traded in the stock exchange by individuals that are Mexican residents will be subject to an income tax rate of 10.0%, and gains from the sale or disposition of ADSs or Series L shares traded in the stock exchange by individuals and companies that are non-Mexican residents will be subject to a 10.0% Mexican withholding tax. The cost at which shares were acquired prior to January 1, 2014, is calculated by using the average closing price per share in the last twenty-two days. If the closing price per share in the last twenty-two days is considered unusual as compared to the closing prices in the last six months, then the calculation is made using the average closing price per share in the last six months. However, a holder that is eligible to claim benefits from any tax treaty will be exempt from Mexican withholding tax on gains realized on a sale or other disposition of Series L shares or ADSs, provided certain additional requirements are met.

Gains on the sale or other disposition of Series L shares or ADSs made in other circumstances generally would be subject to Mexican tax, regardless of the nationality or residence of the transferor. However, under the Tax Treaty, a holder that is eligible to claim the benefits of the Tax Treaty will be exempt from Mexican tax on gains realized on a sale or other disposition of Series L shares or ADSs in a transaction that is not carried out through the Mexican Stock Exchange or other approved securities markets, so long as the holder did not own, directly or indirectly, 25.0% or more of our total capital stock (including Series L shares represented by ADSs) within the 12-month period preceding such sale or other disposition and provided that the gains are not attributable to a permanent establishment or a fixed base in Mexico. Deposits of Series L shares in exchange for ADSs and withdrawals of Series L shares in exchange for ADSs will not give rise to Mexican tax.

### **Other Mexican Taxes**

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

### **United States Taxation**

#### **Tax Considerations Relating to the Series L shares and the ADSs**

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

***Taxation of Dividends.*** The gross amount of any dividends paid with respect to the Series L shares represented by ADSs or the Series L shares generally will be included in the gross income of a U.S. holder as foreign source dividend income on the day on which the dividends are received by the U.S. holder, in the case of the Series L shares, or by the depository, in the case of the Series L shares represented by ADSs, and will not be eligible for the dividends received deduction allowed to corporations under the Internal Revenue Code of 1986, as amended.



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Dividends, which will be paid in Mexican pesos, will be includible in the income of a U.S. holder in a U.S. dollar amount calculated, in general, by reference to the exchange rate in effect on the date that they are received by the U.S. holder, in the case of the Series L shares, or by the depositary, in the case of the Series L shares represented by the ADSs (regardless of whether such Mexican pesos are in fact converted into U.S. dollars on such date). If such dividends are converted into U.S. dollars on the date of receipt, a U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the dividends. Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual U.S. holder in respect of Series L shares or ADSs generally is subject to taxation at the preferential rates applicable to long-term capital gains if the dividends are qualified dividends. Dividends paid on the ADSs will be treated as qualified dividends if (1) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service has approved for the purposes of the qualified dividend rules, or the dividends are paid with respect to ADSs that are readily tradable on an established U.S. securities market and (2) the issuer was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid a passive foreign investment company. The income tax treaty between Mexico and the United States has been approved for the purposes of the qualified dividend rules. The ADSs are listed on the NYSE, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our audited consolidated financial statements and relevant market and shareholder data, we believe that we were not treated as a passive foreign investment company for U.S. federal income tax purposes with respect to our 2015 taxable year. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a passive foreign investment company for our 2016 taxable year. U.S. holders should consult their tax advisers regarding the treatment of the foreign currency gain or loss, if any, on any Mexican pesos received that are converted into U.S. dollars on a date subsequent to the date of receipt. Dividends generally will constitute foreign source passive income for U.S. foreign tax credit purposes.

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

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

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

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

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

**United States Backup Withholding and Information Reporting**

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

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**DOCUMENTS ON DISPLAY**

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

**Table of Contents****Item 11. Quantitative and Qualitative Disclosures about Market Risk**

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

**Interest Rate Risk**

Interest rate risk exists principally with respect to our indebtedness that bears interest at floating rates. As of December 31, 2015, we had total indebtedness of Ps.66,730 million, of which 93.0% bore interest at fixed interest rates and 7.0% bore interest at variable interest rates. After giving effect to our swap and forward contracts, as of December 31, 2015, 76.0% of our debt was fixed-rate and 24.0% of our debt was variable-rate. The interest rate on our variable rate debt denominated in U.S. dollars is generally determined by reference to the London Interbank Offer Rate, or LIBOR; the interest rate on our variable rate debt denominated in Mexican pesos is generally determined by reference to the TIIE; and the interest rate on our variable rate debt denominated in Brazilian reais is generally determined by reference to the Brazilian Interbank Deposit Rate (*Cetip Depósitos Interfinanceiros*). If these reference rates increase, our interest payments would consequently increase.

The table below provides information about our financial instruments that are sensitive to changes in interest rates, without giving effect to interest rate swaps. The table presents weighted average interest rates by expected contractual maturity dates. Weighted average variable rates are based on the reference rates on December 31, 2015, plus spreads, contracted by us. The instruments' actual payments are denominated in U.S. dollars, Mexican pesos, Brazilian reais, Colombian pesos and Argentine pesos. All of the payments in the table are presented in Mexican pesos, our reporting currency, converted at an exchange rate of Ps.17.20 Mexican pesos per U.S. dollar reported by *Banco de México* quoted to us by dealers for the settlement of obligations in foreign currencies on December 31, 2015.

The table below also includes the fair value of long-term debt based on the discounted value of contractual cash flows. The discount rate is estimated using rates currently offered for debt with similar terms and remaining maturities. Furthermore, the fair value of long-term notes payable is based on quoted market prices on December 31, 2015. As of December 31, 2015, the fair value represents a loss amount of Ps.841 million.

**Principal by Year of Maturity**

	As of December 31, 2015						As of December 31, 2014		
	2016	2017	2018	2019	2020	2021 and thereafter	Total Carrying Value	Total Fair Value	Total Carrying Value
(in millions of Mexican pesos, except percentages)									
<b>Long-Term Debt and Notes:</b>									
<b>Fixed Rate Debt and Notes</b>									
U.S. dollars (Notes)			17,158		8,566	25,609	51,333	52,990	43,893
Interest Rate <sup>(1)</sup>			2.4%		4.6%	4.4%	3.8%		3.8%
U.S. dollars (Bank Loans)									30
Interest Rate <sup>(1)</sup>									3.9%
Mexican pesos ( <i>Certificados Bursátiles</i> )						9,989	9,989	9,527	9,988
Interest Rate <sup>(1)</sup>						6.2%	6.2%		6.2%
Brazilian reais (Bank Loans)	70	97	98	95	80	111	551	386	233
Interest Rate <sup>(1)</sup>	6.8%	6.9%	6.9%	6.9%	6.8%	5.6%	6.6%		4.6%
Brazilian reais (Financial Leasing)	67	66	65	62	51	149	460	356	760
Interest Rate <sup>(1)</sup>	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%		4.6%
Argentine pesos (Bank Loans)	18						18	17	309
Interest Rate <sup>(1)</sup>	15.3%						15.3%		26.9%
<b>Total Fixed Rate</b>	<b>155</b>	<b>163</b>	<b>17,321</b>	<b>157</b>	<b>8,697</b>	<b>35,858</b>	<b>62,351</b>	<b>63,276</b>	<b>55,213</b>



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	As of December 31, 2015						As of December 31, 2014		
	2016	2017	2018	2019	2020	2021 and thereafter	Total Carrying Value	Total Fair Value	Total Carrying Value
(in millions of Mexican pesos, except percentages)									
<b>Variable Rate Debt</b>									
U.S. dollars (Bank Loans)									6,956
Interest Rate <sup>(1)</sup>									0.9%
Mexican pesos (Bank Loans)									
Interest Rate <sup>(1)</sup>									
Mexican pesos ( <i>Certificados Bursátiles</i> )	2,496						2,496	2,500	2,473
Interest Rate <sup>(1)</sup>	3.6%						3.6%		3.4%
Brazilian reais (Bank Loans)	107	107	107	107	74		502	430	83
Interest Rate <sup>(1)</sup>	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 <sup>(1)</sup>	6.8%	6.4%					6.5%		5.9%
Argentine pesos (Bank Loans)	82	41					123	120	232
Interest Rate <sup>(1)</sup>	32.2%	32.2%					32.2%		21.5%
<b>Total Variable Rate</b>	<b>2,931</b>	<b>776</b>	<b>107</b>	<b>107</b>	<b>74</b>	<b>0</b>	<b>3,995</b>	<b>3,911</b>	<b>10,513</b>
<b>Long-Term Debt</b>	<b>3,086</b>	<b>939</b>	<b>17,428</b>	<b>264</b>	<b>8,771</b>	<b>35,858</b>	<b>66,346</b>	<b>67,187</b>	<b>65,726</b>
Current Portion of Long-Term Debt	3,086						3,086		905
<b>Total Long-Term Debt</b>	<b>0</b>	<b>939</b>	<b>17,428</b>	<b>264</b>	<b>8,771</b>	<b>35,858</b>	<b>61,046</b>	<b>67,187</b>	<b>64,821</b>
<b>Derivative Financial Instruments:</b>									
<b>Cross-Currency Swaps (Mexican pesos)</b>									
Notional to pay			5,809				5,809	1,899	5,809
Notional to receive			7,571				7,571		6,476
Interest pay rate			3.46%				3.46%		3.25%
Interest receive rate			2.38%				2.38%		2.38%
<b>Cross-Currency Swaps (Brazilian reais)</b>									
Notional to pay			22,691				22,691	317	23,897
Notional to receive			23,143				23,143		26,964
Interest pay rate			12.66%				12.66%		11.28%
Interest receive rate			2.26%				2.26%		1.82%

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

A hypothetical, instantaneous and unfavorable change of 100 basis points in the average interest rate applicable to our floating-rate financial instruments held during 2015 would have increased our interest expense by approximately Ps.175 million, or 3.0% over our interest expense of 2015, assuming no additional debt is incurred during such period, in each case after giving effect to all of our interest rate swap and cross-currency swap agreements.

**Table of Contents****Foreign Currency Exchange Rate Risk**

Our principal exchange rate risk involves changes in the value of the local currencies of each country where we operate, relative to the U.S. dollar. In 2015, the percentage of our consolidated total revenues was denominated as follows:

**Total Revenues by Currency As of December 31, 2015**

Currency	%
Mexican peso	44.5%
Colombian peso	8.5%
Venezuelan bolivar	5.8%
Argentine peso	9.2%
Brazilian real	24.8%
Central America <sup>(1)</sup>	7.2%

(1) Includes Guatemalan Quetzales, Nicaraguan Córdobas, Costa Rican Colones and Panamanian Balboas.

We estimate that approximately 20.1% of our consolidated costs of goods sold are denominated in U.S. dollars for Mexican subsidiaries and in the aforementioned currencies for our non-Mexican subsidiaries. Substantially all of our costs denominated in a foreign currency, other than the functional currency of each country where we operate, are denominated in U.S. dollars. During 2015, we entered into forward derivative instruments and options to hedge part of our Mexican peso, Brazilian real, Colombian peso and Argentine peso fluctuation risk relative to our raw material costs denominated in U.S. dollars. These instruments are considered hedges for accounting purposes. As of December 31, 2015, 32.3% of our indebtedness was denominated in U.S. dollars, 28.2% in Mexican pesos and the remaining 39.5% in Brazilian reais, Colombian pesos and Argentine pesos (including the effects of our derivative contracts as of December 31, 2015, including cross currency swaps from U.S. dollars to Mexican pesos and U.S. dollars to Brazilian reais). Decreases in the value of the different currencies relative to the U.S. dollar will increase the cost of our foreign currency-denominated operating costs and expenses and of the debt service obligations with respect to our foreign currency-denominated debt. A depreciation of the Mexican peso relative to the U.S. dollar will also result in foreign exchange losses, as the Mexican peso value of our foreign currency denominated-indebtedness is increased. **See also Item 3. Key Information Risk Factors Depreciation of the local currencies of the countries where we operate relative to the U.S. dollar could adversely affect our financial condition and results.**

A hypothetical, instantaneous and unfavorable 10.0% devaluation in the value of each local currency in the countries where we operate relative to the U.S. dollar occurring on December 31, 2015, would have resulted in an increase in our foreign exchange (loss) gain, net of approximately Ps.1,120 million, reflecting higher foreign exchange gain generated by the cash balances held in U.S. dollars as of that date, net of the loss based on our U.S. dollar-denominated indebtedness as of December 31, 2015, after giving effect to all of our interest rate swap and cross-currency swap agreements.

As of April 8, 2016, the exchange rates relative to the U.S. dollar of all the countries where we operate have appreciated or depreciated compared to December 31, 2015 as follows:

	Exchange Rate As of April 8, 2016	(Depreciation) or Appreciation
Mexico	17.76	(3.2)%
Guatemala	7.72	(1.2)%
Nicaragua	28.30	(1.3)%
Costa Rica	542.76	0.4%
Panama	1	0.0%
Colombia	3,109.60	1.3%
Venezuela <sup>(1)</sup>	306.07	(54)%
Brazil	3.64	6.8%

Argentina	14.43	(10.7)%
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(1) DICOM exchange rate as of April 8, 2016.

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A hypothetical, instantaneous and unfavorable 10.0% devaluation in the value of the currencies of each of the countries where we operate relative to the U.S. dollar as of December 31, 2015, would produce a reduction in equity of approximately the following amounts:

	<b>Reduction in Equity (in millions of Mexican pesos)</b>
Mexico	1,429
Colombia	809
Venezuela	322
Brazil	1,265
Argentina	128
Central America <sup>(1)</sup>	729

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

**Equity Risk**

As of December 31, 2015, we did not have any equity risk.

**Commodity Price Risk**

In 2015, we entered into futures and forwards contracts to hedge the cost of sugar in Brazil, as well as futures and forward contracts to hedge the cost of aluminum in Brazil. The notional value of the sugar hedges was Ps.1,497 million as of December 31, 2015, with a fair value of Ps.(190) million with maturities in 2016. The notional value of the aluminum hedges was Ps.436 million as of December 31, 2015, with a fair value of Ps.(84) million with maturities in 2016. See Note 19 to our consolidated financial statements.

**Item 12. Description of Securities Other than Equity Securities****Item 12.A. Debt Securities**

Not applicable.

**Item 12.B. Warrants and Rights**

Not applicable.

**Item 12.C. Other Securities**

Not applicable.

**Item 12.D. American Depositary Shares**

The Bank of New York Mellon serves as the depository for our ADSs. Holders of our ADSs, evidenced by American Depositary Receipts, or ADRs, are required to pay various fees to the depository, and the depository may refuse to provide any service for which a fee is assessed until the applicable fee has been paid.

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ADS holders are required to pay the depositary amounts in respect of expenses incurred by the depositary or its agents on behalf of ADS holders, including expenses arising from compliance with applicable law, taxes or other governmental charges, cable, telex and facsimile transmission, or conversion of foreign currency into U.S. dollars. The depositary may decide in its sole discretion to seek payment by either billing holders or by deducting the fee from one or more cash dividends or other cash distributions.

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ADS holders are also required to pay additional fees for certain services provided by the depositary, as set forth in the table below.

<b>Depositary service</b>	<b>Fee payable by ADS holders</b>
Issuance and delivery of ADRs, including in connection with share distributions	Up to US\$5.00 per 100 ADSs (or portion thereof)
Withdrawal of shares underlying ADSs	Up to US\$5.00 per 100 ADSs (or portion thereof)
Registration for the transfer of shares	Registration or transfer fees that may from time to time be in effect
In addition, holders may be required to pay a fee for the distribution or sale of securities. Such fee (which may be deducted from such proceeds) would be for an amount equal to the lesser of (1) the fee for the issuance of ADSs that would be charged as if the securities were treated as deposited shares and (2) the amount of such proceeds.	

**Direct and indirect reimbursements by the depositary**

The depositary may reimburse us for certain expenses we incur in connection with the ADS program, subject to a ceiling agreed between us and the depositary. These reimbursable expenses may include listing fees and fees payable to service providers for the distribution of material to ADR holders.

**Item 13. Defaults, Dividend Arrearages and Delinquencies.**

Not applicable.

**Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.**

Not applicable.

**Item 15. Controls and Procedures****(a) Disclosure Controls and Procedures**

We have evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of December 31, 2015. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

**(b) Management's Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.



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Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our internal control over financial reporting includes those policies and procedures that (i) pertain to maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our evaluation under the framework in Internal Controls – Integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), our management concluded that our internal control over financial reporting was effective as of December 31, 2015.

**(c) Attestation Report of the Registered Public Accounting Firm**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL

CONTROL OVER FINANCIAL REPORTING

THE BOARD OF DIRECTORS AND SHAREHOLDERS OF

COCA-COLA FEMSA, S.A.B. DE C.V.:

We have audited Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the 2013 Framework) (the COSO criteria). Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards, as issued by the International Accounting Standard Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.





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We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015 and our report dated April 15, 2016 expressed an unqualified opinion thereon.

Mancera, S.C.

A member practice of

Ernst & Young Global

/s/ Adan Aranda Suarez

Adan Aranda Suarez

Mexico City, Mexico

April 15, 2016

### **(d) Changes in Internal Control Over Financial Reporting**

There has been no change in our internal control over financial reporting during 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### **Item 16.A. Audit Committee Financial Expert**

Our shareholders and our board of directors have designated José Manuel Canal Hernando, an independent director as required by the Mexican Securities Market Law and applicable New York Stock Exchange listing standards, as an audit committee financial expert within the meaning of this Item 16.A. See **Item 6. Directors, Senior Management and Employees Directors.**

### **Item 16.B. Code of Ethics**

We have adopted a code of ethics, within the meaning of this Item 16.B of Form 20-F under the Securities Exchange Act of 1934, as amended. Our code of ethics applies to our chief executive officer, chief financial officer and persons performing similar functions as well as to our directors and other officers and employees. Our code of ethics is available on our website at [www.coca-colafemsa.com](http://www.coca-colafemsa.com). If we amend the provisions of our code of ethics that apply to our chief executive officer, chief financial officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address. In accordance with our code of ethics, we have developed a voice mailbox available to our employees to which complaints may be reported.

### **Item 16.C. Principal Accountant Fees and Services Audit and Non-Audit Fees**

The following table summarizes the aggregate fees billed to us by Mancera, S.C. and other Ernst & Young practices (collectively, Ernst & Young) during the fiscal years ended December 31, 2015, December 31, 2014 and December 31, 2013:

Year Ended December 31,

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	2015	2014	2013
	(in millions of Mexican pesos)		
Audit fees	67	66	68
Audit-related fees		3	6
Tax fees	1	14	6
Total fees	68	83	80

*Audit Fees.* Audit fees in the above table are the aggregate fees billed by Ernst & Young in connection with the audit of our annual financial statements and the review of our quarterly financial information and statutory audits.

*Audit-related Fees.* Audit-related fees in the above table are the aggregate fees billed by Ernst & Young for assurance and other services related to the performance of the audit, mainly in connection with bond issuances and other audit related services.

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*Tax Fees.* Tax fees in the above table are fees billed by Ernst & Young for services based upon existing facts and prior transactions in order to assist us in documenting, computing and obtaining government approval for amounts included in tax filings such as transfer pricing documentation and requests for technical advice from taxing authorities.

*All Other Fees.* For the years ended December 31, 2015, 2014 and 2013, there were no other fees.

**Audit Committee Pre-Approval Policies and Procedures**

We have adopted pre-approval policies and procedures under which all audit and non-audit services provided by our external auditors must be pre-approved by the Audit Committee as set forth in the Audit Committee's charter. Any service proposals submitted by external auditors need to be discussed and approved by the Audit Committee during its meetings, which take place at least four times a year. Once the proposed service is approved, we or our subsidiaries formalize the engagement of services. The approval of any audit and non-audit services to be provided by our external auditors is specified in the minutes of our Audit Committee. In addition, the members of our Audit Committee are briefed on matters discussed by the different committees of our board of directors.

**Item 16.D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16.E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

We did not directly purchase any of our equity securities in 2015. The following table presents purchases by trusts that FEMSA administers in connection with our bonus incentive plans, which purchases may be deemed to be purchases by an affiliated purchaser of us. See **Item 6. Directors, Senior Management and Employees EVA-Based Bonus Program.**

**Purchases of Equity Securities**

Period	Total Number of Series L shares Purchased by trusts that FEMSA administers in connection with our bonus incentive plans	Average Price Paid per Series L Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Maximum Number (or Appropriate U.S. Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
2015	466,036	Ps. 141.26		
Total	466,036	Ps. 141.26		

**Item 16.F. Change in Registrant's Certifying Accountant**

Not applicable.

**Item 16.G. Corporate Governance**

Pursuant to Rule 303A.11 of the Listed Company Manual of the New York Stock Exchange (NYSE), we are required to provide a summary of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards. We are a Mexican corporation with shares listed on the Mexican Stock Exchange. Our corporate governance practices are governed

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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 Mexican Code of Best Corporate Practices (*Código de Mejores Prácticas Corporativas*), which was created by a group of Mexican business leaders and was endorsed by the BMV.

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The table below discloses the significant differences between our corporate governance practices and the NYSE standards.

**NYSE Standards**

**Directors Independence:** A majority of the board of directors must be independent. There is an exemption for controlled companies (companies in which more than 50.0% of the voting power is held by an individual, group or another company rather than the public), which would include our company if we were a U.S. issuer.

**Executive sessions:** Non-management directors must meet at regularly scheduled executive sessions without management.

**Nominating/Corporate Governance Committee:** A nominating/corporate governance committee composed entirely of independent directors is required. As a controlled company, we would be exempt from this requirement if we were a U.S. issuer.

**Our Corporate Governance Practices**

**Directors Independence:** Pursuant to the Mexican Securities Market Law, we are required to have a board of directors with a maximum of 21 members, 25.0% of whom must be independent.

The Mexican Securities Market Law sets forth, in Article 26, the definition of independence, which differs from the one set forth in Section 303A.02 of the Listed Company Manual of the NYSE. Generally, under the Mexican Securities Market Law, a director is not independent if such director: (i) is an employee or a relevant officer of the company or its subsidiaries; (ii) is an individual with significant influence over the company or its subsidiaries; (iii) is a shareholder or participant of the controlling group of the company; (iv) is a client, supplier, debtor, creditor, partner or employee of an important client, supplier, debtor or creditor of the company; or (v) is a family member of any of the aforementioned persons.

In accordance with the Mexican Securities Market Law, our shareholders are required to make a determination as to the independence of our directors at an ordinary meeting of our shareholders, though the CNBV may challenge that determination. Our board of directors is not required to make a determination as to the independence of our directors.

**Executive sessions:** Under our bylaws and applicable Mexican law, our non-management and independent directors are not required to meet in executive sessions.

Our bylaws state that the board of directors will meet at least four times a year, following the end of each quarter, to discuss our operating results and progress in achieving strategic objectives. Our board of directors can also hold extraordinary meetings.

**Nominating/Corporate Governance Committee:** We are not required to have a nominating committee, and the Mexican Code of Best Corporate Practices does not provide for a nominating committee.

However, Mexican law requires us to have a Corporate Practices Committee. Our Corporate Practices Committee is comprised of five members, and as required by the Mexican Securities Market Law and our bylaws, the five members are independent and the chairman of this committee is elected by our shareholders meeting.

**Compensation committee:** A compensation committee composed entirely of independent directors is required. As a controlled company, we would be exempt from this requirement if we were a U.S. issuer.

**Audit committee:** Listed companies must have an audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act and the NYSE independence standards.

**Equity compensation plan:** Equity compensation plans require shareholder approval, subject to limited exemptions.

**Compensation committee:** We do not have a committee that exclusively oversees compensation issues. Our Corporate Practices Committee, composed entirely of independent directors, reviews and recommends management compensation programs in order to ensure that they are aligned with shareholders' interests and corporate performance.

**Audit committee:** We have an Audit Committee of five members. As required by the Mexican Securities Market Law, each member of the Audit Committee is an independent director, and its chairman is elected by our shareholders meeting.

**Equity compensation plan:** Shareholder approval is not required under Mexican law or our bylaws for the adoption and amendment of an equity compensation plan. Such plans should provide for general application to all executives.

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**NYSE Standards**

**Code of business conduct and ethics:** Corporate governance guidelines and a code of conduct and ethics are required, with disclosure of any waiver for directors or executive officers.

**Our Corporate Governance Practices**

**Code of business conduct and ethics:** We have adopted a code of ethics, within the meaning of Item 16.B of SEC Form 20-F. Our code of ethics applies to our chief executive officer, chief financial officer and persons performing similar functions as well as to our directors and other officers and employees. Our code of ethics is available on our website at [www.coca-colafemsa.com](http://www.coca-colafemsa.com). If we amend the provisions of our code of ethics that apply to our chief executive officer, chief financial officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

**Item 16.H. Mine Safety Disclosure**  
Not applicable.

**Item 17. Financial Statements**  
Not applicable.

**Item 18. Financial Statements**  
Reference is made to Item 19(a) for a list of all financial statements filed as part of this annual report.

**Item 19. Exhibits**

(a) List of Financial Statements

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<u>Consolidated Statements of Financial Position as of December 31, 2015 and 2014</u>	F-2
<u>Consolidated Income Statements for the Years Ended December 31, 2015, 2014 and 2013</u>	F-3
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\* All supplementary schedules relating to the registrant are omitted because they are not required or because the required information, where material, is contained in the Financial Statements or Notes thereto.

(b) List of Exhibits



## Edgar Filing: COCA COLA FEMSA SAB DE CV - Form 20-F

<b>Exhibit No:</b>	<b>Description</b>
Exhibit 1.1	Amended and restated bylaws ( <i>Estatutos Sociales</i> ) of Coca-Cola FEMSA, S.A.B. de C.V., approved February 16, 2012 (English translation) (incorporated by reference to Exhibit 1.1 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 26, 2012 (File No. 1-2260)).
Exhibit 2.1	Deposit Agreement, dated as of September 1, 1993, among Coca-Cola FEMSA, S.A.B. de C.V., The Bank of New York (currently The Bank of New York Mellon), as Depositary, and Holders and Beneficial Owners of American Depositary Receipts (incorporated by reference to Exhibit 3.5 to the Registration Statement of FEMSA on Form F-4 filed on April 9, 1998 (File No. 333-8618)).

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<b>Exhibit No:</b>	<b>Description</b>
Exhibit 2.2	Indenture dated as of February 5, 2010 among Coca-Cola FEMSA, S.A.B. de C.V., and The Bank of New York Mellon (incorporated by reference to Exhibit 2.2 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 10, 2010 (File No. 1-12260)).
Exhibit 2.3	First Supplemental Indenture dated as of February 5, 2010 among Coca-Cola FEMSA, S.A.B. de C.V., and The Bank of New York Mellon and The Bank of New York Mellon (Luxembourg) S.A. (incorporated by reference to Exhibit 2.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 10, 2010 (File No. 1-12260)).
Exhibit 2.4	Second Supplemental Indenture dated as of April 1, 2011 among Coca-Cola FEMSA, S.A.B. de C.V., Propimex, S. de R.L. de C.V. (formerly Propimex, S.A. de C.V., as Guarantor, and The Bank of New York Mellon (incorporated by reference to Exhibit 2.4 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 17, 2011 (File No. 1-12260)).
Exhibit 2.5	Third Supplemental Indenture dated as of September 6, 2013 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V. (formerly Propimex, S.A. de C.V.), as existing guarantor, Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V. and Yoli de Acapulco, S. de R.L. de C.V., as additional guarantors, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent (incorporated by reference to Exhibit 4.7 to Coca-Cola FEMSA's Registration Statement on Form F-3 filed on November 8, 2013 (File No.333-187275)).
Exhibit 2.6	Fourth Supplemental Indenture dated as of October 18, 2013 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V. and Yoli de Acapulco, S. de R.L. de C.V., as existing guarantors, Controladora Interamericana de Bebidas, S. de R.L. de C.V., as additional guarantor, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent (incorporated by reference to Exhibit 4.8 to Coca-Cola FEMSA's Registration Statement on Form F-3 filed on November 8, 2013 (File No.333-187275)).
Exhibit 2.7	Fifth Supplemental Indenture dated as of November 26, 2013 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V., Yoli de Acapulco, S. de R.L. de C.V. and Controladora Interamericana de Bebidas, S. de R.L. de C.V., as guarantors, The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent and The Bank of New York Mellon SA/NV, Dublin Branch, as Irish paying agent (incorporated by reference to Exhibit 4.1 to Coca-Cola FEMSA's Form 6-K filed on December 5, 2013 (File No.1-12260)).
Exhibit 2.8	Sixth Supplemental Indenture dated as of January 21, 2014 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V., Yoli de Acapulco, S. de R.L. de C.V. and Controladora Interamericana de Bebidas, S. de R.L. de C.V., as guarantors, The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent and The Bank of New York Mellon SA/NV, Dublin Branch, as Irish paying agent (incorporated by reference to Exhibit 4.1 to Coca-Cola FEMSA's Form 6-K filed on January 27, 2014 (File No.1-12260)).
Exhibit 2.9	Seventh Supplemental Indenture dated as of November 23, 2015 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Yoli de Acapulco, S. de R.L. de C.V. and Controladora Interamericana de Bebidas, S. de R.L. de C.V., as guarantors, Distribuidora y Manufacturera del Valle de Mexico, S. de R.L. de C.V., as successor guarantor, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent.
Exhibit 4.1	Amended and Restated Shareholders Agreement dated as of July 6, 2002, by and among Compañía Internacional de Bebidas, S.A. de C.V., Grupo Industrial Emprex, S.A. de C.V., The Coca-Cola Company and The Inmex Corporation, (incorporated by reference to Exhibit 4.13 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 27, 2003 (File No. 1-12260)).

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<b>Exhibit No:</b>	<b>Description</b>
Exhibit 4.2	First Amendment, dated May 6, 2003, to the Amended and Restated Shareholders Agreement, dated as of July 6, 2002, among Compañía Internacional de Bebidas, S.A. de C.V., Grupo Industrial Emprex, S.A. de C.V., The Coca-Cola Company, The Innex Corporation, Atlantic Industries, Dulux CBAI 2003 B.V. and Dulux CBEXINMX 2003 B.V. (incorporated by reference to Exhibit 4.14 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 27, 2003 (File No. 1-12260)).
Exhibit 4.3	Second Amendment, dated as of February 1, 2010, to the to the Amended and Restated Shareholders Agreement, dated as of July 6, 2002, by and among Compañía Internacional de Bebidas, S.A. de C.V., Grupo Industrial Emprex, S.A. de C.V., The Coca-Cola Company, The Innex Corporation and Dulux CBAI 2003 B.V. (incorporated by reference to Exhibit 4.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 10, 2010 (File No. 1-12260)).
Exhibit 4.4	Amended and Restated Bottler Agreement, dated June 21, 2003, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in the valley of Mexico (incorporated by reference to Exhibit 4.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 5, 2004 (File No. 1-12260)).
Exhibit 4.5	Supplemental Agreement, dated June 21, 1993, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in the valley of Mexico (with English translation) (incorporated by reference to Exhibit 10.3 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).
Exhibit 4.6	Amended and Restated Bottler Agreement, dated June 21, 2003, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in the southeast of Mexico (incorporated by reference to Exhibit 4.5 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 5, 2004 (File No. 1-12260)).
Exhibit 4.7	Supplemental Agreement, dated June 21, 1993, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in the southeast of Mexico (with English translation) (incorporated by reference to Exhibit 10.4 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).
Exhibit 4.8	Bottler Agreement and Side Letter dated June 1, 2005, between Panamco Golfo, S.A. de C.V. and The Coca-Cola Company with respect to operations in Golfo, Mexico (English translation) (incorporated by reference to Exhibit 4.7 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 18, 2006 (File No. 1-12260)).
Exhibit 4.9	Bottler Agreement and Side Letter dated June 1, 2005, between Panamco Bajío, S.A. de C.V., and The Coca-Cola Company with respect to operations in Bajío, Mexico (English translation) (incorporated by reference to Exhibit 4.8 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 18, 2006 (File No. 1-12260)).
Exhibit 4.10	Bottler Agreement, dated August 22, 1994, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in Argentina (with English translation) (incorporated by reference to Exhibit 10.1 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 30, 1995 (File No. 1-12260)).
Exhibit 4.11	Supplemental Agreement, dated August 22, 1994, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in Argentina (with English translation) (incorporated by reference to Exhibit 10.2 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 30, 1995 (File No. 1-12260)).
Exhibit 4.12	Amendments, dated May 17 and July 20, 1995, to Bottler Agreement and Letter of Agreement, dated August 22, 1994, each with respect to operations in Argentina, between Coca-Cola FEMSA and The Coca-Cola Company (with English translation) (incorporated by reference to Exhibit 10.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).
Exhibit 4.13	Bottler Agreement, dated December 1, 1995, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in SIRSA (with English translation) (incorporated by reference to Exhibit 10.4 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).
Exhibit 4.14	Supplemental Agreement, dated December 1, 1995, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in SIRSA (with English translation) (incorporated by reference to Exhibit 10.6 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).
Exhibit 4.15	Amendment, dated February 1, 1996, to Bottler Agreement between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in SIRSA, dated December 1, 1995 (with English translation) (incorporated by reference to Exhibit 10.5 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).

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<b>Exhibit No:</b>	<b>Description</b>
Exhibit 4.16	Amendment, dated May 22, 1998, to Bottler Agreement with respect to the former SIRSA territory, dated December 1, 1995, between Coca-Cola FEMSA and The Coca-Cola Company (with English translation) (incorporated by reference to Exhibit 4.12 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 20, 2001 (File No. 1-12260)).
Exhibit 4.17	Coca-Cola Tradename License Agreement dated June 21, 1993, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company (with English translation) (incorporated by reference to Exhibit 10.40 to FEMSA's Registration Statement on Form F-4 filed on April 9, 1998 (File No. 333-8618)).
Exhibit 4.18	Amendment to the Trademark License Agreement, dated December 1, 2002, entered by and among Administración de Marcas S.A. de C.V., as proprietor, and The Coca-Cola Export Corporation Mexico branch, as licensee (incorporated by reference to Exhibit 10.3 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
Exhibit 4.19	Trademark Sub-License Agreement, dated January 4, 2003, entered by and among Panamco Golfo S.A. de C.V., as licensor, and The Coca-Cola Company, as licensee (incorporated by reference to Exhibit 10.6 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
Exhibit 4.20	Trademark Sub-License Agreement, dated January 4, 2003, entered by and among Panamco Bajío S.A. de C.V., as licensor, and The Coca-Cola Company, as licensee (incorporated by reference to Exhibit 10.7 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
Exhibit 4.21	Supply Agreement dated June 21, 1993, between Coca-Cola FEMSA, S.A.B. de C.V. and FEMSA Empaques, (incorporated by reference to Exhibit 10.7 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).
Exhibit 4.22	Supply Agreement dated April 3, 1998, between Alpla Fábrica de Plásticos, S.A. de C.V. and Industria Embotelladora de México, S.A. de C.V. (with English translation) (incorporated by reference to Exhibit 4.18 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on July 1, 2002 (File No. 1-12260)).*
Exhibit 4.23	Services Agreement, dated November 7, 2000, between Coca-Cola FEMSA, S.A.B. de C.V. and FEMSA Logística (with English translation) (incorporated by reference to Exhibit 4.15 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 20, 2001 (File No. 1-12260)).
Exhibit 4.24	Promotion and Non-Compete Agreement, dated March 11, 2003, entered by and among The Coca-Cola Export Corporation Mexico branch and Panamco Bajío S.A. de C.V. (with English translation) (incorporated by reference to Exhibit 10.8 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
Exhibit 4.25	Promotion and Non-Compete Agreement, dated March 11, 2003, entered by and among The Coca-Cola Export Corporation Mexico branch and Panamco Golfo S.A. de C.V. (with English translation) (incorporated by reference to Exhibit 10.9 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
Exhibit 4.26	Memorandum of Understanding, dated as of March 11, 2003, by and among Panamerican Beverages, S.A. de C.V., as seller, and The Coca-Cola Company, as buyer (incorporated by reference to Exhibit 10.14 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
Exhibit 4.27	Shareholders Agreement dated as of January 25, 2013, by and among CCFPI, Coca-Cola South Asia Holdings, Inc., Coca-Cola Holdings (Overseas) Limited and Controladora de Inversiones en Bebidas Refrescantes, S.L. (incorporated by reference to Exhibit 4.27 of Coca-Cola FEMSA's Annual Report on Form 20-F filed on March 15, 2013 (File No. 1-12260)).
Exhibit 7.1	The Coca-Cola Company memorandum, to Steve Heyer from José Antonio Fernández, dated December 22, 2002 (incorporated by reference to Exhibit 10.1 to FEMSA's Registration Statement on Amendment No. 1 to the Form F-3 filed on September 20, 2004 (File No. 333-117795)).
Exhibit 7.2	Calculation of Ratio of Earnings to Fixed Charges.
Exhibit 8.1	Significant Subsidiaries.
Exhibit 12.1	CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated April 15, 2016.

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<b>Exhibit No:</b>	<b>Description</b>
Exhibit 12.2	CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated April 15, 2016.
Exhibit 13.1	Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated April 15, 2016.
Exhibit 23.1	Consent of Mancera, S.C., a member practice of Ernst & Young Global

\* Portions of Exhibit 4.22 were omitted pursuant to a request for confidential treatment. Such omitted portions were filed separately with the Securities and Exchange Commission.

Omitted from the exhibits filed with this annual report are certain instruments and agreements with respect to long-term debt of Coca-Cola FEMSA, none of which authorizes securities in a total amount that exceeds 10.0% of the total assets of Coca-Cola FEMSA. We hereby agree to furnish to the SEC copies of any such omitted instruments or agreements upon request by the SEC.

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**SIGNATURE**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

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

By: /s/ Héctor Treviño Gutiérrez  
Héctor Treviño Gutiérrez

Chief Financial Officer

Date: April 15, 2016

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of

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

We have audited the accompanying consolidated statements of financial position of Coca-Cola FEMSA, S.A.B. de C.V. and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Coca-Cola FEMSA, S.A.B. de C.V. and its subsidiaries as of December 31, 2015 and 2014, and the consolidated statements of comprehensive income and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated April 15, 2016 expressed an unqualified opinion thereon.

Mancera, S.C.

A member practice of

Ernst & Young Global

/s/ Adan Aranda Suárez

Adan Aranda Suárez

Mexico City, Mexico

April 15, 2016

**Table of Contents****COCA-COLA FEMSA, S.A.B. DE C.V. AND SUBSIDIARIES***Consolidated Statements of Financial Position*

At December 31, 2015 and 2014

Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.)

	Note	December 2015 (*)	December 2015	December 2014
<b>ASSETS</b>				
<b>Current assets:</b>				
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	