



CULTIBA[®]

Synergies and diversification
that generate growth
2013 Annual Report

Information in this Report includes general data about Organización Cultiba S.A.B. de C.V. (“CULTIBA” or “the Company”) as of, and prior to the date this Report was prepared. All presented data integrates public information regarding the Company and industries in which it participates. This information is not intended to be exhaustive or to advise current or potential investors.


Any information that does not refer to historical facts, including but not limited to: those related to potential resources, financial position, corporate strategy, management plans and goals, future operations and synergies are considered future statements subject to risks and uncertainties. Such risks and uncertainties may cause material variations regarding estimates or described plans in this document.

Likewise, the future events and situations described are based on assumptions regarding present and future operations, strategies and the environment within which we expect to operate in the future. These assumptions apply only at the moment this Report is written and Cultiba accepts no responsibility for data variations in this Report, its updates or revisions.

Rounding

We have made rounding adjustments to reach some of the figures included in this Report. Accordingly, numerical figures shown as totals in some graphics may not correspond to the arithmetic sum of their preceding figures.

Industry and market data

Industry and market data included in this Report are based on independent industry publications, government publications, and reports by market research firms or other published independent sources. Among the key sources are: Euromonitor International (“Euromonitor”), The Beverage Marketing Corporation (“BMC”), and Canadean Limited (“Canadean”). These three firms conduct global market research, including the non-alcoholic beverages market. Also, among the main sources is the *Cámara Nacional de la Industria Azucarera y Alcohólica* (National Chamber of Sugar and Alcohol, Spanish Acronym). Some of the industry and market data included in this Report is also based on our estimates, which we derive from surveys and internal analyses, as well as from independent sources. Although we believe these sources are reliable, we have not verified all information independently and cannot guarantee its accuracy or reliability. Data regarding our industries and markets seeks to provide general guidance but can be inherently imprecise. Even though we believe these estimates are reasonable, investors should not base their decisions on such estimates, since, due to their nature, they may be uncertain. The information contained in this Report is not intended for accounting, tax, or legal purposes, or for any use other than for marketing purposes. 

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Financial highlights
and key milestones

Organización Cultiba, S.A.B. de C.V. (“Cultiba”) is a holding company with a majority interest in GEPP, one of Mexico’s largest bottlers of carbonated and non-carbonated drinks and jug water. Cultiba is also the holding company of GAM, a leading sugar producer that operates three sugar mills in Northwestern and Western Mexico and an additional one through a 49% minority interest. Cultiba is a publicly traded company and its shares are listed in the Mexican Stock Exchange under the ticker symbol “CULTIBAB”.^o

Financial highlights	2013	2012	Var.% YoY
Figures expressed in million pesos			
Total revenue	33,453	31,986	4.6%
Gross profit	13,918	12,163	14.4%
Gross margin	41.6%	38.0%	+360 bp
Other income - Net ¹	242	(56)	NA
Income from operations ²	652	231	182%
Operating margin	1.9%	0.7%	+120 bp
Comprehensive cost of financing ³	(405)	(137)	NA
Share in joint ventures	(17)	20	NA
Income before tax provisions	230	114	101.4%
Tax provisions ⁴	(26)	535	NA
Net income	204	649	-68.6%
EBITDA ⁵	2,917	2,393	8.2%
EBITDA margin	8.7%	7.5%	+120 bp
EBITDA adjusted for one-time expenses ⁶	3,018	2,393	26.1%
Adjusted EBITDA margin for one-time expenses	9.1%	7.5%	+154 bp

¹ Excludes Ps.55.1 million foreign exchange loss recorded in 2013, which is added to the comprehensive cost of financing. In addition, excludes Ps.238 million foreign exchange gain in 2012, which is subtracted from the comprehensive financing cost reported to the Mexican Stock Exchange. As for the IFRS (International Financial Reporting Standards), foreign exchange position is included under the “Other Products” in the Company’s audited financial statements. However, for the report submitted to the Mexican Stock Exchange, figures can be included under the “Comprehensive Cost of Financing” account.

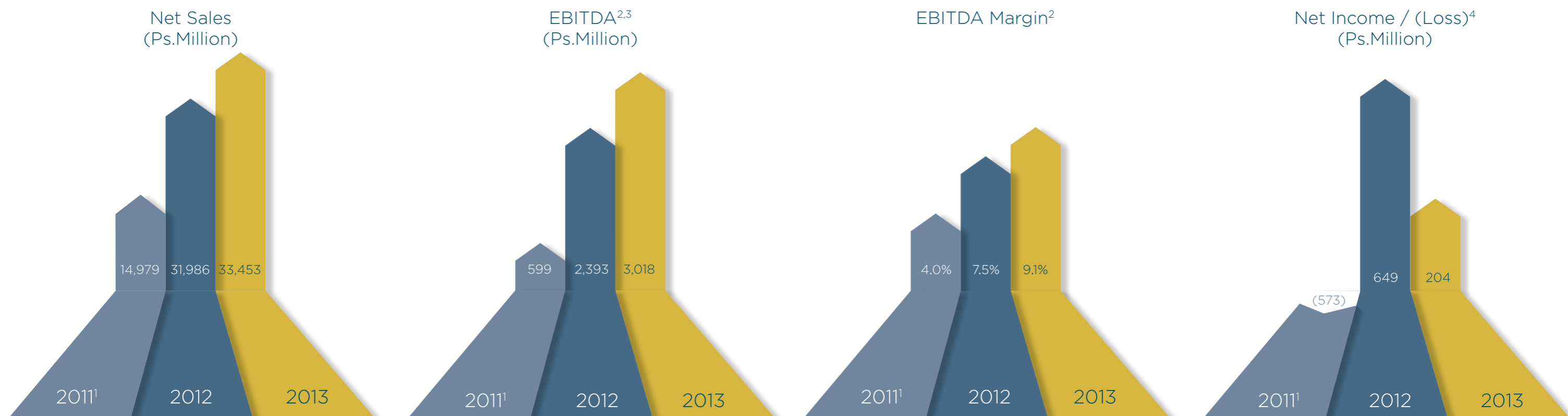
² Income from operations = Gross Profit - Selling, General, and Administrative Expenses + Other Income (Expenses). For more detailed information on Selling, General, and Administrative Expenses refer to the Audited Financial Statements located at the end of this report.

³ Comprehensive Cost of Financing includes interest earned and paid, valuation of derivative financial instruments, and foreign exchange gain and loss (as mentioned in Note 1). The parenthesis denotes cost.

⁴ The parenthesis expresses tax benefit.

⁵ EBITDA = Net Income + (1) Depreciation and Amortization, (2) Comprehensive Cost of Financing, (3) Paid Taxes

⁶ One-time Expenses include Ps.101 million incurred in the restructuring of the manufacturing and distribution network.



¹ In May 2011, GAM and CONASA merged into GEUPEC (currently CULTIBA). In September 2011, CULTIBA completed the acquisition of PBC Gatorade. Therefore, 2011 results include only one quarter from the consolidated company (comparable quarter, 4Q 2011).

² EBITDA = Net Income + (1) Depreciation and Amortization, (2) Comprehensive Cost of Financing, (3) Paid Taxes.

³ 2013 Adjusted EBITDA includes Ps.101 million in One-time Expenses due to the optimization of the manufacturing network.

⁴ Includes the impact of Ps.372 million for the effect of tax reform and the IETU related to the deconsolidation of the beverage business. Excluding this impact, net income was approximately Ps.580 million in 2013.

- Public Offering of Shares equivalent to **Ps.2'874'414,760**⁷
- Issuance of Long-term notes totaling **Ps.2,000 million**
- Realignment and strengthening of our brand **portfolio**
- **Consolidation** of a diversified beverage platform
- Launch of **Jumex Fresh** in the juice-based drinks category
- Consolidation of **Jarritos** as a nation-wide brand
- Realization of **50%** of Ps.900 million in identified **synergies**
- Energy **co-generation** of 25 megawatts at the Tala sugar mill
- Consolidation of the **low-cost** operating model in the Tala sugar mill, achieving high productivity levels and cost-efficiency, repeatable at other mills
- **Growth** of Stevia operations in the calorie-free natural sweeteners division^o

⁷Gross profit, including reallocation expenses of nearly Ps.105 million.



Message
to our shareholders



Dear shareholders,

We are pleased to share with you the results achieved in 2013, a period of significant organizational, financial and market accomplishments for Cultiba.

Our Beverage Business

In 2013, capital expenditures were Ps.2,900 million, which were mainly utilized for modernizing our distribution network, renewing our vehicle fleet, and increasing as well as optimizing the installed capacity of our bottling facilities, among other investments.

We added new domestic routes to optimize and increase our distribution capabilities and to achieve better productivity rates. In that regard, we leveraged new territories for both our bottled and jug water segments, focusing on our main brands, which has contributed to volume growth above the industry. Furthermore, we have expanded jug water direct distribution to our customers' homes, positioning ourselves as a leading company in the sector.

Following the announcement in late 2013 of the impending tax on sugared beverages, we took immediate action by implementing innovative strategies that will be continually executed throughout 2014. In particular, we are enhancing our price-and-packaging architecture to improve our product competitiveness within this new market environment. We are fully aware of the new challenges we face. We are staying the course and not deviating from our original proven strategy or our capital expenditure plan, despite the difficulties that might emerge while consumers adapt to the new market environment. Staying the course strategically will allow us to respond quickly and will give us the flexibility to respond to new consumer preferences, whether during the innovation process or at point-of-sale execution.

Our beverage business performed well in 2013, achieving year-over-year volume growth of 3.1%, which was higher than the industry performance in the same period. Our growth in 2013 reflects the realignment of our portfolio, focusing on our brands with greater domestic reach, and execution practices centered on and supported by the recent modernization of our operations. Moreover, we have implemented an innovation program that addresses those categories with the highest potential and we have created new packaging for our main beverage brands.

Sugar Business

Despite the significant decrease in sugar prices, and the increase in exports resulting from higher production in Mexico during 2013, our sugar business contributed more than 100 basis points to Cultiba's consolidated EBITDA margin. Production increased 22.8% to 463,993 million tons during the sugar harvest for the 2012/ 2013 period.

With respect to Stevia, which we include in our calorie-free sweeteners division, we have focused our efforts to improve harvest costs and to develop formulation capacities in order to aid product innovation suitable for the Latin American food industry, differentiating our business model with an integrated value-added offering.

Another important component of our business model is our electricity co-generation project for our sugar mills, which allows us to supply energy to our own plants, our beverage division and even to third parties. This project is part of our strategic focus on creating operating efficiencies at both of our subsidiaries through a vertically integrated business model.

Financial Results

Despite the external challenges we faced in 2013, including economic deceleration and unfavorable weather conditions in the second half of the year, as well as the fourth quarter announcement of a special tax on sugared beverages, we achieved a 1.7% increase in total soft drinks and bottled water volume reaching 806.9 million unit cases. This percentage is higher than the industry's growth rate. The jug water segment contributed positively to the beverage business, growing 4.4% year-over-year to 800.6 million unit cases. As a result, our total beverage business achieved 3.1% volume growth, which favorably compares with the lack of growth observed in the industry.

Total revenue increased 4.6% to Ps.33,453 million in 2013 primarily driven by increased beverage volume and higher average revenue per case.

The Company's adjusted EBITDA was Ps.3,018 million, a 26.1% increase over the prior year. Similarly, adjusted EBITDA margin was 9.1% compared to an adjusted EBITDA margin of 7.5% in 2012.

Another key objective that we accomplished in 2013 was the strengthening of our balance sheet. The January equity offering of our shares in both the local and international markets was the first step in this process as we utilized the proceeds to reduce our debt. Throughout the year we completed several bank and debt re-structuring transactions both at the holding and the beverage business levels.

Additionally, we issued long-term notes in the local financial market totaling Ps.2,000 million, with favorable financing terms and conditions, which will be amortized during the next five years.

As a result of these actions, net debt totaled Ps.6,301 million at the end of December 2013, compared with the Ps.6,075 level of indebtedness at the end of the previous year. Excluding advanced payments made by our beverage division in late 2013, consolidated net debt totaled Ps.3,552 million⁸, leading to a Debt-to-EBITDA ratio of 1.2 times at the end of 2013, compared to 2.5 times at the end of 2012.

Social Responsibility

As a leading company in Mexico, we are fully aware of our responsibility to our stakeholders and the environment. Since we commenced operations, we have been committed to encouraging the sustainable development of those communities where we are present. We have achieved this through such initiatives as our School Centers System, the Energy Co-Generation Project and the density reduction of our PET bottles in our beverage division.

Looking ahead, we believe the strategy we have already implemented will allow us to continue competing successfully in this new environment. Furthermore, we believe this strategy to be the most appropriate for accomplishing the long-term growth of our business, together with a corporate culture that promotes innovation and teamwork.

I thank our thousands of employees who, united by the same objective, dedication and drive to our business throughout the year, comprise an essential part of our Company's transformation. I also thank all of our customers and suppliers, partners and communities for their trust and support.◦

Sincerely,



Juan I. Gallardo Thurlow

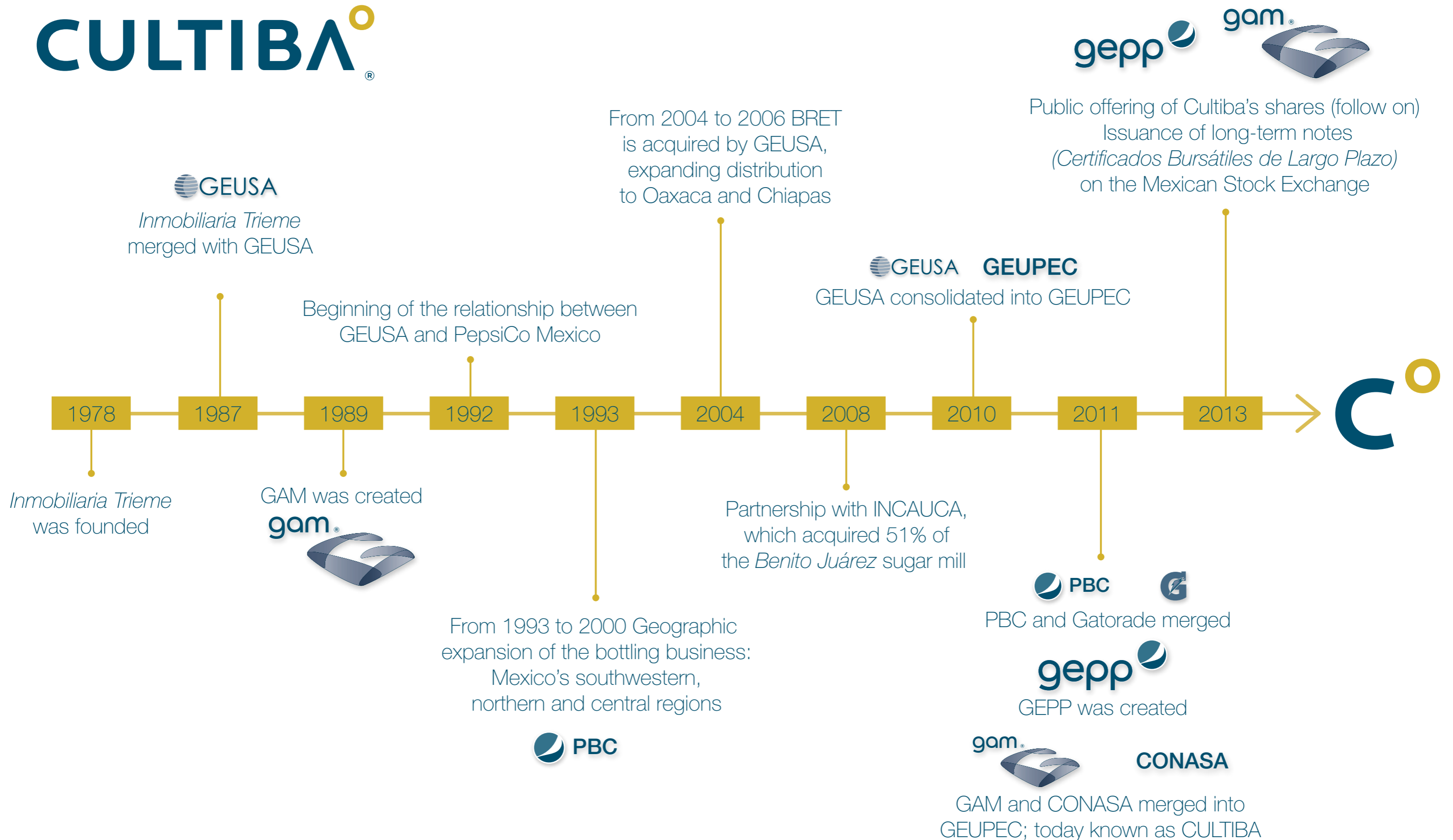
Chairman of the Board

⁸ Excluding Ps.2,750 million of advanced payments by the beverage division in late 2013, seeking better market conditions in terms of raw materials costs. These payments were funded by short-term bank loans, which will be amortized within the first half of 2014.



Our history
of success

CULTIBA^o

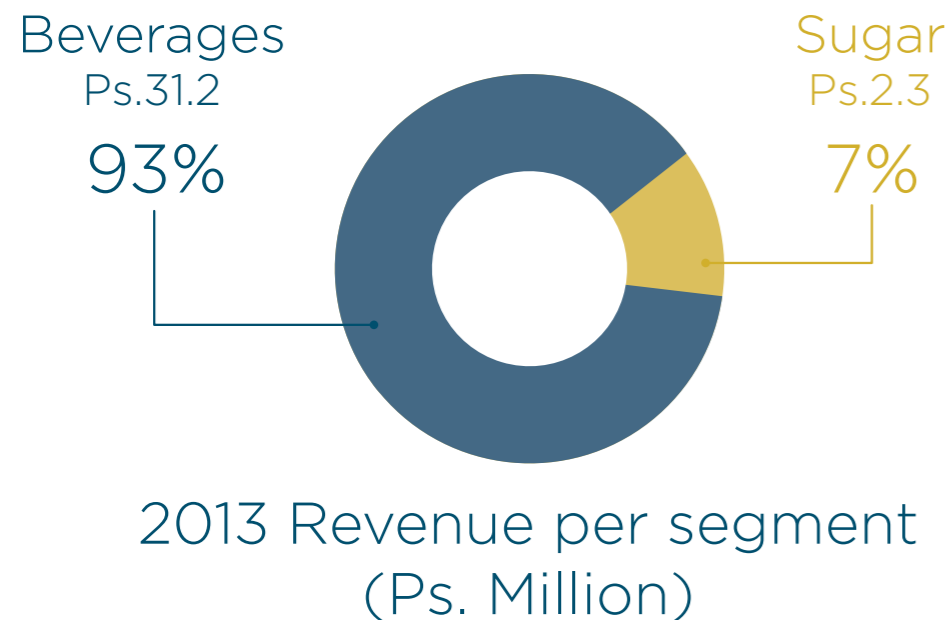
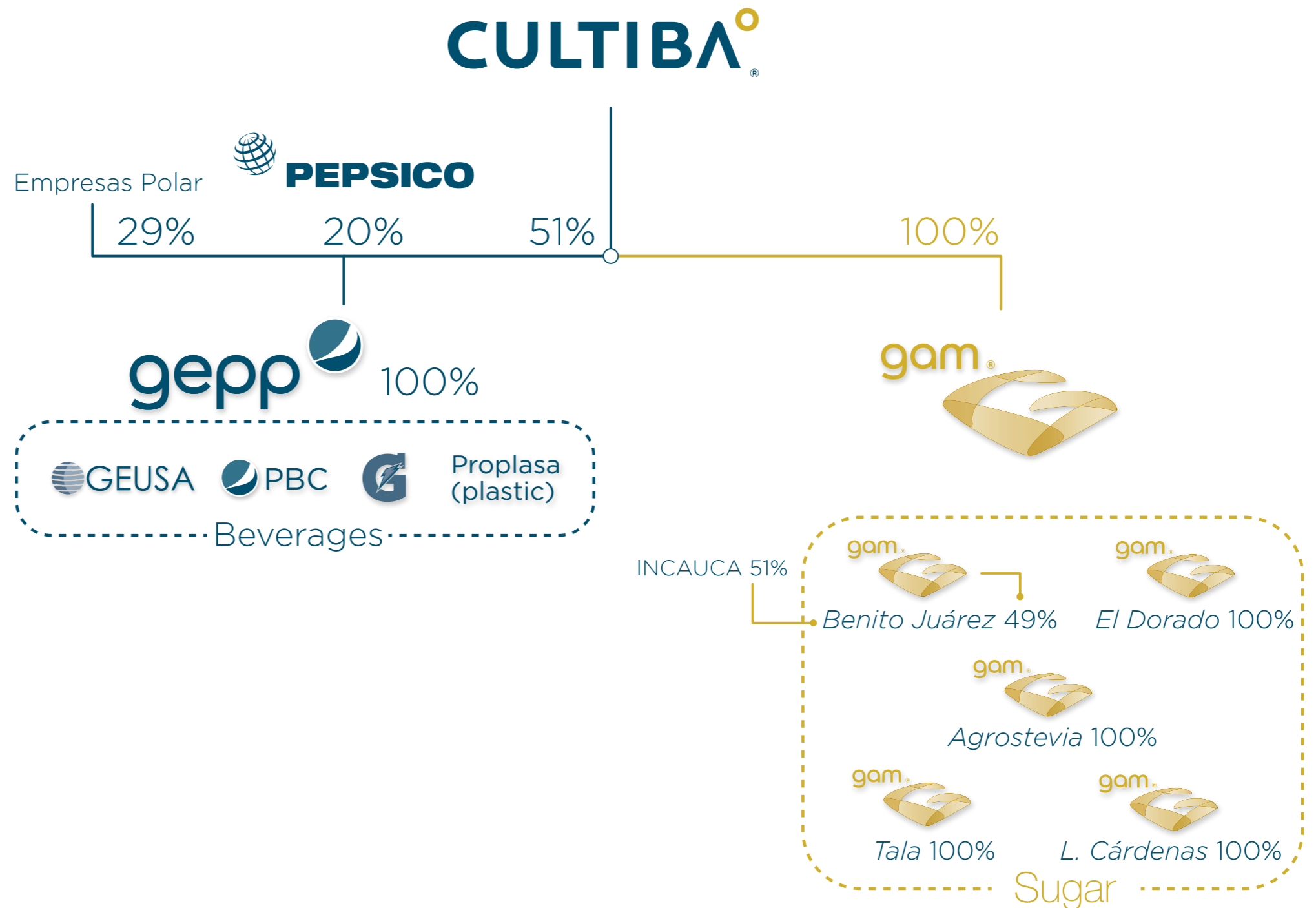




An integrated
business model

Corporate structure

Cultiba is a vertically integrated soft drinks and bottled water company, comprised of two subsidiaries. The largest is GEPP, in which we have a 51% economic interest, while Polmex and PepsiCo own 29% and 20% respectively. Through this subsidiary, we manufacture, sell and distribute carbonated and non-carbonated soft drinks, as well as jug water. Our other business is GAM, our sugar business, of which we own 100%. GAM sells refined and non-refined sugar, mainly in Mexico and the United States.

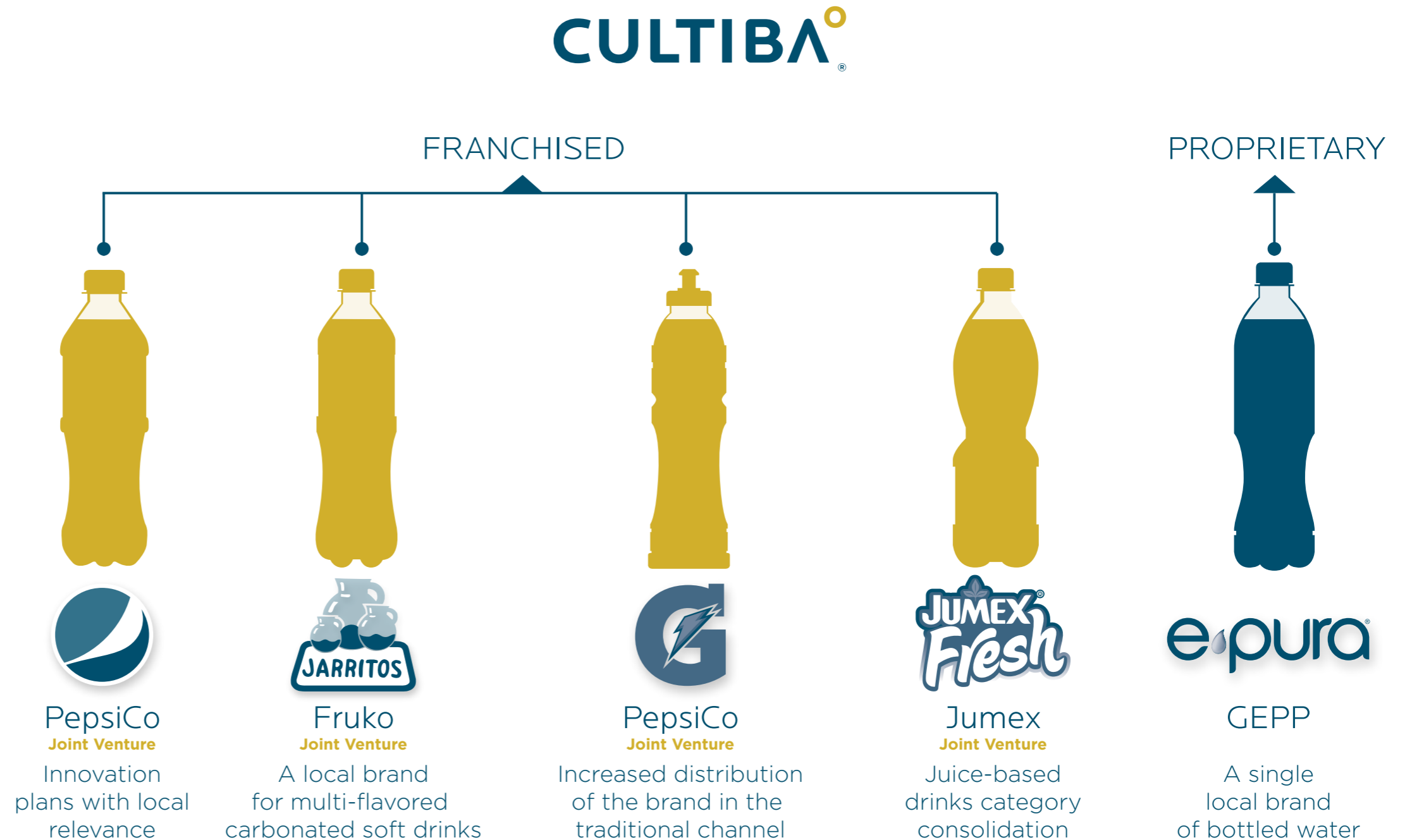


GEPP Our beverage business

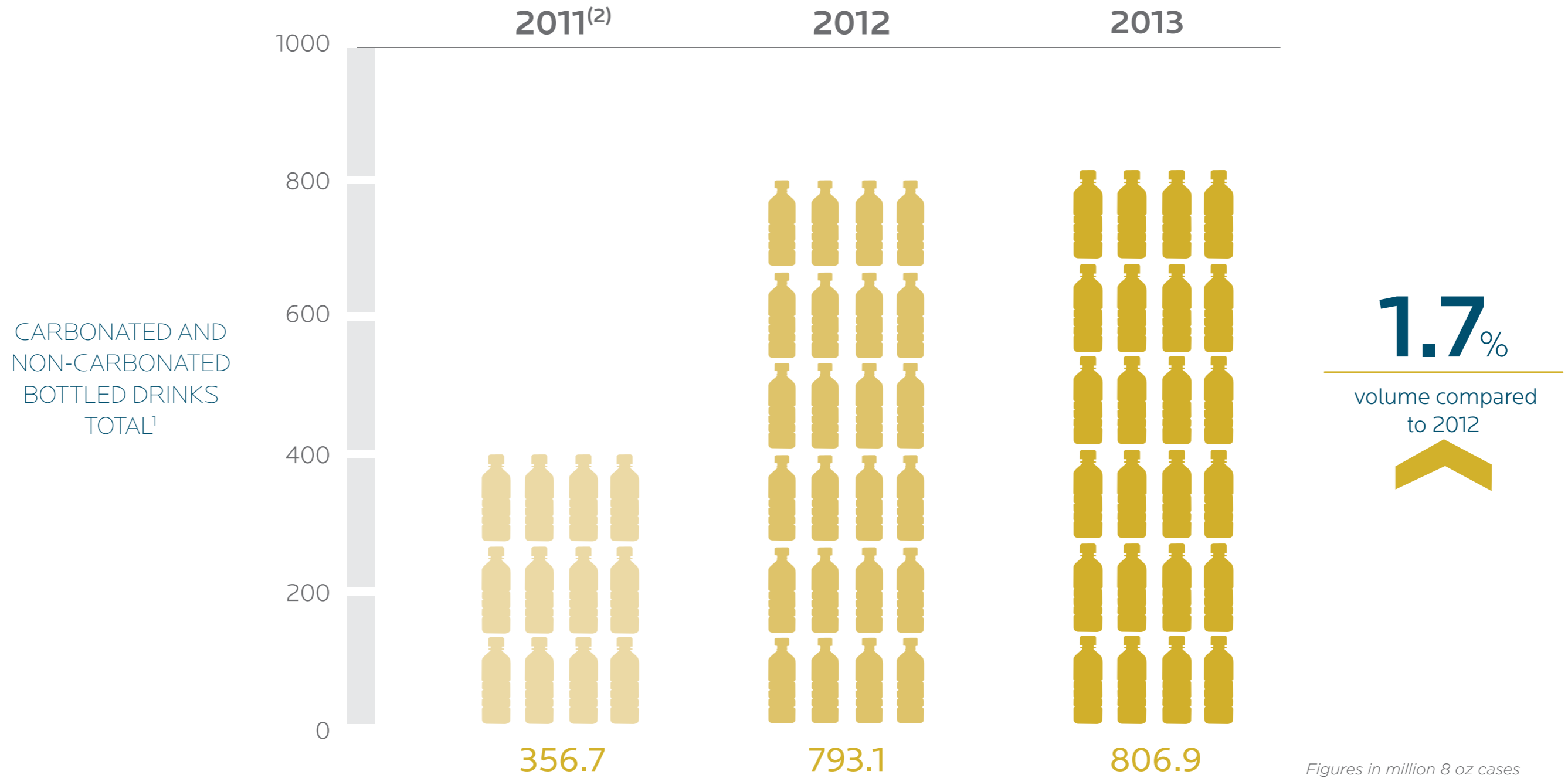
We are the only soft drinks and water distributor with a nationwide coverage and presence in Mexico, and one of the most important distributors of jug water in Mexico and worldwide.

GEPP owns two plastic manufacturers, which produce 85% of our bottles and 75% of the PET caps we use in the beverage business.

We manufacture, bottle and distribute a wide portfolio of beverages such as soft drinks, juice-based drinks, iced tea and bottled water, among others. We are the exclusive distributor of PepsiCo in Mexico, and we also distribute proprietary and third-party brands.



In 2013, we sold **806.9 million** unit cases of carbonated and non-carbonated bottled drinks, which represented a **1.7%** increase over 2012.^o



¹ Including bottled water in less than 5 liters packaging

² Including only 3 months of PBC and Grupo Gatorade Mexico sales

Our brand portfolio⁹

Pepsico brands

Pepsi Cola^o • Pepsi Cola Retro^o • Pepsi Light^o • Pepsi Kick^o • Pepsi Max^o • Pepsi Natural^o • Pepsi Twist^o • Seven Up^o • Seven Up Diet^o • Seven Up Libre^o • Seven Up Light^o • Seven Up Mojito^o • Mirinda Naranja^o • Mirinda Naramango^o • Mirinda Mango^o • Mirinda Narazul^o • Mirinda Fresa^o • Mirinda Uva^o • Mirinda Fiesta^o • Mirinda Frutas^o • Manzanita Sol Roja^o • Manzanita Sol Libre^o • Manzanita Sol Verde^o • Manzanita Sol Exótica^o • H2oh!^o • Kas^o • Rey^o • Okey^o • Sangría Casera^o • Be Light^o • Sobe^o • Lipton^o • Lipton Light^o • Mountain Dew^o • Propel^o • Gatorade^o • G2^o • G Series^o • Power Punch^o • Exótica^o

Proprietary brands

Trisoda^o • Santorini^o • Junghanns^o • Acqua di Roma^o • Montebello^o • Plus^o • E-pura^o • Electropura^o • Mr. Q Juicy^o • Garci Crespo Sabores^o • Garci Crespo Mezcladores^o • Spin^o • Spin Citrus^o • Spin Citrus Natura Sweet^o • Agua Glacial^o • Aguas Frescas Electropura^o • Hielo Electropura^o • San Lorenzo^o • Manzana Corona^o

Third-party brands

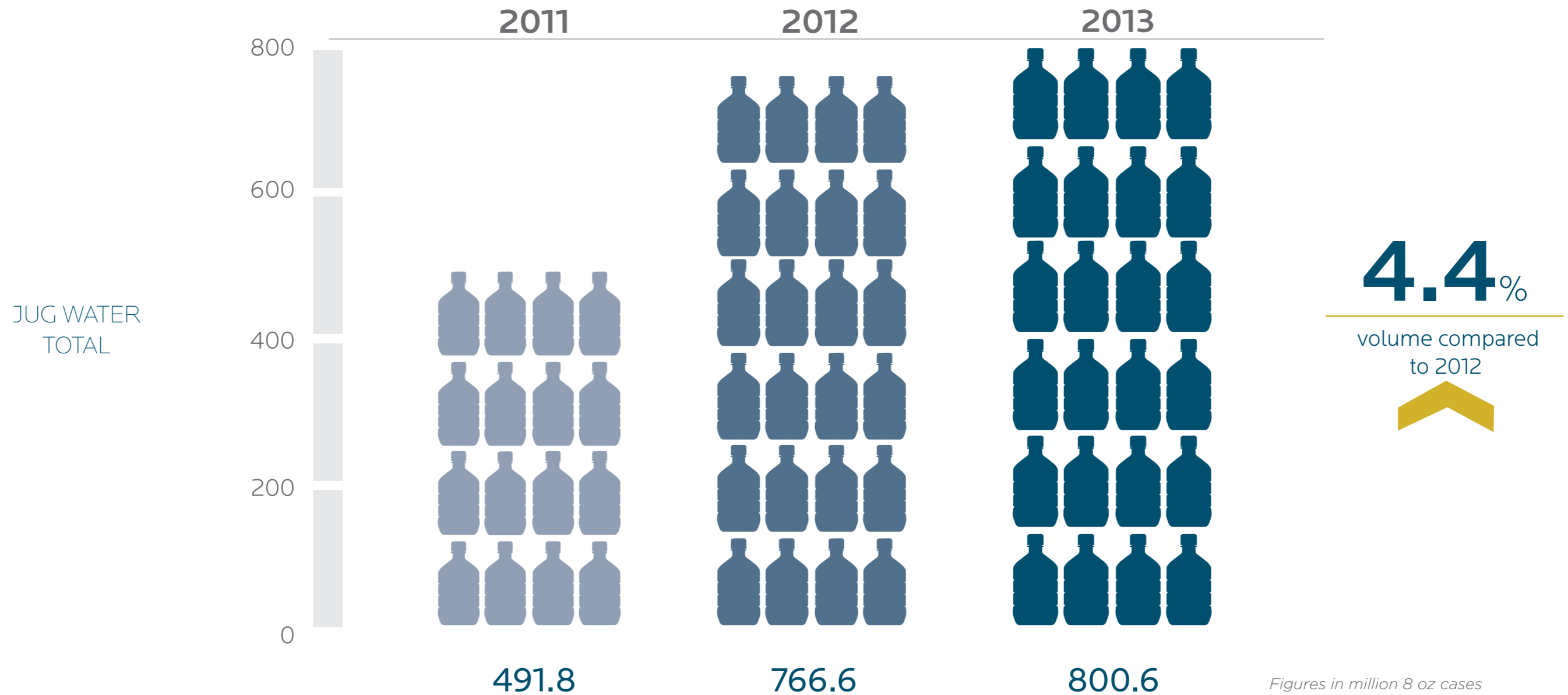
Petit^o • Jarritos^o • California^o • Ginger^o • Club Soda^o • Quina^o • Vita^o • Rock Star^o • Squirt^o • Canada Dry^o • Jumex Fresh^o • Sangría Señorial^o • Titán^o • Starbucks^o

⁹ It indicates the different carbonated and non-carbonated brands, as well as jug water brands, that Grupo GEPP is able to market after PBC and Grupo Gatorade de México were incorporated into GEUSA.



In addition, we sell jug water in 20 and 10.1 liter sizes under our different natural water brands, with E-pura[®] and Santorini[®] at the top. These are directly delivered to consumers' homes. We currently serve over 2.3 million households.

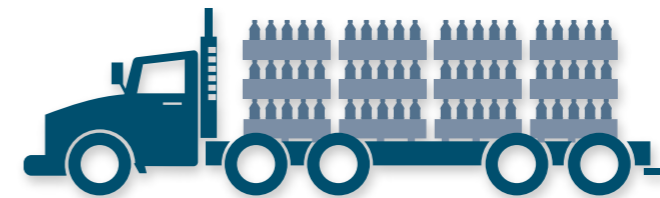
Our total jug water volume for 2013 was **800.6 million unit cases**, making us one of the **largest** jug water distributors globally.^o



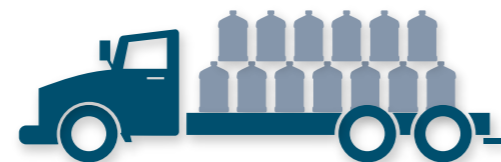
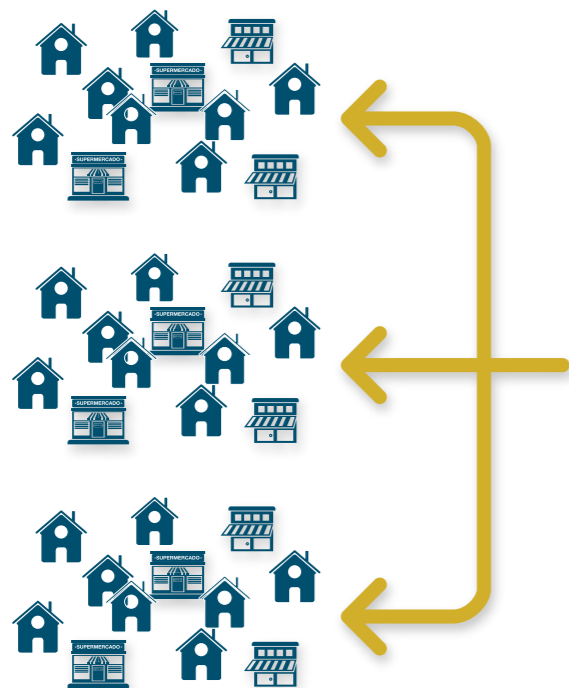
We have focused on modernizing our nationwide distribution footprint, planning more effective routes and leveraging new territories. This strategy has resulted in expansion for our bottled drinks in the domestic retail channel, as well as in an increased direct distribution of jug water to our consumers' households.



307 distribution centers



Over 9,300 distribution units



Over 9,300 routes



Over 745,000 customers



Over 2.3 million households in the jug water division

GAM Our sugar business

We are Mexico's **third largest private sugar producer**, with a combined milling capacity of **30,300 tons** of sugar cane daily.^o

We buy 4.2 million tons of cane annually which is grown on over 56,267 hectares of land by almost 15,000 farmers.

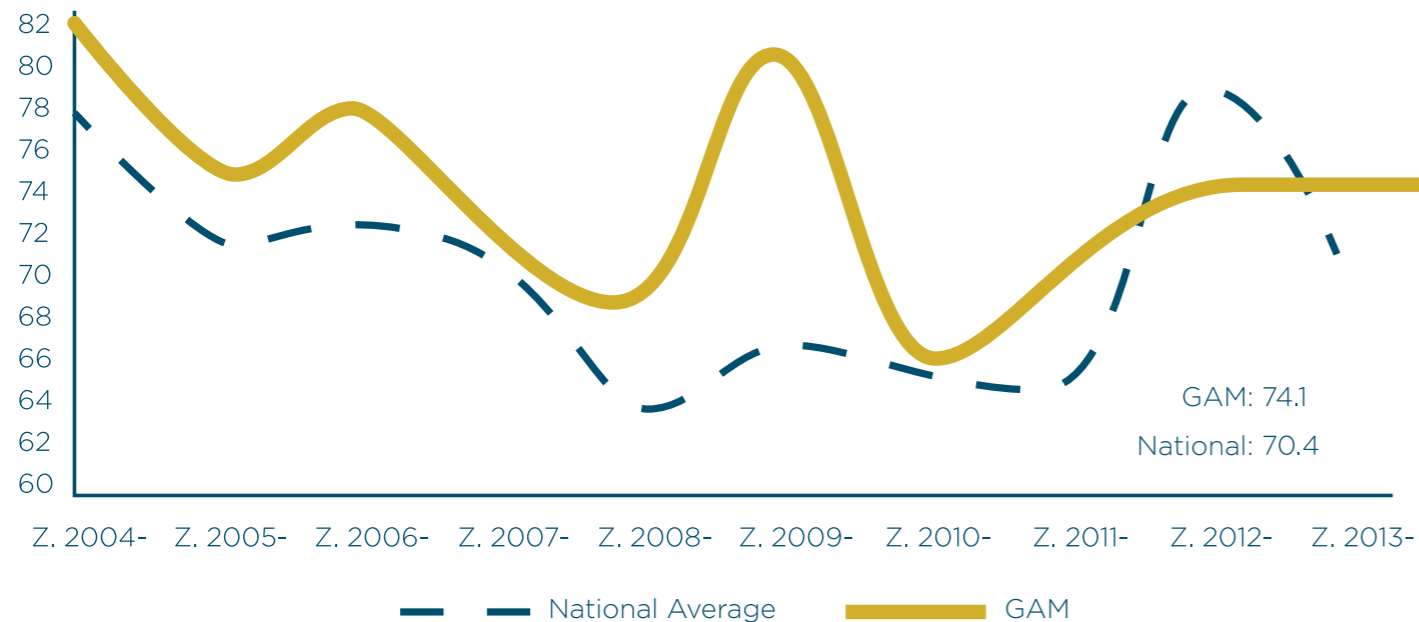
We own and operate four mills, strategically located in Mexico. We sell our products in both Mexico and the United States.



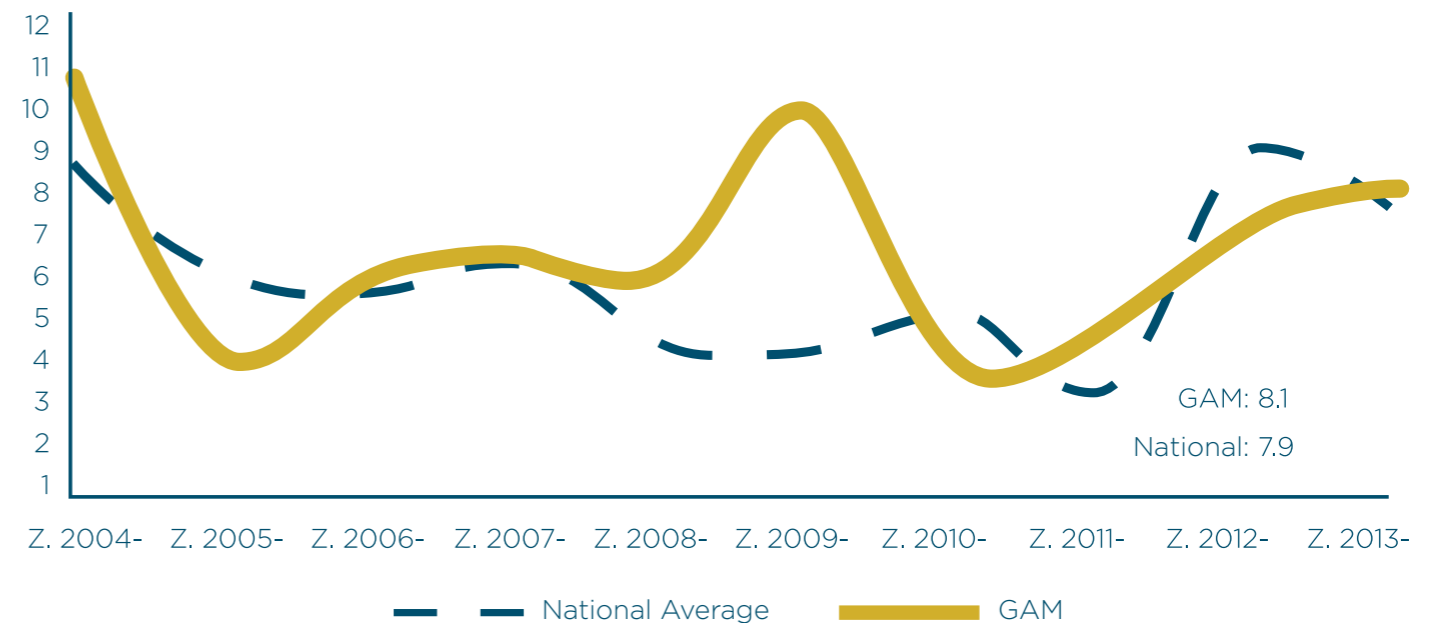
¹Our partner INCAUCA, owns 51% of Benito Juárez since 2008.

GAM is a **pioneering** company in terms of vertical integration of the supply chain, by means of the farming of sugar cane (we own 12% of our the cane we process) and the diversification of income through the **co-generation of electrical** power utilizing sugar cane mash. This electricity is used in both our sugar mills and our beverage business, with excess capacity sold to third parties.^o

SUGAR CANE TONS PER HECTARE



SUGAR TONS PER HECTARE



2013 was a challenging year for the sugar industry. A sugar surplus in Mexico contributed to a 40% year-over-year price decrease. However, due to GAM's integrated strategy as part of Cultiba, sales to the industrial sector based on long-term relationships, and sugar supply to both Mexico and the United States, this subsidiary had a successful performance. Our four mills operated at very productive levels, thanks to our commercial management and continuous optimization.

Sugar sales **increased 34.8%** year-over-year to **358,718** tons in 2013, while we registered **4.2 million tons** of milled sugar in the year.

We expect stronger production and better profit margins in the years to come, due to several factors such as: an increase in the farming of our own cane, the continuous improvement of our harvested sugar, and the optimization of the harvest process.^o

34.8%

sugar volume sales
increase in 2013



“Let’s talk about sugar”

In 2013, GAM joined the “Let’s talk about sugar” (“*Hablemos de azúcar*”) campaign organized by *Somos Métele Caña*, an enterprise concerned with good sugar usage and consumption. The main objective of the campaign was to communicate to the general public the **benefits of sugar**, given its natural properties and origins. This campaign distanced the product from the growing negative connotations that have been attributed to it, emphasizing that an excessive ingestion of sugar is not necessary, for “just a bit” is enough and healthy.^o

UN POCO DE AVENTURA

CADA DÍA

SÓLO 15 CALORÍAS
POR CUCHARADA

azúcar
de Caña

ES NATURAL

infórmate
hablemosdeazucar.com.mx

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Stevia Holding

The increasingly demanding regulations concerning obesity, together with consumers' growing preference for low-calorie natural products, led GAM to develop a calorie-free sweetener of natural origin. This product is purified without chemical substances or artificial ingredients, and is free of the bitter aftertaste that had characterized Stevia derivatives throughout the years.

Stevia sweetener brings several benefits, including:



Zero calories

100% Natural

Replacement for synthetic sweeteners, such as sucrose and aspartame, among others

Suitable for diabetics

200 to 300 times sweeter than sugar



Business



Dry leaves and Stevia extracts **commercialization**, which has shown **high performance** in several Latin American markets.

Plantations in the state of Nayarit.

Our **species** had a very good **performance** based on climate conditions of the region where the sowing takes place.

Competitive Advantages



Favorable agricultural and climate **conditions**

Cost efficient operating model

Differentiating **technology**

Proximity to the United States

100% integrated business model

AgroStevia

Through AgroStevia we market extracts and formulations based on Stevia. In order to achieve this, we are vertically integrated; from plantings at our cultivated area in the state of Nayarit, to selling Stevia extracts as powder and custom-made formulations for consumption products. By the end of 2013, we had 58 hectares for crops.

We handle the plant's farming in an integrated way, from genetic research to dry leaves selling. Our process also includes dry leaves transformation and extraction, by means of a wholly traceable water purification process to achieve our primary product.

In 2013, we produced:

- **64,648 kilos** of dry leaves
- **16.8 tons** of Stevia produced

We expect our returns to continue growing in 2014, due to an increase in farmed hectares, the mechanization of harvest and farming processes, and a continuous improvement in biological risk control. ^o





Proven
strategy

Five reasons to invest

We are the only beverage bottler with a **nationwide distribution network**

An integrated business model in order to achieve operating efficiency

A wide portfolio of **leading brands**

An appealing market

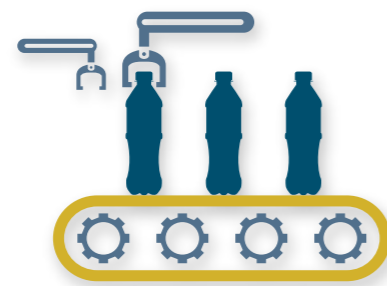
Vertical **integration**

1. We are the only beverage bottler with a nationwide distribution network. This has led to an enhanced presence of our brands in the Mexican market. As a result, in 2013 the combined volume of soft drinks and jug water increased to 1,607 million unit cases, representing year-over-year growth of 3.1%, in contrast with negligible industry growth.

Direct distribution of drinks from PepsiCo, our proprietary brands and third-parties brands allows us to serve over **745,000 points of sale**. We have over **9,300 specialized routes** for the different distribution channels served: traditional market, convenience stores and supermarkets, on-premise¹, Post-mix dispensers, vending machines and special events.

Meanwhile, our **jug** water distribution network consists of over **4,600 delivery units** across three sales channels: households, stores and institutions.

In 2013, we made improvements to several of our bottling plants and distribution centers, optimizing our production, commercial and management processes.^o



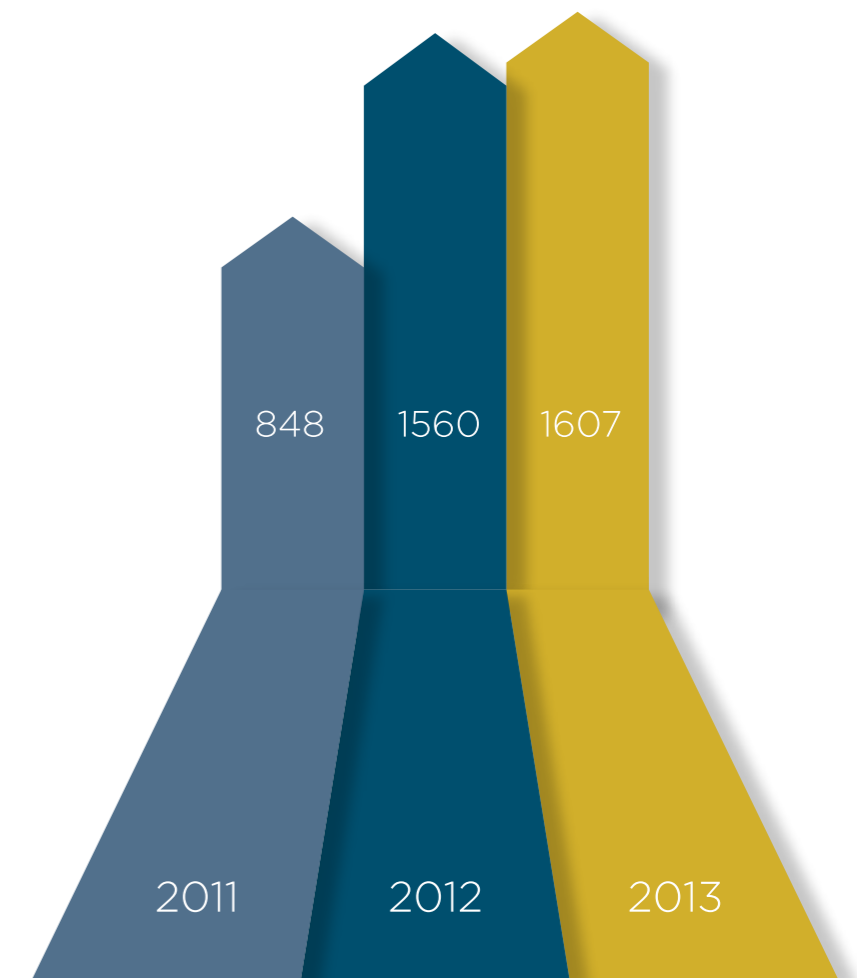
44 manufacturing and bottling plants and 122 production lines



2 plastic manufacturing plants

¹ On-premise refers to consumption in establishments such as restaurants, fast food and hotels among others.

TOTAL BEVERAGES VOLUME
(Million 8 oz cases)



2. **An integrated business model in order to achieve operating efficiency**, whereby we have achieved important operating and production synergies that have driven margin expansion and will enable us to continue optimizing our operations in a sustainable way.

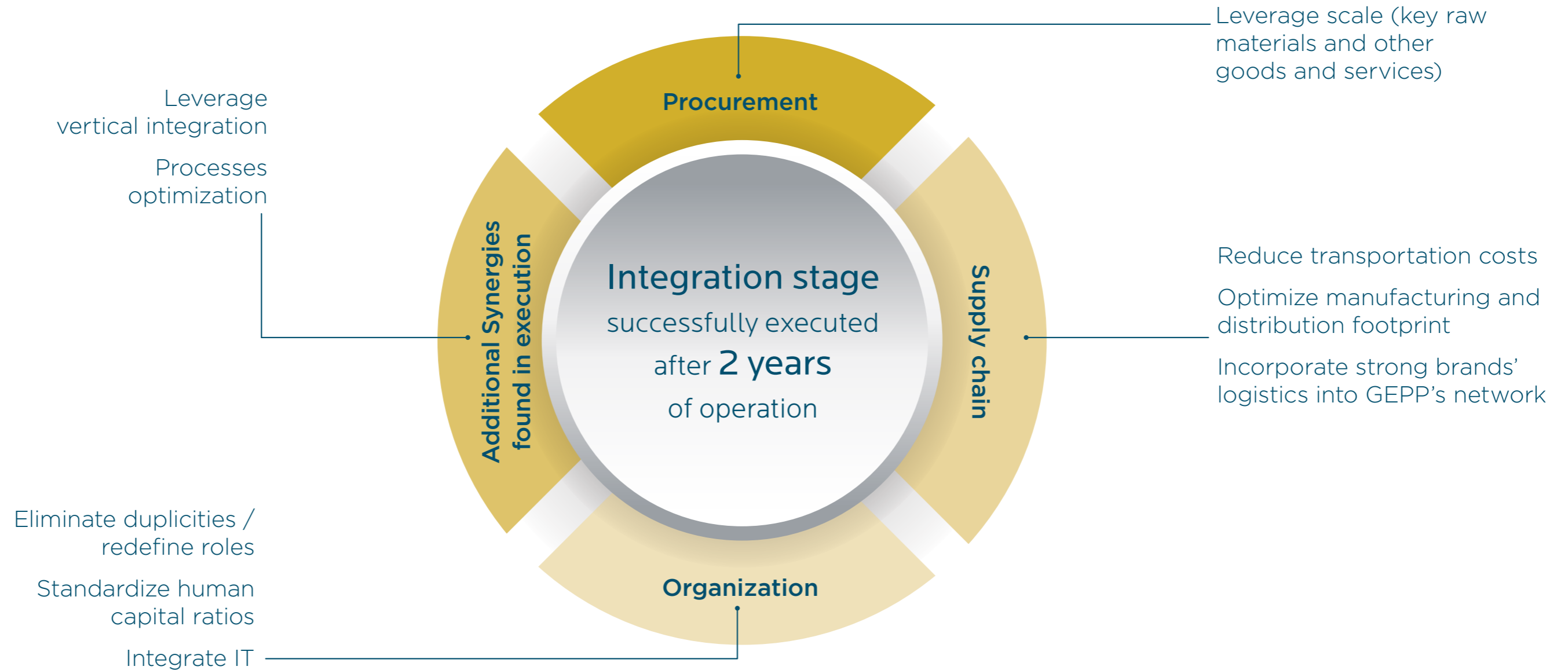
Most of the initiatives undertaken for the extraction of synergies and margin improvement have been implemented in supply chain, distribution, a common technology platform, operating integration and a streamlined management structure.

By the end of 2013, we realized **50% of Ps.900 million in identified synergies**, resulting from the merger of three bottling operators that today comprise our nationwide network. ^o



Business strategy leverages nationwide infrastructure for growth while capturing synergies

Integration Synergies / Efficiencies



...to date, **CULTIBA^o**'s beverages division has realized 50% of Ps.900 million in identified synergies, and remains on target to capture 100% at the end of 2014...

3. A wide portfolio of leading brands within beverage categories that have strong potential in the Mexican market.

We have realigned and adjusted our beverage product portfolio so as to focus on our strongest brands with nationwide presence.

We repositioned the main products from PepsiCo, our proprietary brands and third-party brands, by means of new bottle designs and a focused price-packaging strategy, among other innovations. In addition, we have continued to strengthen our carbonated and non-carbonated drinks portfolio through the following initiatives:

- a. We designed a new line of bottles for the Pepsi brand and another one for the flavored soft drinks portfolio
- b. We completed the agreement between GEPP and JUMEX for the development of a series of juice-based drinks
- c. We consolidated Jarritos' expansion as a traditional multi-flavored soft drinks brand in newly authorized zones
- d. We widened direct distribution of Gatorade in the traditional channel, by means of GEPP's massive direct sales and distribution system
- e. We consolidated E-pura as a single domestic water brand, both in jug water and individual presentations

Main products portfolio



Proprietary brands



PepsiCo brands



Third party brands distribution



Launches and promotions

In 2013, we carried out a series of marketing and promotional activities, seeking to strengthen our presence in all market segments. Some of the most important activities include:

- A nationwide campaign for the introduction of our **leading brand** of jug water, **E-pura**
- Ongoing partnership between Gatorade and the NFL and NBA, which conducted the **15 Km Gatorade Race**
- Activation of 360° campaigns for our **7up and Manzanita Sol** brands
- Launch of **Mirinda Frutas** in new territories
- Launch of **Jumex Fresh**^o




4. An appealing market, reinforcing growth and offering important opportunities for our beverages portfolio.

Our geographical presence and Grupo GEPP's broad product portfolio create an ideal strategic position for our beverage division, enabling us to take advantage of the opportunities for growth that the Mexican beverage market offers.

Mexico has the largest per capita consumption of carbonated soft drinks, with 163 liters per year. In 2013, the carbonated soft drinks industry reported revenue of **US\$18 billion**, with a sales volume of 19 billion liters, according to Canadean¹⁰ data. In that same year, the non-carbonated drinks industry had revenue of **US\$11.2 billion**, with a sales volume of 11.8 billion liters.

The non-carbonated drinks segment continues growing at a more accelerated rate than the carbonated drinks segment, with an annual growth rate of 8.7% in the 2010-2013 period according to Canadean.

Within this category, the Mexican isotonic drinks segment is the largest in Latin America, with total revenue of over US\$669 million and volume exceeding 362 million liters in 2013. 

¹⁰Canadean is a global consultancy firm that provides information on market dynamics for different industries, including carbonated and non-carbonated drinks as well as bottled water (including jug water).

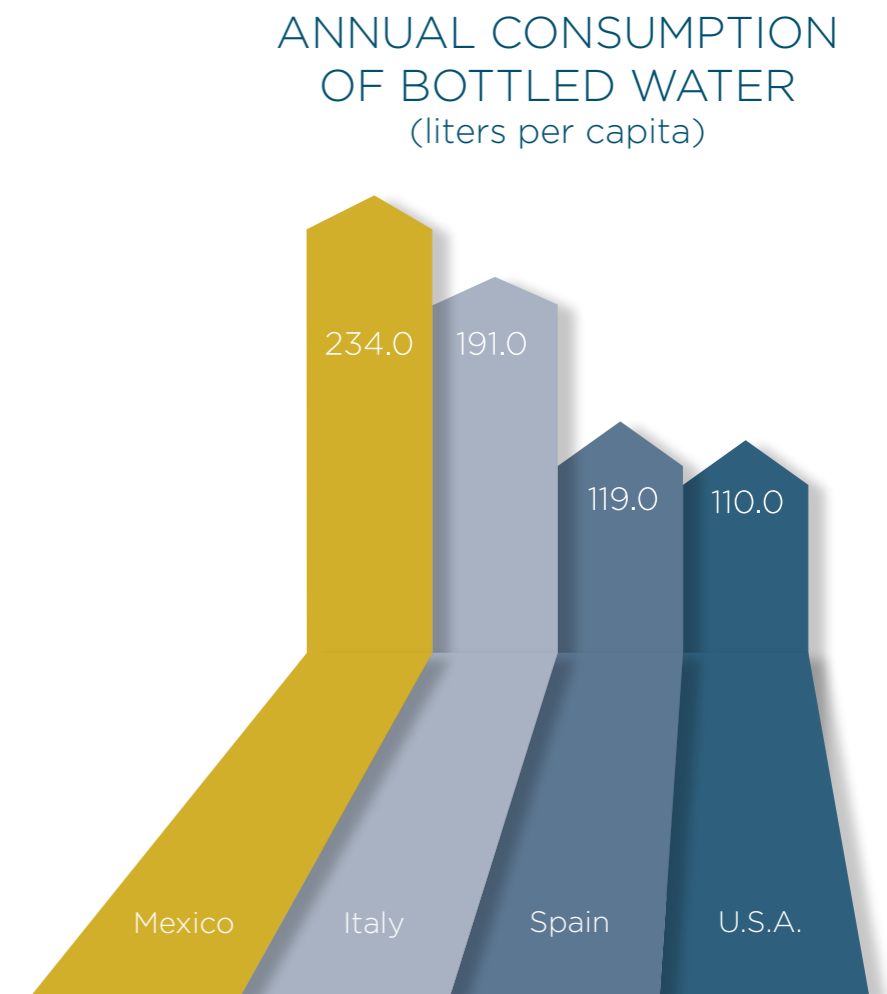
According to the Beverage Marketing Corporation ¹¹,and Euromonitor¹², Mexico is today the largest bottled water consumer worldwide, with 234 liters per capita annually and an average expenditure of Ps.1,800 per family annually.

During the last decade, the Mexican bottled water market has doubled, totaling US\$10 billion in 2013. At this consumption level Mexico is higher than Italy -where per capita consumption is of 191 liters annually, Spain -119 liters annually, and the United States -110 liters annually. The growing trend of health and well-being, together with the poor quality of tap water in Mexico, has contributed to the development of this appealing market in the past years.

Consequently, in Mexico approximately 26 billion liters of bottled water are sold annually, 70% as jug water and the remaining 30% in individual bottles.

Our beverage division seeks to constantly replicate the portfolio of beverages that Mexican consumers prefer, focusing its development and innovation plans in the most relevant categories.

The strategy is to offer appealing products within each category, in line with the evolution of the domestic market.



Source: Beverage Marketing Corporation

¹¹ The Beverage Marketing Corporation is a global research and consultancy company that provides statistics and consumption data services on regional and global consumption goods markets, including carbonated and non-carbonated drinks as well as bottled water (including jug water).

¹² Euromonitor is a global consultancy firm focused on providing statistics for market dynamics including volume and revenue in different sectors, including carbonated and non-carbonated drinks as well as bottled water.

5. Vertical integration. GAM provides 100% of the sugar required by the beverage business, thus protecting our company from price fluctuations of that key raw material. Likewise, our electricity co-generation plant in the Tala sugar mill, in the state of Jalisco, supplies electrical power to our beverage business and our sugar mills. Moreover, in 2013, we manufactured about 85% of our PET bottles and 75% of our PET caps in our two plastics plants. ◉



Cultiba, a socially
responsible company

We are a socially responsible company, committed to our employees, the communities where we operate and society in general. We encourage the sustainable development and environmental care of those communities.

Our subsidiaries GAM and GEPP each have developed a responsibility program, covering the following aspects:

Education

- Building of the Guadalajara School Center (*CEG*, Spanish Acronym) in Tala, Jalisco and El Dorado, Sinaloa. A center for elementary instruction, free of charge, with morning sessions for girls and afternoon sessions for boys. It also offers comprehensive care for their families. The Center's vision is to promote the emergence of community leaders, honest and happy individuals aware of their social and civil responsibility.

CEG is especially devoted to serve single mothers, unemployed individuals, widows and low-income families.

Some of CEG's most important achievements include:

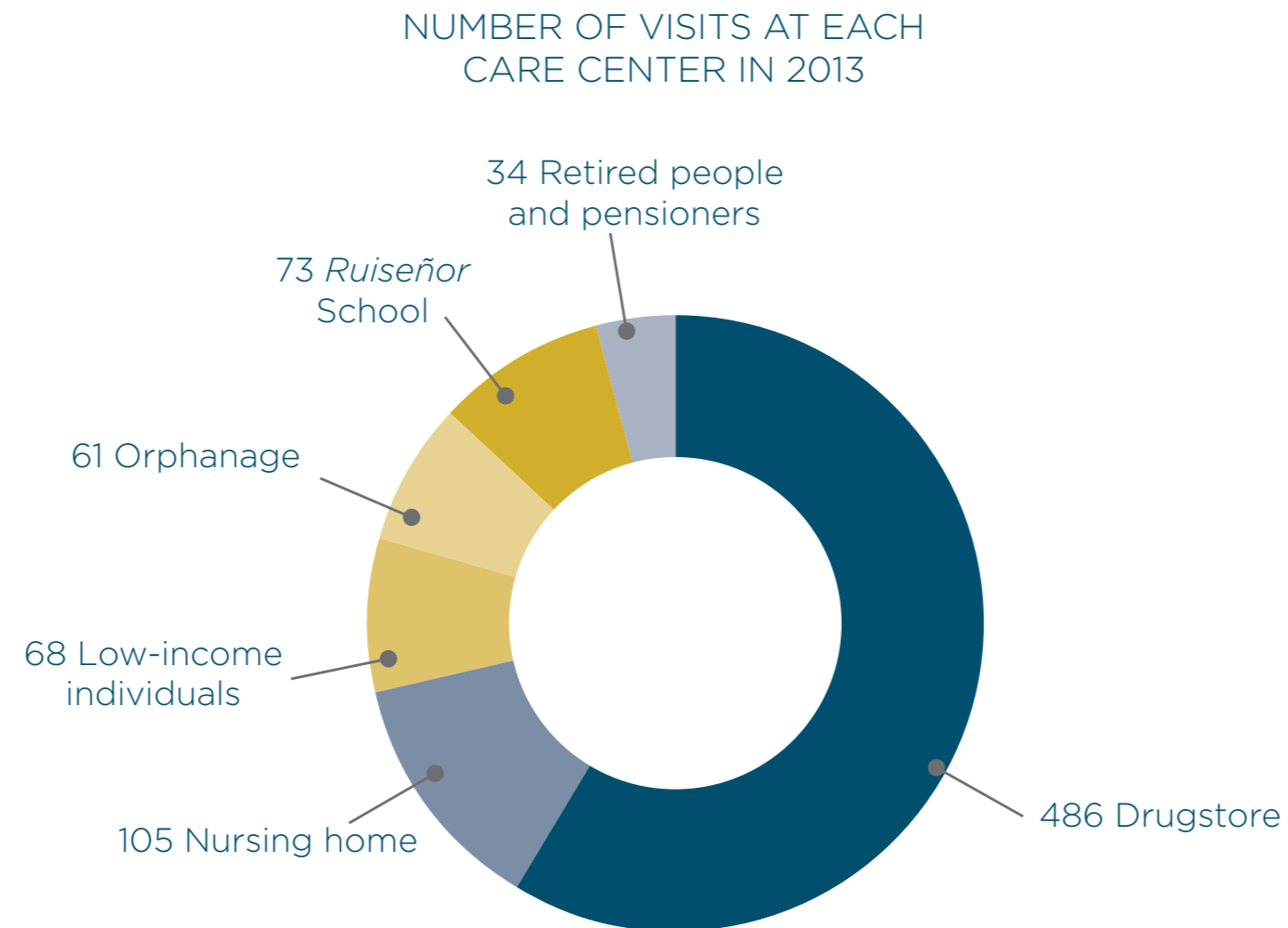
- a. 95% student retention
- b. 90% of students with B and A grades
- c. 75% of students who completed the elementary school there have continued their studies (junior high).

- **Elementary instruction program** and sports activities for our workers and their families.
- **Adult** basic education.
- **University-sugar mill connection**, leading to 28 development opportunities for future professionals from different universities. Through this program, we receive visits from an average of 300 students from several universities, technology centers and high schools so that they can learn about the sugar manufacturing process.
- **ANSPAC program for women.** A group of women—both employees and wives of the technical staff at the Tala mill— is in charge of conducting this program, which encourages the enhancement of values within families and communities, as well as a family social culture. ^o



Health

- *“Caravanas de salud”* (“Health Tours”). This program is addressed to all mills’ workers, the sugar cane sector and communities in general. Its purpose is to offer totally free General Medicine services through Multi-Function Mobile Medicine Units. Approximately 10,000 people take part at every event.
- *Farmacias “Solidaridad Azucarera GAM, A.C.”* drugstores. These are located at communities close to our sugar mills. They assist uninsured persons and populations, and provide patent drugs at affordable prices.



- **Alcohol and drug abuse prevention program.** This program has allowed us to train six internal counselors in abuse detection. We have also lectured over 450 workers and their families on alcohol and drug abuse topics.
- **Safety and Health Self-Management at Work Program (PASST, Spanish acronym).** This program has been responsible for the deployment of a series of management systems for safety and health at work, based on renowned standards so as to prevent work accidents and diseases. ◦



Environment

Our sugar and beverage businesses are subject to the federal and local laws and regulations on environmental protection. These are expressed in the *Ley General del Equilibrio Ecológico y la Protección al Ambiente* (General Law of Ecological Balance and Environmental Protection) or *Ley Ambiental* (Environmental Law), and the *Ley General para la Prevención y Gestión Integral de los Residuos* (General Law for the Prevention and Integral Management of Wastes), whose applicability and observance correspond to the Attorney General for Environmental Protection (*PROFEPA*, Spanish acronym).

Our Tala sugar mill follows a waste assessment program for sugar cane milling. This program recovers waste and uses it as nutrient for our sugar fields.

Our manufacturing and bottling facilities follow internal controls to keep residual water discharges within the levels required by applicable laws. Furthermore, we have invested significantly in the recovery of the water discharged at our manufacturing process, by means of reverse osmosis water filtering. This is a common practice that filters salt and other solutes, purifying water. ◉

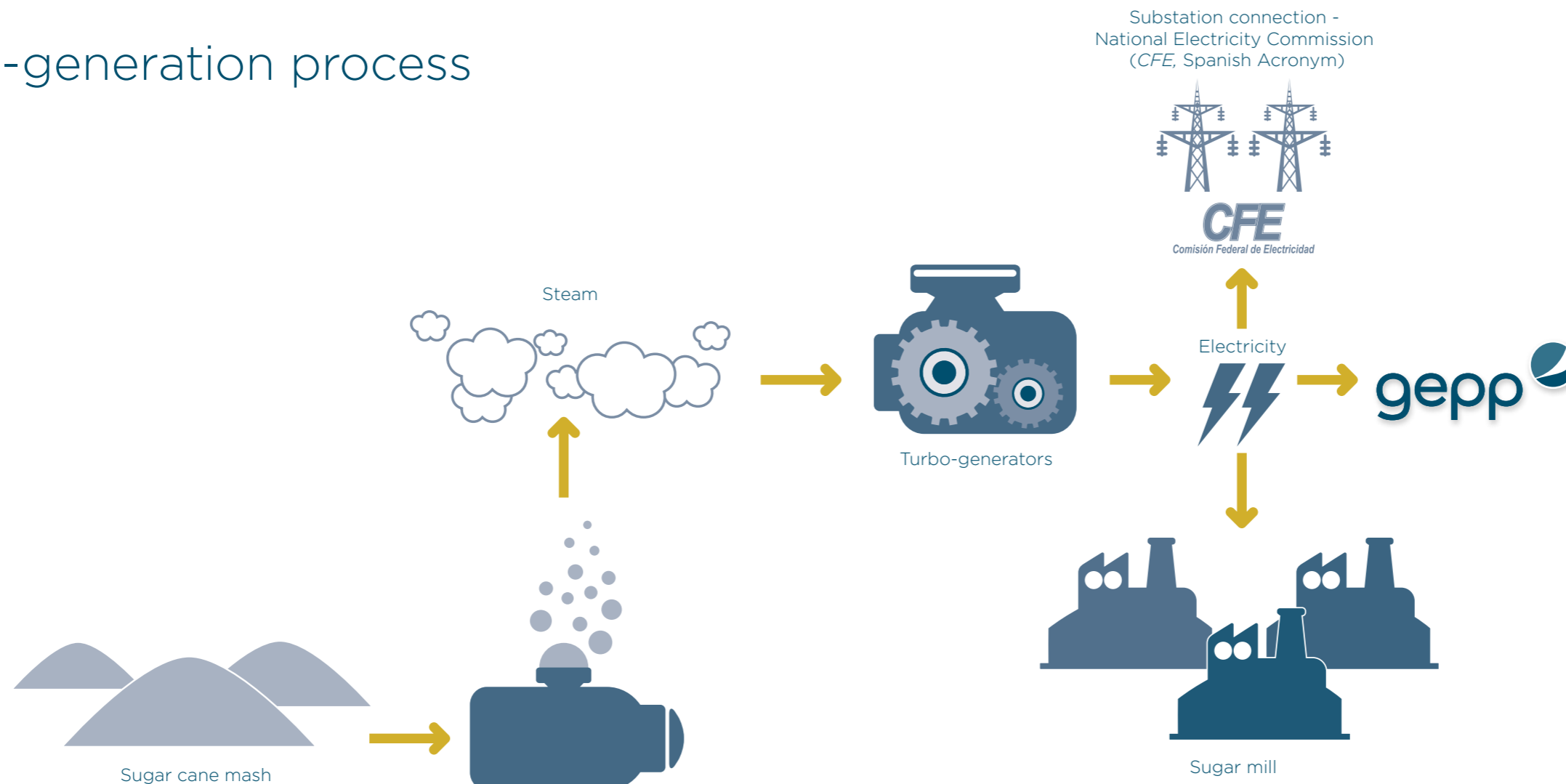


Green energy project

Today, we have a co-generation electric power plant. Its main objective is generating renewable energy from available biomass waste (sugar cane mash), resulting from the sugar manufacturing process. This electricity is used to supply our own plants. The remaining power is delivered to GEPP and sold to third parties.

This plant is located within the Tala sugar mill, in Jalisco. It has a 25-megawatt installed capacity, and it wholly operates using renewable fuel. We expect an estimated reduction of 70,000 tons of carbon dioxide annually, as well as the creation of 450 temporary jobs.

Energy co-generation process



Bottle density reduction

We continue working on the density reduction and the use of post-consumer resin (PCR) in pre-shaping with excellent results. We have accomplished a **9.8%** reduction of virgin resin for production, and a **5.8%** increase in usage of PCR. ◦

Main packaging with reductions:

- 400 ml and 600 ml highly carbonated drinks
- 2.5 liters
- 3 liters
- 2 liters
- 400 ml and 600 NCB ¹³

Historical performance of bottles density reduction	2011	2012	2013
Decrease due to density reduction	7.7%	8.7%	9.8%
Use of PCR	9.3%	3.5%	5.8%

Figures in percentage of resin reduction

¹³NCB refers to Non Carbonated Beverages.

A grid of approximately 15 clear plastic water bottles with white caps, arranged in three rows. The bottles are set against a dark blue background. A semi-transparent white circle is overlaid on the left side of the image, partially covering the bottles. The text 'Corporate governance' is written in white in the bottom right corner.

Corporate
governance

Board of Directors

Our ultimate governance body is the Board of Directors. It meets at least four times a year, and is responsible for the business management. It consists of 19 members, who are elected at the Shareholders' Meeting. Any member with 10% or more of our capital stock will have the right to appoint a member to the Board of Directors and its corresponding alternate member. At least 25% of the Board's members should be independent.

Cultiba adheres extensively to the Code of Best Corporate Practices, issued by the *Consejo Coordinador Empresarial*, further enhanced through its own Code of Ethics. 

Juan I.
Gallardo Thurlow
Chairman

Eduardo
Sánchez Navarro Redo¹
Vice-Chairman

Diego
**Sánchez Navarro
Rivera Torres¹**
Director

Eduardo
Legorreta Chauvet¹
Director

Luis
**Regordosa
Valenciana¹**
Director

Ildfonso
Ochoa Martínez¹
Director

James A.
Badenoch Berger^{1,2}
Director

Juan A.
Cortina Gallardo
Director

Luis
Tellez Kuenzler¹
Director

Fernando
Chico Pardo¹
Director

José Ramón
Elizondo Anaya^{1,3}
Director

Manuel
Marrón González^{1,2,3}
Director

Gela Lorena
Gallardo Larrea
Director

Federico
Chávez Peón¹
Director

Eustaquio
Escandón Cusi^{1,2,3}
Director

Enrique
**Castillo
Sánchez-Mejorada¹**
Director

Lourdes
Suayfeta Sáenz
Director

Guillermo
Güemez García¹
Director

Francisco
Hill Avendaño¹
Director

¹Independent member of our Board of Directors.

²Member of the Corporate Practices and Audit Committee.

³Member of the Compensation Committee.

The functions of the Board of Directors are supported by two committees:

Corporate Practices and Audit Committee

This committee is responsible for monitoring compliance with the controls established by the Management and of offering feedback on internal control efficiency. It mainly supervises that operations are executed and registered in accordance with the applicable general guidelines, criteria and financial information norms.

Its main functions are: (1) to propose external candidates to the Board of Directors and suggest the terms of the hiring and the scope of the office to be served, (2) to propose the basis for financial information development to the Board of Directors, (3) to collaborate in the outlining of the general guidelines for internal controls and performance assessment, (4) to monitor the undertaking of transactions with related parties, to supervise the activities of the CEO and the internal audit functions, as well as to submit an annual report to the Board of Directors, and (5) to suggest and gather the opinion of independent experts on the operations with related parties. This committee is also responsible for delivering its members' opinions to the Board of Directors concerning the performance of our key relevant directors, for calling Shareholders' Meetings and for helping the Board of Directors in the development of reports to be submitted to the General Ordinary Shareholders' Meeting.

James A.

Badenoch Berger

Chairman

Eustaquio

Escandón Cusi

Manuel

Marrón González

Compensation Committee

This committee is responsible, among other things, for reviewing and commenting on the integral compensation package of the CEO and other relevant directors. It must develop an annual report on its activities, submitting it to the Board of Directors.

Eustaquio
Escandón Cusi
Chairman

José Ramón
Elizondo Anaya

Manuel
Marrón González



Key CULTIBA officers

(Holding company)

Juan I. Gallardo Thurlow

Chief Executive Officer

Carlos G. Orozco Alatorre

Chief Financial Officer



GEPP - Beverage business

Miguel Antonio Antor Bravato

General Director

Gonzalo Guerrero Magaña

Human Resources Director

Dionisio Martín García

Commercial and Manufacturing Operations Director

David Martín Sáez Matos

Business Process and Finance Director

Erick Roberto Scheel Cabrera

Marketing Director

José Chavez Cobarrubias

Jug Water and Household Distribution Director

Armando Javier Guerrero Marozzi

Integration and Synergies Director

Carlos Rubén Flores Gómez

Legal Director

GAM - Sugar business

Juan A. Cortina Gallardo

General Director

Carlos G. Orozco Alatorre

Finance Director

Aby Ortega González

In-house Counsel

Humberto López Ramírez

Human Resources Director

Guillermo Escobar González

Field Operations Director

José Alejandro Guevara

Tala Sugar Mill Manager

Galdino Osuna Millán

El Dorado Sugar Mill Manager

Daniel Sandoval Robles

Lázaro Cárdenas Sugar Mill Manager

Humberto Macias

Sales Manager



Management discussion
and analysis (MD&A)

Volume

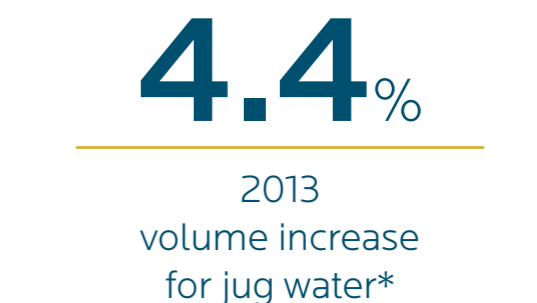
2013 started off well, but economic deceleration and unfavorable weather led to a slowdown in demand as the year progressed. Despite these challenges, our total beverage volume **grew** year-over-year by **3.1%** to **1.6 billion** unit cases in 2013. This volume growth was consistently above the industry growth rate throughout 2013, demonstrating the success of our realigned product portfolio and a more focused execution.

Bottled beverages and water volume increased **1.7%** to **806.9 million** unit cases in the twelve months of **2013**, compared to 793.1 million unit cases in the same period of 2012.

This performance reflects the benefits of the Jumex Fresh launch in the juice-based drinks category, the re-launch of E-pura as Mexico’s national water brand, the consolidation of Jarritos as a multi-flavor brand in authorized regions, a larger number of routes, and the re-positioning of key brands with domestic relevance.

Jug water volume increased **4.4%** to **800.6 million unit cases** in **2013**, compared to 766.6 million unit cases in 2012.

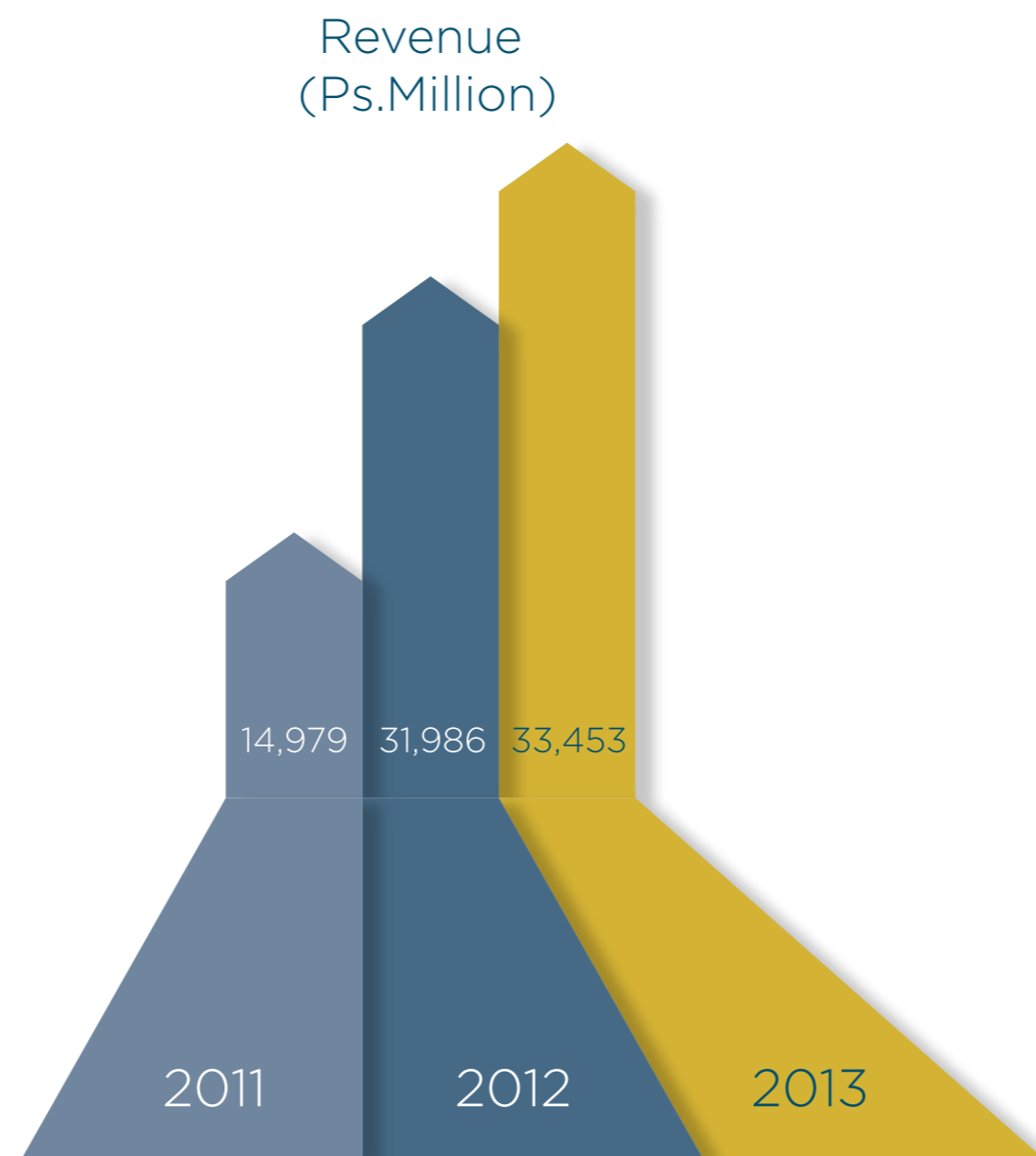
The enhancement of direct distribution to consumers’ households, in addition to execution improvements across the country, contributed to the good jug water performance. ◉



*Compared to 2012

Revenue

Consolidated revenue in the twelve months of 2013 increased 4.6% to Ps.33,453 million, compared to Ps.31,986 million reported for the same period in 2012. Revenue growth resulted mainly from the 3.1% increase in total beverage volume, as well as the 2.0% increase in revenue per case. An accumulated increase of 4.4% in bottled water and soft drinks prices was the main driver of the improvement in revenue per case during this period. ◦



Cost of goods sold

Cost of goods sold decreased 1.5% to Ps.19,535 million for the year ended December 2013, compared to the same period of the previous year. Gross margin as a percentage of sales in 2013 was 41.6%, approximately 360 basis points above the same period in 2012. This good performance reflects the synergies we have been capturing within our beverages division. In addition, due to a price improvement and a decrease in unit costs, gross profit per case in the beverages division increased 14.4% year-over-year in 2013.



**Compared to 2012*

Selling, general and administrative expenses (SG&A)

Total selling, general and administrative expenses reached Ps.13,509 million in 2013, above the Ps.11,876 million reported in 2012. Consequently, the selling, general and administrative expenses as a percentage of total sales increased to 40.4% during the twelve months of 2013 from 37.1% for the same period in 2012. This was mainly due to higher marketing expenses, market channeling routes and sales expenses we incurred in anticipation of higher volumes in the beverage division. Despite lower than expected volume growth -with our focused portfolio strategy- the marketing expenses are essential for the re-positioning and brand building of key products in different distribution channels for 2013 and the upcoming years.

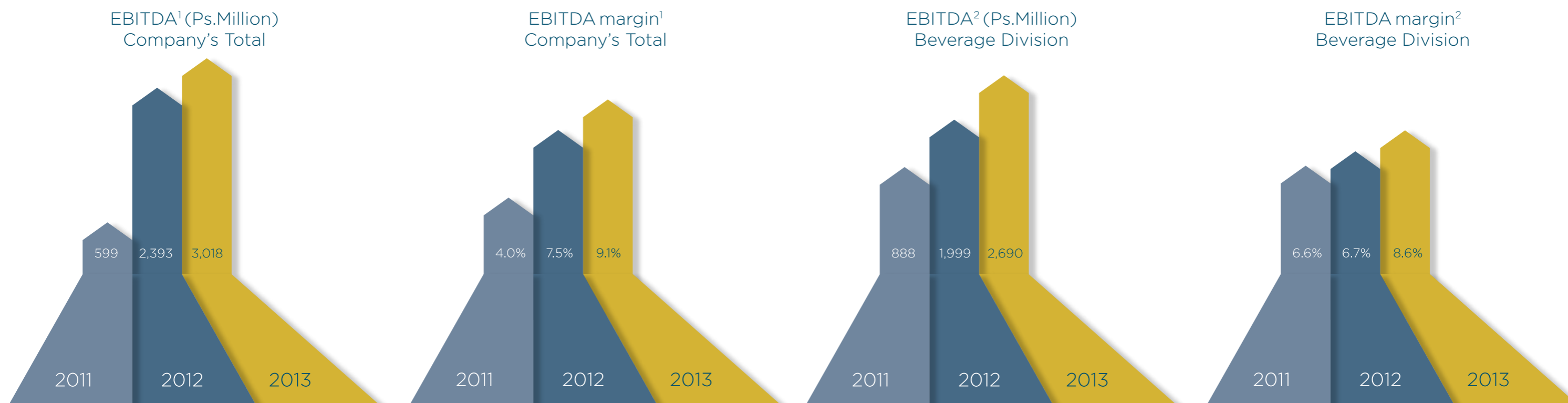
Income from operations at the consolidated level had an almost **three-fold growth** during 2013, to **Ps.652 million** as compared to Ps.231 million in 2012. The income from operations for the beverage division was **Ps.494 million** in 2013, compared to Ps.6 million in 2012. ◦

EBITDA

In 2013, the consolidated adjusted EBITDA was Ps.3,018 million, representing a 26.1% increase as compared to Ps.2,393 million from the previous year. The adjusted EBITDA margin in 2013 was 9.1%, versus 7.5% in 2012.

In 2013, the sugar division contributed positively to the consolidated EBITDA margin, despite the significant decrease in sugar prices in comparison with 2012, and an increase in exports due to increased production in Mexico. We foresee a continuing positive contribution of the sugar division to EBITDA margin. For the year ended December 2013, the sugar business delivered over 100 basis points to the consolidated EBITDA margin.

As for the beverage division, adjusted EBITDA for one-time expenses related to optimization of the manufacturing network and rationalizations in the modern channel was Ps.2,690 million in 2013. This represents a margin expansion of 190 basis points to 8.6% of sales in 2013, versus 6.7% reported in 2012.



¹ EBITDA for 2013 includes one-time expenses adjustments for Ps.101 million related to the optimization of the manufacturing network. The inclusion of these expenses results in an EBITDA of Ps.2,917 and an 8.7% margin in 2013.

² EBITDA for 2013 includes one-time expenses adjustments for Ps.101 million related to the optimization of the manufacturing network. The inclusion of these expenses results in an EBITDA of Ps.2,589 and an 8.3% margin in 2013.

Financing cost¹⁴

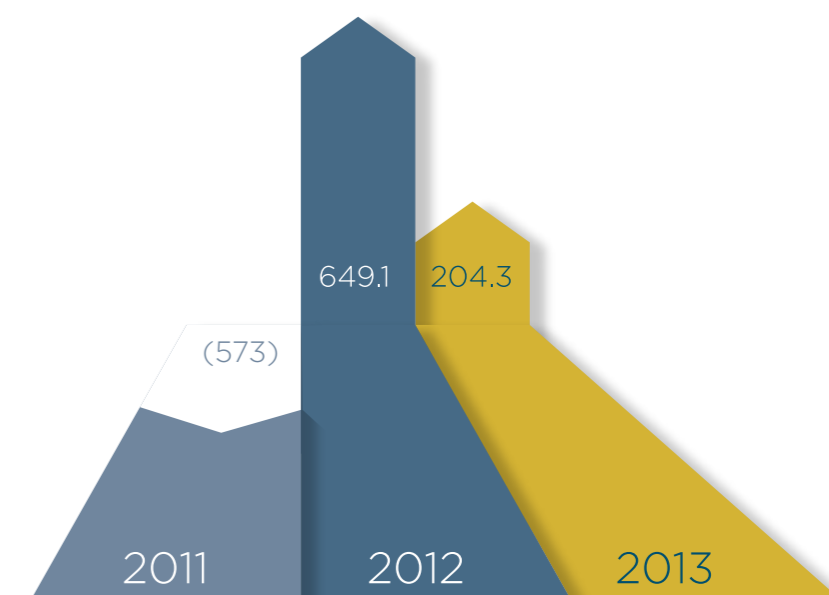
In 2013, financing cost was Ps.405 million, compared to Ps.137 million reported in 2012. The 2013 comprehensive cost of financing increase was mainly due to the lack of a non-cash benefit for Ps.238 million, reflected in exchange gains during 2012. The reason for this was that the dollar-denominated debt was US\$ 190 million, while the Mexican peso was revaluated at approximately 7% against the U.S. dollar. Conversely, during 2013 the Mexican peso devalued by approximately 0.6% against the U.S. dollar, which resulted in a non-cash impact of Ps.55 million for 2013.

Net income

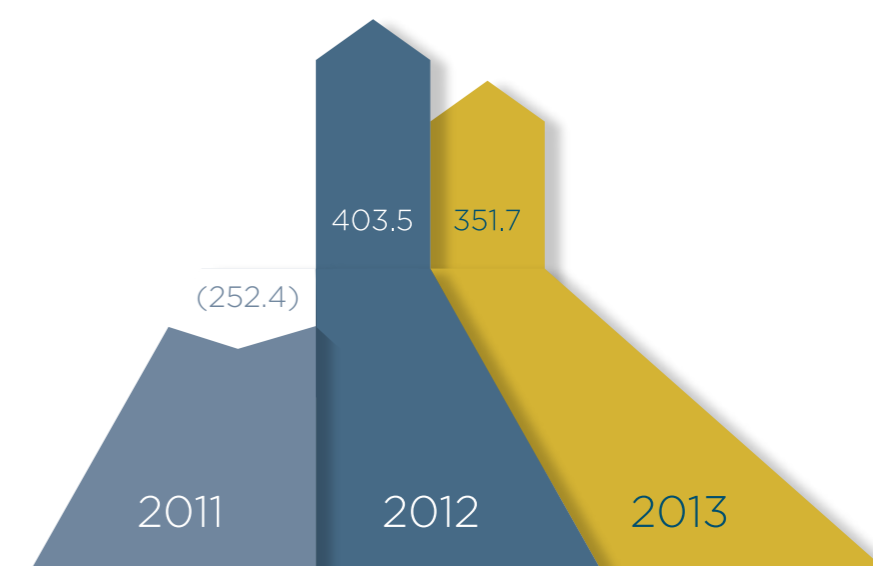
For the year ended December 2013, consolidated net income was Ps.204.3 million, versus Ps.649.1 million during the same period of the previous year. It is important to mention that 2012 net results included non-cash gains due to the revaluation of pesos in relation to U.S. dollar on the company's dollar denominated debt. Due to de-consolidation and IETU effects derived from the fiscal reform, the beverage division had a non-cash impact of Ps.372 million during 2013.

¹⁴Including a Ps.55.1 million loss due to exchange fluctuation in 2013 and exchange gains for Ps.238 million in 2012, which are subtracted from the comprehensive cost of financing in the report submitted to the BMV. As for the IFRS, exchange fluctuation is included under "Other Products" in the audited financial statements. However, for the report submitted to the Mexican Stock Exchange they can be included under "Comprehensive Cost of Finance".

Net Income / (Loss)
Company's Total
(Ps.Million)



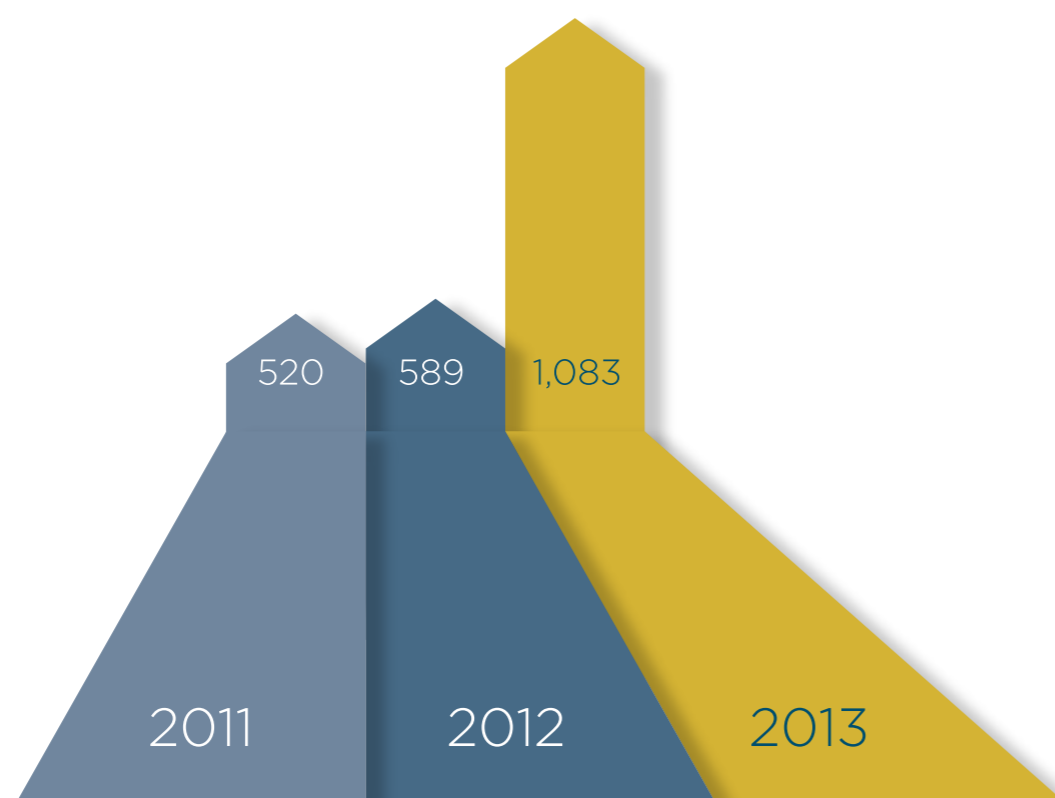
Net Income / (Loss)
Beverage Division
(Ps.Million)



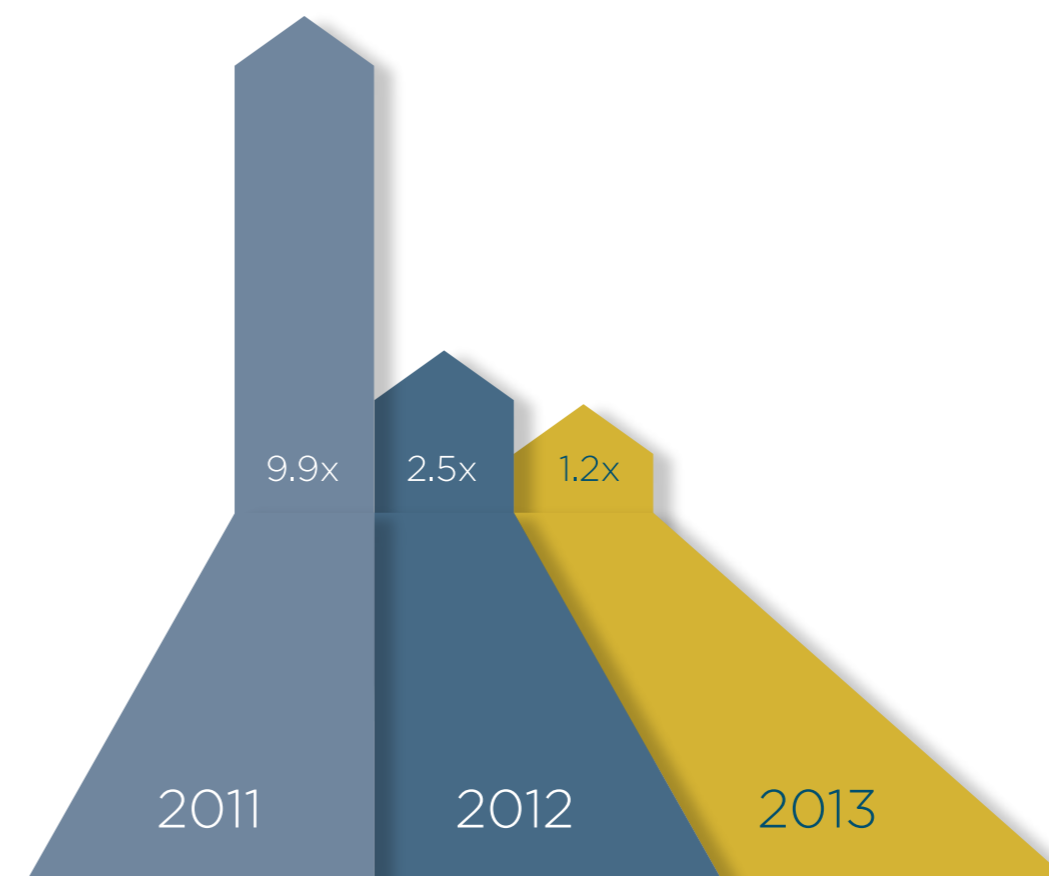
Balance sheet and cash flow

At the end of the year we recorded Ps.1,083 million in cash and equivalents, compared to Ps.589 million registered at the close of the previous year. Total net debt as of December 31, 2013 was Ps.6,301 million, in comparison with Ps.6,075 million at the end of 2012. We reduced the holding company's total debt significantly, using the funds obtained from the public offering of shares conducted in January 2013. By December 31 2013, long-term debt was Ps.3,408 million, compared to Ps.4,848 million at the end of 2012.

Cash Flow (Ps.Million)



Net debt¹ / EBITDA



¹Net debt for 2013 excludes Ps.2,750 of advanced payments by the beverage division.

Financing activities

During the fourth quarter of 2013, we completed the issuance of Ps.1,400 million in long-term notes in the local market. The issuance was part of a revolving program for an authorized total amount of Ps.2,000 million. These notes are a five-year bullet payment, and interest payment is based on the 28-day TIIE reference rate plus an applicable margin of 89 basis points. The proceeds obtained from this transaction were used for the substantial improvement of the indebtedness profile of our company.

Taking advantage of a solid balance sheet, during 4Q 2013, the beverages division made advanced purchases in order to receive volume discounts and pre-orders that would have a positive effect on cost efficiency in the early months of 2014. These purchases were funded by a bank loan of Ps.2,750 million. Excluding this loan, the consolidated net debt at December 31, 2013 was Ps.3,552 million, which results in a debt-to-EBITDA ratio of 1.2 times at year-end 2013, in comparison with the 2.5 times ratio at the close of the previous year.

Accumulated capital expenditures for the year ended December 31, 2013 reached Ps.2,900 million. Funds were mainly invested in the expansion and enhancement of the logistics and distribution network, in the improvement of the manufacturing and packaging capacity, and in the improvement of commercial vehicles for serving our customers. We also invested in sugar plants maintenance.◦





Consolidated financial statements

Organización Cultiba, S. A. B. de C. V. and subsidiaries
(formerly Grupo Embotelladoras Unidas, S. A. B. de C. V.)

Consolidated financial statements for the years
ended December 31, 2013 and 2012, and
independent auditors' report dated April 24, 2014

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Consolidated Statements of Profit or Loss and other Comprehensive Income	64
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Consolidated Statements of Cash Flows	66
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Deloitte.

Independent Auditors' Report to the Board of Directors and Stockholders of Organización Cultiba, S. A. B. de C. V. (formerly Grupo Embotelladoras Unidas, S. A. B. de C. V.)

We have audited the accompanying consolidated financial statements of Organización Cultiba, S. A. B. de C. V. (formerly Grupo Embotelladoras Unidas, S.A.B. de C.V.) and subsidiaries (the Entity), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the consolidated statements of profit or loss and other comprehensive income, statement of changes in stockholders' equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

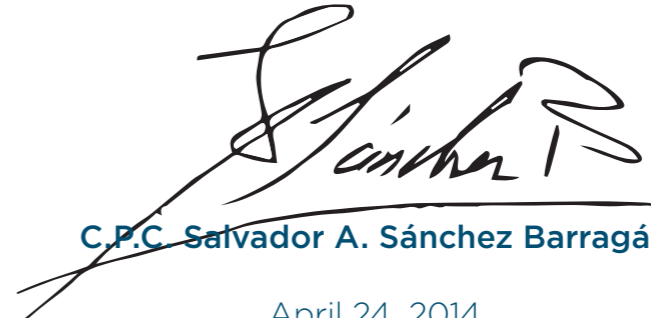
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Organización Cultiba, S. A. B. de C. V. (formerly Grupo Embotelladoras Unidas, S.A.B. de C.V.) and subsidiaries as of December 31, 2013 and 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Other matter

The accompanying consolidated financial statements have been translated into English for the convenience of users.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited



C.P.C. Salvador A. Sánchez Barragán
April 24, 2014

Organización Cultiba, S. A. B. de C. V. and subsidiaries
(formerly Grupo Embotelladoras Unidas, S. A. B. de C. V.)
Consolidated Statement of Financial Position
As of December 31, 2013 and 2012
(In thousands of Mexican pesos)

Assets	Notes	2013	2012
Current Assets:			
Cash and cash equivalents	5	\$1,083,266	\$589,462
Accounts receivable - net	6	3,142,528	3,450,556
Accounts receivable from related parties	21	278,860	595,272
Inventories - net	7	1,521,850	1,623,650
Prepaid expenses	8	1,938,432	276,354
Crops in process	9	139,638	94,197
Derivative financial instruments	17	196	27,636
Total current assets		8,104,770	6,657,127
Long-term accounts receivable from sugar cane producers	6	58,148	67,126
Long-term accounts receivable from related parties	21	-	2,313
Long-term prepaid expenses	8	91,396	119,218
Long-term crops in process	9	54,720	86,015
Property, plant and equipment - net	10	14,766,240	14,448,058
Derivative financial instruments	17	537	-
Equity in joint ventures	11	816,733	597,683
Goodwill	12	3,041,599	3,041,599
Deferred income taxes	24	465,861	-
Intangible and other assets - net	13	4,484,680	4,527,513
Total		\$31,884,684	\$29,546,652

Liabilities and stockholders' equity	Notes	2013	2012
Current liabilities:			
Bank loans	14	\$3,976,315	\$1,816,564
Suppliers and sugar cane producers	16	2,583,553	3,457,634
Accounts payable to related parties	21	1,866	101,948
Provisions	25	433,635	589,009
Current income tax for tax consolidation	24	352,267	290,153
Derivative financial instruments	17	9,260	3,608
Total current liabilities		7,356,896	6,258,916
Long-term debt	14	2,016,396	4,101,978
Bonds Payable (certificados bursátiles)	15	1,392,237	746,334
Employee benefits	18	1,023,261	1,239,162
Long-term income tax for tax consolidation and reinvestment of profits	24	1,226,396	1,321,634
Deferred income taxes	24	-	36,925
Total liabilities		13,015,186	13,704,949
Stockholders' equity:			
Common stock	19	4,218,907	3,768,656
Share subscription premium	19	5,869,588	3,678,324
Share repurchase reserve		100,000	100,000
Shares in trust	20	-	(17,606)
Surplus on transfer of shares		1,639,950	1,649,888
Accumulated deficit		(135,692)	(172,905)
Labor obligation		33,316	(82,691)
Controlling interest		11,726,069	8,923,666
Non-controlling interest		7,143,429	6,918,037
Total stockholders' equity		18,869,498	15,841,703
Total		\$31,884,684	\$29,546,652

See accompanying notes to these condensed consolidated financial statements.

Organización Cultiba, S. A. B. de C. V. and subsidiaries
(formerly Grupo Embotelladoras Unidas, S. A. B. de C. V.)
Consolidated Statements of Profit or Loss and other Comprehensive Income
For the years ended December 31, 2013 and 2012
(Thousands of Mexican Pesos)

	Notes	2013	2012
Net sales		\$33,453,156	\$31,986,573
Cost of sales	22	(19,535,075)	(19,823,243)
Gross profit		13,918,081	12,163,330
Operating expenses:			
Selling expenses	22	(11,391,705)	(9,481,373)
Administrative expenses	22	(2,116,897)	(2,394,914)
		(13,508,602)	(11,876,287)
Other income - net		185,413	182,511
Interest income		23,275	36,300
Interest expense		(338,919)	(421,289)
Valuation of derivative financial instruments		(32,555)	9,645
Equity in profits (losses) of associated companies and joint ventures	11	(16,641)	20,034
Income before income taxes		230,052	114,244
Income taxes	24	(25,735)	534,878
Consolidated net income		204,317	649,122
Other comprehensive income, net of income taxes:			
Labor obligation		232,016	(142,175)
Consolidated comprehensive income		\$436,333	\$506,947
Net income attributable to:			
Controlling interest		\$37,213	\$455,737
Non-controlling interest		167,104	193,385
Consolidated net income		\$204,317	\$649,122
Consolidated comprehensive income attributable to:			
Controlling interest		\$153,220	\$373,046
Non-controlling interest		283,113	133,901
Consolidated comprehensive income		\$436,333	\$506,947
Basic earnings per common share (in Mexican pesos)		\$0.05	\$0.72
Average outstanding shares		709,437,354	635,411,330

See accompanying notes to these condensed consolidated financial statements.

Organización Cultiba, S. A. B. de C. V. and subsidiaries
(formerly Grupo Embotelladoras Unidas, S. A. B. de C. V.)
Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2013 and 2012

(Thousands of Mexican pesos, except amounts per share expressed in Mexican pesos)

	Common stock	Share subscription premium	Share repurchase reserve	Shares in trust	Surplus on transfer of shares	Accumulated deficit	Labor obligations	Controlling interest	Non-controlling interest	Total stockholders' equity
Balances as of January 1, 2012	\$3,768,656	\$3,678,324	\$100,000	\$(17,606)	\$1,578,546	\$(628,642)	\$ -	\$8,479,278	\$6,715,593	\$15,194,871
Surplus from transfer of shares	-	-	-	-	71,342	-	-	71,342	68,543	139,885
Balances before comprehensive income	3,768,656	3,678,324	100,000	(17,606)	1,649,888	(628,642)	-	\$8,550,620	6,784,136	15,334,756
Comprehensive income:										
Consolidated net income	-	-	-	-	-	455,737	-	455,737	193,385	649,122
Labor obligations	-	-	-	-	-	-	(82,691)	(82,691)	(59,484)	(142,175)
Comprehensive income	-	-	-	-	-	455,737	(82,691)	373,046	133,901	506,947
Balances as of December 31, 2012	3,768,656	3,678,324	100,000	(17,606)	1,649,888	(172,905)	(82,691)	8,923,666	6,918,037	15,841,703
Paid in equity and share subscription premium through public offering	450,251	2,319,272	-	-	-	-	-	2,769,523	-	2,769,523
Dividends paid \$.1784 pesos per share	-	(128,008)	-	-	-	-	-	(128,008)	-	(128,008)
Dividends paid to minority stock holders of subsidiaries	-	-	-	-	-	-	-	-	(61,994)	(61,994)
Sale of share in trust	-	-	-	17,606	-	-	-	17,606	-	17,606
Deficit in change of participation in subsidiaries	-	-	-	-	(9,938)	-	-	(9,938)	4,273	(5,665)
Balances before comprehensive loss	4,218,907	5,869,588	100,000	-	1,639,950	(172,905)	(82,691)	11,572,849	6,860,316	18,433,165
Comprehensive income:										
Consolidated net income	-	-	-	-	-	37,213	-	37,213	167,104	204,317
Labor obligations	-	-	-	-	-	-	116,007	116,007	116,009	232,016
Comprehensive income	-	-	-	-	-	37,213	116,007	153,220	283,113	436,333
Balances as of December 31, 2013	\$4,218,907	\$5,869,588	\$100,000	\$ -	\$1,639,950	\$(135,692)	\$33,316	\$11,726,069	\$7,143,429	18,869,498

See accompanying notes to these condensed consolidated financial statements.

Organización Cultiba, S. A. B. de C. V. and subsidiaries
(formerly Grupo Embotelladoras Unidas, S. A. B. de C. V.)
Consolidated Statements of Cash Flows
For the years ended December 31, 2013 and 2012
(In thousands of Mexican pesos)

	2013	2012
Cash flows of operating activities:		
Net income	\$204,317	\$649,122
Adjustments for:		
Income taxes	25,735	(534,878)
Depreciation and amortization	2,282,921	2,166,774
Amortization of debt issuance expenses	3,666	1,253
(Gain) loss on sale of property, plant and equipment	(9,554)	10,104
Equity in profits (losses) of associated entities and joint ventures	16,641	(20,034)
Provision for equipment out of use	-	(9,772)
Valuation of derivative financial instruments	32,555	(9,645)
Interest income	(10,707)	-
Foreign exchange	75,069	(34,452)
Interest expense	338,919	421,289
	2,959,562	2,639,761
Change in operating working capital:		
(Increase) decrease in:		
Accounts receivable	317,006	(1,224,615)
Accounts receivable from related parties	318,725	69,155
Inventories	101,800	172,971
Prepaid expenses	(1,634,256)	186,629
Crops in process	(14,146)	(80,186)
Refunds of income taxes received	-	128,978
Increase (decrease) in:		
Suppliers and sugar cane producers	(754,603)	(64,539)
Accounts payable to related parties	(100,082)	30,074
Provisions	(155,374)	(26,531)
Income taxes paid	(605,457)	(768,700)
Employee benefits	59,927	(11,614)
Net cash provided by operating activities	493,102	1,051,383
Cash Flows of investing activities:		
Acquisition of property, plant and equipment	(2,929,816)	(2,861,810)
Sales of property, plant and equipment	284,672	616,012
Contributions to associates	(235,691)	(68,000)
Interest received	10,707	-
Intangible and other assets	(36,276)	(2,378)
Net cash used in investing activities	(2,906,404)	(2,316,176)

(Continued)

Organización Cultiba, S. A. B. de C. V. and subsidiaries
(formerly Grupo Embotelladoras Unidas, S. A. B. de C. V.)
Consolidated Statements of Cash Flows
For the years ended December 31, 2013 and 2012
(In thousands of Mexican pesos)

	2013	2012
Cash flow of financing activities:		
Proceeds from loans	6,181,854	7,156,581
Payment of loans	(6,182,754)	(6,236,882)
Equity contributions	450,251	188,591
Share subscription premium	2,319,272	642,605
Interest paid	(331,358)	(416,861)
Dividends paid	(128,008)	-
Dividends paid to minority stock holders of subsidiaries	(61,994)	-
Sale of shares in trust	17,606	-
Payments on bonds payables issued by subsidiaries	(750,000)	-
Issuance of bonds	1,392,237	-
Net cash flows from financing activities	2,907,106	1,334,034
Net increase in cash and cash equivalents	493,804	69,241
Cash and cash equivalents at the beginning of the period	589,462	520,221
Cash and cash equivalents at the end of the period	\$1,083,266	\$589,462
Transactions that did not affect cash flows:		
Property, plant and equipment	\$78,982	\$206,021

See accompanying notes to these condensed consolidated interim financial statements.

(Concluded)

Organización Cultiba, S. A. B. de C. V. and subsidiaries

(formerly Grupo Embotelladoras Unidas, S. A. B. de C. V.)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(In thousands of pesos, except for earnings per share in Notes 1a. and 19)

1. Activities and relevant events

Organización Cultiba, S. A. B. de C. V. (formerly Grupo Embotelladoras Unidas, S.A.B. de C.V.) and subsidiaries (the Entity) produce and sell carbonated and non-carbonated beverages under franchises granted by Pepsi-Co., Inc. (PepsiCo) such as Pepsi-Cola, Seven-Up, Manzanita Sol, Mirinda, Gatorade, Lipton and Be Light, as well as proprietary brands which include Trisoda and Garci-Crespo, and the purified water brands Santorini, Epura, Electropura and Junghanns. In certain regions of the country, the Entity is also engaged in the distribution of the Squirt, Jarritos, and Petit juices beverage brands. Furthermore, as a result of the merger of Gamhold1, S. A. de C. V. (GAMHOLD 1) and Controladora Conasa, S. A. de C. V. (CONASA) on May 1, 2011, a group of companies engaged in processing, refining and sale of sugar cane and non-crystallizing syrup were incorporated into the consolidated group.

Approximately 87% of the sugar cane used in the Entity’s production is derived from third-party suppliers. The sugar cane harvest begins between November and December each year and concludes between May and June of the following calendar year. Maintenance activities on the productive plant are performed during the remaining months of the year. The payment for purchases of sugar cane from the third-party suppliers is based on the Sugar Cane Law (*Ley Cañera*), which considers a reference price per ton of sugar calculated based upon the monthly average price at the four main locations nationwide. For the sugar cane harvests of 2012-2013 and 2011-2012 the price per ton of sugar cane was \$6.697 and \$10.618, respectively.

The Entity was incorporated in Mexico and its corporate domicile is located at Monte Cáucaso 915 interior 307, Col. Lomas de Chapultepec Sección I, Delegación Miguel Hidalgo, Mexico City.

The following significant events took place during 2013:

- a. On January 30, 2013, the primary and secondary public offering of the common stock shares of CULTIBA was completed, from which gross proceeds of \$2,874,415 were obtained (\$2,769,523 net of placement costs incurred and the effect of taxes) derived from the placement of 74,256,853 and 7,869,283 shares as part of the primary and secondary public offering, respectively, all placed at a price of MX \$35 per share. The settlement of the shares was made on February 16, 2013, without considering the share over allotment option, and on March 16, 2013, based on the overallotment option.

On February 11, 2013, using the resources obtained from share placement, the syndicated loan in pesos granted by Banco Mercantil del Norte, S.A. (Banorte) on February 22, 2012, was fully settled for the amount of \$1,607,187 and a partial payment of US \$40 million (MDD) was made on the bank loan with Cöoperatieve Centrale Raiffeisen-Boerenleenbank B.A., “Rabobank Nederland”, New York Branch (Rabobank), which had been restructured on February 22, 2012.

- b. In March 2013, the Entity conducted an internal reorganization which consisted of transferring the shares of the companies in the sugar segment to a subsidiary named Gampec, S.A. de C.V. (GAMPEC, which subsequently changed its corporate name to Grupo Azucarero México GAM, S.A. de C.V.), which became the holding company of the sugar segment on the date of the transfer. Shares in the following companies were transferred to GAMPEC:

Company	Participation
<i>Sugar segment</i>	
- Agroestevia, S. A. de C. V. (Agroestevia)	50.50%
- Empresas y Servicios Organizados, S. A. de C. V. (ESOSA)	99.99%
- Ingenio Eldorado, S. A. de C. V. (El dorado)	99.99%
- Ingenio Lázaro Cárdenas, S. A. de C. V. (Lázaro Cárdenas)	99.99%
- Ingenio Rosales, S. A. de C. V.	99.99%
- Ingenio Tala, S. A. de C. V. (Tala)	99.99%
- ITLC Agrícola Central, S. A. de C. V.	99.99%
- Provedora de Alimentos México, S. A. de C. V. (PAM)	99.99%
- Tala Electric, S. A. de C. V. (Electric)	99.99%

Furthermore, during 2013, through GAMPEC, the Entity increased its holding in Agroestevia from 50.50% to 89.55%, resulting in a charge to majority stockholders’ equity due to the increase in the holding Agroestevia of \$5,665 (\$9,938 in majority interest), presented in the accompanying consolidated statement of changes in stockholders’ equity.

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- c. On April 12, 2013, through Official Notice No. 153/6570/2013, the National Banking and Securities Commission issued the official update of the common stock in the National Securities Registry, the registry of 717,537,466 ordinary, nominative Series “B” shares without par value, consisting of 75,600,504 fixed capital shares and 641,936,962 variable capital shares.
- d. On April 19, 2013, the Entity restructured the syndicated loan contract in effect at that date with Rabobank, the outstanding balance of which as of December 31, 2012, amounted to 125 MDD and to which, as mentioned in subsection a. above, a prepayment of US \$40 million was made in February 2013. As a result of such restructuring, the bank loan has the following maturities:

Due date	Rabobank (Thousands of US dollars)
April 25, 2014	8,500
October 25, 2014	8,500
April 25, 2015	12,750
October 25, 2015	12,750
April 25, 2016	12,750
October 25, 2016	12,750
April 25, 2017	17,000
	85,000

Also, the interest rate applicable as of the restructuring date is two additional percentage points above the LIBOR rate, payable every six months. Furthermore, changes were made to the financial ratios which must be fulfilled as part of the affirmative and negative covenants established, and a waiver was granted for the financial ratios not fulfilled up to that date.

Furthermore, the majority of the shares held in a commercial pledge were released, leaving only 53 million shares retained.

- e. A resolution was adopted during the Stockholders’ Special Meeting held on August 29, 2013 to merge the Entity with Controladora de Negocios Azucareros, S. A. de C. V. (CONASA) and with Grupo Azucarero México, S. A. de C. V. (GAM), both related parties, with the Entity surviving as the absorbing company. Up to that date, CONASA and GAM held investments in shares of 6.79% and 30.13%, respectively, in CULTIBA.

As the aforementioned transaction qualifies as a reorganization of entities under common control, the purpose of which was to enable the individual stockholders of GAM and CONASA to exchange their shares in the absorbed entities for shares of CULTIBA. Given the immateriality of the remaining net assets transferred, no further disclosures are incorporated in this regard.

- f. On November 29, 2013, the placement of 12 million securitized certificates was made, from which the Entity obtained proceeds of \$1,200,000. The certificates have five year duration and accrue interest at a rate equivalent to 0.89 points above the Interbank Interest Rate (TIIE) in effect for contracts up to 29 days. On December 18, 2013, an additional offering of 2 million securitized certificates was made, generating proceeds of \$200,548 under the same conditions as the original placement.
- g. As part of a restructuring of its financial liabilities, on September 9, 2013 Grupo Gepp, S. A. P. I. de C.V. (GEPP), a subsidiary, repaid in advance all outstanding securitized certificates identified with the ticker symbol “Geusa 06” (the Certificates), by means of the following payments:
 - The interest accrued during the period number 87, for 31 days, between August 8, 2013 and September 8, 2013, in the amount of \$3,365.
 - The amount of the total advance repayment of \$750,000.
 - The additional payment to the holders of the Certificates of a premium for advance repayment in the amount of \$2,257, calculated in accordance with the issuance instrument for the Certificates, considering a net premium of 0.25% of the face value of the certificates.
- h. Based on the above subsection and as of the advance repayment date of the Certificates, GEPP concluded its obligations as the issuer of debt instruments, including compliance with the listing and maintenance requirements for companies which issue securities registered in the National Securities Registry, and those related to the filing of financial information annually and quarterly with the National Banking and Securities Commission (CNBV).
- i. On October 31, 2013, the National Congress approved the Executive Order reforming, adding and repealing different tax provisions, including amendments to the Income Tax Law which are mentioned in Note 24 below and amendments to the Excise Tax Law (LIEPS),

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enacted by the Executive Branch through the respective publication in the Federal Official Gazette on December 11, 2013. The Executive Order enters into effect as of January 1, 2014. The amendments to the LIEPS, which directly affect the operations of GEPP, include the application, in the Entity's production and bottling subsidiaries, of a one peso fee per liter of flavored beverages produced with added sugar, which must be calculated and paid each month to the tax authorities, based on the rules and procedures established in the LIEPS.

- j. In the Stockholders' Special Meeting held on November 21, 2012, the stockholders approved a change in the Entity's corporate name from Grupo Embotelladoras Unidas, S.A.B. de C.V. to Organización Cultiba, S.A.B. de C.V. and the amendment of the first article of the Entity's bylaws to indicate such change.

2. Basis of presentation

a. New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Entity has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2013.

Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Entity has applied the amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to the IFRS 7 have been applied retrospectively. As the Entity does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognized in the consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint*

Arrangements, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Entity has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to the Entity as it deals only with separate financial statements.

The impact of the application of these standards is set out below:

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Entity.

Management carried out an evaluation of the effects of adopting IFRS 10 on the initial date of adoption (January 1, 2013) and determined that this standard does not modify its conclusions with respect to the control exercised by CULTIBA over its subsidiaries.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see note 11 for details).

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IFRS 13 Fair Value Measurement

The Entity has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Entity has not made any new disclosures required by IFRS 13 for the 2012 comparative period (please see notes 23 for the 2013 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Entity has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income (OCI)* for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' [and the 'income statement' is renamed as the 'statement of profit or loss']. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two

separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

b. New and revised IFRSs in issue but not yet effective

The Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9, *Financial Instruments*²

Amendments to IFRS 9 and IFRS 7, *Mandatory Effective Date of IFRS 9 and Transition Disclosures*³

Amendments to IFRS 10 and IFRS 12 e IAS 27, *Investment Entities*¹

Amendments to IAS 32, - *Offsetting Financial Assets and Financial Liabilities*¹

¹ Effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.

² Effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

³ Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Organización Cultiba, S. A. B. de C. V. and subsidiaries

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Notes to the Consolidated Financial Statements**For the years ended December 31, 2013 and 2012**

(In thousands of pesos, except for earnings per share in Notes 1a. and 19)

Key requirements of IFRS 9:

1. All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).
2. With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The Entity's management anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Entity's financial assets and financial liabilities (e.g. the Entity's investments in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognized in profit or loss). However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

The Entity's management does not anticipate that the investment entities amendments will have any effect on the Entity's consolidated financial statements as the Entity is not an investment entity.

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement".

The Entity's management does not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Entity's consolidated financial statements as the Entity does not have any financial assets and financial liabilities that qualify for offset.

3. Significant accounting policies

- a. **Statement of compliance** – The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB.

Organización Cultiba, S. A. B. de C. V. and subsidiaries

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Notes to the Consolidated Financial Statements

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b. Basis of measurement – The consolidated financial statements have been prepared on the historical cost basis except for the employee benefits that are measured at the present value of the obligation and some financial instruments measured at fair value. The historical cost is generally based on fair value of the amount paid for the asset.

i. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation – The consolidated financial statements incorporate the financial statements of Organización Cultiba, S. A. B. de C. V. and the subsidiaries controlled by it. Control is achieved when the Organización Cultiba, S. A. B. de C. V.:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Entity considers all relevant facts and circumstances in assessing whether or not the Entity's voting rights in an investee are sufficient to give it power, including:

- The size of the Entity holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Entity, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

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Net income and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Entity's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on consolidation.

Changes in the Entity's ownership interests in existing subsidiaries

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

As of December 31, 2013, the subsidiaries of CULTIBA included in the consolidation are as follows:

Entity	Participation
<i>Beverages segment</i>	
- Grupo GEPP, S. A. P. I. de C. V. y Subsidiarias	51.00%
- Controladora GEUPEC, S. A. de C. V. y subsidiarias	99.99%
<i>Sugar segment</i>	
- Grupo Azucarero México GAM, S. A. de C. V. (GAMPEC) y subsidiarias	99.99%
<i>Others</i>	
- Geupec Administración, S. A. de C. V. (GEUPEC)	99.99%
- Transportación Aérea del Mar de Cortés, S. A. de C. V. (TRANSMAR)	99.99%

d. Reclassifications – The financial statements for the year ended December 31, 2012 have been reclassified in certain headings to conform with the presentation used in 2013.

1. Up to December 31, 2012, for purposes of presentation in current liabilities, the Entity showed suppliers and other accounts payable and accumulated liabilities in separate headings of the statement of financial position. As a result of certain changes in the information systems of GEPP, as of January 1, 2013, the headings of suppliers and other accounts payable and accumulated liabilities were unified into a single heading. Also, a heading for provisions was created due to their importance for the consolidated statements.
2. Up to December 31, 2012, for presentation purposes the Entity included parts and replacement parts of the carbonated beverages segment as part of property, plant and equipment. However, as of January 1, 2013, such parts and replacement parts were reclassified to inventory, because the majority of such replacement parts would be used as material for maintenance of trucks and machinery, not as replacement parts which substitute components of property, plant and equipment.

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3. As of December 31, 2012, the Entity's management decided to present the entire balance of long-term income tax from tax consolidation and reinvestment of profits within long-term liabilities. However, as a result of certain analyses performed during 2013 due to the 2014 Tax Reform, it was noted that part of such liability should be shown within current liabilities in 2013 and 2012, and that such heading included deferred taxes.

The effects of these reclassifications made to condense the statement of financial position were applied retrospectively as of December 31, 2012 in accordance with NIC 8, *Accounting policies, changes in accounting estimates and errors*. The effects of the aforementioned reclassifications in the headings of the statement of financial position are as follows:

Figures as of December, 2012

	Originally Reported	Increase (decrease) by reclassifications	Retrospectively reclassifications
Assets			
Inventories	\$1,586,036	\$37,614	\$1,623,650
Property, plant and equipment	14,485,672	(37,614)	14,448,058
	\$16,071,708	\$ -	\$16,071,708
Liabilities			
Suppliers	\$2,704,326	\$753,308	\$3,457,634
Other accounts payable and accrued liabilities	1,342,317	(1,342,317)	-
Provisions	-	589,009	589,009
Short-term income tax for tax consolidation	-	290,153	290,153
Long-term income tax for tax consolidation	1,379,648	(58,014)	1,321,634
Deferred income tax	269,064	(232,139)	36,925
	\$5,695,355	\$ -	\$5,695,355

- e. **Cash and cash equivalents** – Consist mainly of bank deposits in checking accounts and short-term investments, that are highly liquid and easily convertible into cash, with maturities within three months of their acquisition date, and which are subject to immaterial value change risks. Cash is stated at nominal value; yields are recognized as interest income of the period. Cash equivalents are primarily represented by money market investments, which are stated at cost plus earned yield, which is similar to fair value.

- f. **Financial assets** – Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss” (FVTPL), “held-to-maturity investments”, “available-for-sale financial assets” and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established in the marketplace.

1. Effective interest method

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

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as of FVTPL.

Given the immateriality of the effect of this change, the Entity decided not to present the consolidated statement of financial position at the beginning of the earliest period presented.

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2. Financial assets at FVTPL

Financial assets are classified as of FVTPL when the financial asset is either held for trading or it is designated as of FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as of FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as of FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income (expenses) - Net' line item.

The Entity does not own any financial assets classified as FVTPL

3. Held-to-maturity investments

The Entity does not own any financial assets classified as: "financial assets at fair value through profit or loss", "held-to-maturity investments", or "available-for-sale financial assets".

4. Loans and receivables

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

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

5. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

6. Derecognition of financial assets

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

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On derecognition of a financial asset other than in its entirety (e.g. when the Entity retains an option to repurchase part of a transferred asset), the Entity allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

- g. Inventories** – Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a first-in-first out basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Cost of sales is determined using these costs.
- h. Prepaid expenses** – These mainly refer to: 1) loyalty payments to guarantee the sale of the product by the distributors, in excess of 25,000 pesos but less than one million pesos, during the effective term of the contract; in which periods they expect the benefit of such investment to be obtained; 2) prepaid insurance and rentals, which are carried to results as the service is accrued over a maximum term of one year; 3) advances to suppliers of inventories and fixed assets, which are recorded as short and/or long-term prepayment, and are reclassified to inventory or property, plant and equipment once the good for which the advance was paid is received.
- i. Property, plant and equipment** – Are recorded at acquisition cost less depreciation and any recognized loss from impairment.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognized in profit or loss. Freehold land is not depreciated. The depreciation rates used are as follows:

	%
Buildings and constructions	1% to 3%
Machinery and equipment	3% to 7%
Furniture and office equipment	6% to 10%
Vehicles	8% to 13%
Computer equipment	30%
Coolers	20%
Forklifts	6%
Containers and boxes	25%
Carboys	50%
Leasehold improvements	25%
Aircraft	5%

Projects in process are recorded at cost less any recognized loss from impairment.

- j. Leasing** – Leases are classified as capital leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

- The Entity as lessor

Rental payments under operating leases are charged to results by the straight-line method, during the respective lease, unless another systematic prorating basis is more representative to better reflect the pattern of the benefits of the lease for the

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user. Contingent rentals are recognized as expenses in the periods in which they are incurred.

If leasing incentives (for example, grace periods) are received for entering into operating lease agreements, such incentives are recognized as a liability. The aggregate benefit of the incentives is recognized as a reduction in the lease expense on a straight-line basis, unless another systematic basis is more representative of the time pattern in which the economic benefits of the leased asset are depleted.

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

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

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

- l. Investments in associated companies** – An associated Entity is an entity over which the Entity has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policies.

The results and assets and liabilities of associated companies are incorporated in the Entity's financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associated Entity is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Entity's share of the profit or loss and other comprehensive income of the associated Entity, less any impairment in the

specific value of the investments. When the Entity's share of losses of an associated Entity exceeds the Entity's interest in that associated Entity (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associated Entity), the Entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of the associated Entity.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Entity's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Entity's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate

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or joint venture. In addition, the Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Entity continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Entity reduces its ownership interest in an associate or a joint venture but the Entity continues to use the equity method, the Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Entity, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Entity's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Entity.

m. Intangible assets

1. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

2. Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

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Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

4. Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

The estimated useful lives used for the amortization of the intangible assets based on the expected life are:

	Years
Brands	3
Information systems	5

- n. Goodwill** – Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 12) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Entity’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount

of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Entity’s policy for goodwill arising on the acquisition of an associate is described at note 31 below.

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. A loss from impairment is recognized immediately in profit or loss.

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When a loss from impairment subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, as long as such increased amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

p. Franchisee incentives – Pepsicola Mexicana, S. de R. L. de C. V. gives certain support to the Entity in the beverage segment as back up on advertising and launching of new products. The support to the advertising and launching of new products is considered as a recovery of the expenses of advertising when they are received.

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

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

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

1. Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

2. Restructurings

A restructuring provision is recognized when the Entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3. Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 and the amount initially recognized less cumulative amortization recognized in accordance with IAS 18 Revenue.

r. Employee benefits from termination, retirement and statutory employee profit sharing (PTU) – Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

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- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Entity presents the first two components of defined benefit costs in profit or loss in the line item. Gains and losses for reduction of service are accounted for as past service costs

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Entity's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Statutory employee profit sharing (PTU)

PTU is recorded in profit or loss in the year in which it is incurred and presented under cost of sales, selling expenses and administrative expenses in the accompanying statements of comprehensive income (loss).

- s. Income taxes** – Income tax expense represents the sum of the tax currently payable and deferred tax.

1. Current tax

Current income taxes, calculated as the higher of the regular Mexican income tax ("ISR") or the Business Flat Tax ("IETU"), are recorded in the results of the year in which they are incurred.

2. Deferred income taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor accounting profit. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced when it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

As a consequence of the 2014 Tax Reform, as of December 31, 2013 deferred IETU is no longer recognized, so the effects in the statement of comprehensive income were cancelled in 2013.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. Tax on assets

The tax on assets (IMPAC) expected to be recovered is recorded in the statement of comprehensive income when it is recovered.

t. *Foreign currency transactions* – Exchange differences on monetary items are recognized in profit or loss in the period in which they arise, except for:

- Exchange differences on foreign currency loans related to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions executed to hedge certain foreign currency risks

u. *Financial instruments* – Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

v. *Financial liabilities and equity instruments***1. Classification as debt or equity**

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

2. Equity instruments

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

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

3. Compound instruments

The component parts of compound instruments (convertible notes) issued by the Entity are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Entity's own equity instruments is an equity instrument.

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At the date of issue, the Entity does not have compound instruments.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the effective interest method.

4. Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

5. Financial liabilities at FVTPL

Financial liabilities are classified as of FVTPL when the financial liability is either held for trading or it is designated as of FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument. A financial liability other than a financial liability held for trading may be designated as of FVTPL upon initial recognition if:
 - Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
 - The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as of FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the statement of profit or loss and other comprehensive income in other income and expenses.

6. Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

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

7. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as of FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37.
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

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8. Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

w. Revenue recognition – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

- Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

- Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

x. Derivative financial instruments – The Entity obtains financing under different conditions to manage its exposure to interest rate and exchange volatility, including forwards currency and interest rate swaps. (please see note 17 for details).

Derivatives are initially recognized at fair value at the date the derivative contracts are executed and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and is effective as a hedge instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

y. Financial segment information – Analytical segment information is presented by considering business units in which the Entity operates, based on the information used by the Entity's top decision-making body for operational purposes.

z. Basic earnings per share – Basic earnings per ordinary share is calculated by dividing the profit for the period attributable to the controlling interest by the weighted average number of ordinary shares outstanding during the period.

aa. Consolidated statements of cash flows – The Entity present the statements of cash flows using the indirect method. Interest received is presented in investing activities, while interest paid is presented in financing activities.

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4. Critical accounting judgments and key sources of estimation uncertainty

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

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

a. Critical judgments in applying accounting policies – The following are the critical judgments, apart from those involving estimations (see Note 4.b below), that the Entity's management has made in the process of applying the Entity's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

1. Financial statement consolidation

The Entity's management has evaluated all the indications which, in their judgment, are considered relevant to define the entities which are under the Entity's control.

2. Discount rate used to determine the carrying amount of the Entity's defined benefit obligation

The Entity's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgment is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

b. Key information for estimates – The following are the key assumptions and other key information for estimates at the date of the consolidated statement of financial position,

which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. Allowance for doubtful accounts

Management applies professional judgment as of the date of the statement of financial position to evaluate the recoverability of accounts receivable. The Entity computes an allowance based on the aging of accounts receivable and other considerations for specific accounts.

2. Inventory net realizable value

Management applies professional judgment as of the date of the statement of financial position to determine if the inventory is impaired. Inventory is considered to be impaired when its carrying amount is greater than its net realizable value.

3. Impairment of non-current assets and goodwill

Management applies professional judgment as of the date of the statement of financial position to determine if non-current assets and goodwill are impaired. Non-current assets and goodwill are considered to be impaired when their carrying amount is greater than their recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of future cash flows.

4. Estimate of useful lives and residual values of property, plant and equipment

As described in Note 3, the Entity reviews the estimated useful life and residual values of property, plant and equipment at the end of every reporting period.

5. Deferred income tax

When determining deferred income tax, the Entity must make fiscal projections to determine whether ISR or IETU tax will be incurred and consequently determine the taxable income and the value of assets and liabilities based on the hybrid tax approach.

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6. Deferred income tax assets

At the end of each reporting period, the Entity reviews the carrying amount and decreases, if applicable, the value of deferred tax assets when taxable profits will not be sufficient to enable all or part of the deferred tax asset to be used. However, it cannot be assured that the Entity will actually generate sufficient tax profits to enable all or part of the deferred tax assets to be realized.

5. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2013	2012
Cash	\$388,932	\$533,827
Investments with immediate availability	694,334	55,635
	\$1,083,266	\$589,462

6. Accounts Receivable

	2013	2012
Trade receivables	\$1,955,561	\$2,012,224
Accounts receivable from sugar cane producers	299,525	344,275
Allowance for doubtful accounts	(80,698)	(125,155)
	2,174,388	2,231,344
Officers and employees	13,957	94,475
Value added tax	728,126	645,245
Recoverable income tax	81,399	176,479
Recoverable tax on cash deposits	72,613	71,908
Business flat tax	47,840	75,500
Excise tax	1,830	2,066
Other accounts receivable	80,523	220,665
	3,200,676	3,517,682
Less- long-term accounts receivable from cane producers	(58,148)	(67,126)
	\$3,142,528	\$3,450,556

Trade receivables

Approximately 30% of the Entity sales are made with terms of payment, with an average term of 30 to 45 days. In the sugar segment, 81% of sales are made with terms of payment, with an average term of 15 to 30 days. No interest is charged on trade receivables during the credit term granted. The Entity has no guarantor or security for its trade receivables. The Entity recognizes, in the beverages segment, an allowance for doubtful accounts of 100% of all accounts receivable with aging equal to or more than 180 days, because based on experience, these accounts receivable overdue by 180 days are usually not recovered. An allowance for doubtful accounts is recognized for accounts receivable past due by a period of 90 to 180 days, based on the unrecoverable amounts determined through reference to past default of the counterparty and an analysis of the counterparty's current financial position.

Before accepting a new customer, the Entity analyzes and assesses the potential customer's credit quality and defines the credit limits that will be established per customer. Limits and ratings attributed to customers are reviewed periodically. From the balance of trade receivables as of December 31, 2013 and December 31, 2012, the Entity's three main clients, owe \$580,281 and \$703,900 Mexican pesos, respectively. No other client represents more than 10% of the total trade receivable balance.

Trade receivables as disclosed in the previous paragraphs include overdue amounts as of the end of the reporting period (see aging analysis below), for which the Entity has not recognized any allowance for doubtful accounts because there has not been a significant change in the respective customer's credit quality and the amounts are still considered to be recoverable.

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Accounts receivable from sugar cane producers

The Entity enters into contracts with sugar cane producers in which the producers commit to seed, maintain and sell the totality of the sugar they produce on the land, which is previously selected in conjunction with the Entity, while the Entity commits to buy the produced sugar and provide prepayments for the production. These prepayments accrue interest which is payable on date on which the sugar cane producers deliver the sugar to the Entity, and are computed based on the TIE rate or Mexican Federal Treasury Certificates (CETES) plus certain margin. During 2013 and 2012, the average interest rate was 11.31% and 12.64%, respectively. The Entity applies 80% of the value of each delivery to accounts receivable from sugar cane producers, while the remainder is recorded as a liability until the date of final settlement. The approval of prepayments to sugar cane producers is based on an analysis of the producer's characteristics and the land sown. At the end of the harvest, the Entity settles the outstanding balance owed to each producer and determines if there is any additional payment due or if the producer has any debt to the Entity.

Aging of receivables that are past due but not impaired:

	2013	2012
1-30 days	\$1,547,208	\$1,792,675
31-90 days	206,765	332,802
91-120 days	61,907	14,940
121-180 days	358,508	90,927
Total	\$2,174,388	\$2,231,344

Movement in the allowance for doubtful accounts:

	2013	2012
Balances at beginning of period	\$125,155	\$115,562
Increase in allowance	40,693	30,607
Write off of accounts receivable	(85,150)	(21,014)
Balances at end of period	\$80,698	\$125,155

The aging of impaired trade receivables as of December 31, 2013 and 2012 is greater than 180 days.

7. Inventories

	2013	2012
Raw materials	\$567,536	\$631,967
Production in process	-	-
Finished product	920,915	876,221
Spare parts inventory	7,333	37,614
Goods-in-transit	4,455	45,996
Materials inventory	24,628	34,431
Allowance for loss from impairment of finished product	(3,017)	(2,579)
	\$1,521,850	\$1,623,650

8. Short and long-term prepaid expenses

	2013	2012
Short term:		
Advances to inventories vendors	\$1,797,832	\$152,731
Prepaid insurance and rentals	32,129	19,837
Loyalty payments	80,218	56,480
Amounts held in escrow	26,185	17,741
Other minor payments	2,068	29,565
	\$1,938,432	\$276,354

Long term:		
Loyalty payments	\$77,138	\$87,467
Advances to property, plant and equipment vendors	14,258	27,061
Other minor payments	-	4,690
	\$91,396	\$119,218

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9. Short and long-term crops in process

	Sugar cane	Sugar cane plant	Total
Balances as of December 31, 2012	\$134,240	\$45,972	\$180,212
Annual increase in purchases and development costs	144,399	8,001	152,400
Decrease in sales	(112,185)	-	(112,185)
Balances as of December 31, 2013	166,454	53,973	220,427
Annual depletion	(178)	(25,891)	(26,069)
Less - Long-term crops in process	(26,638)	(28,082)	(54,720)
	\$139,638	\$ -	\$139,638

	Sugar cane	Sugar cane plant	Total
Balances as of January 1, 2012	\$82,294	\$17,732	\$100,026
Annual increase in purchases and development costs	133,404	34,946	168,350
Decrease in sales	(81,458)	-	(81,458)
Balances, as of December 31, 2012	134,240	52,678	186,918
Annual depletion	-	(6,706)	(6,706)
	134,240	45,972	180,212
Less- Long-term crops in process	(40,043)	(45,972)	(86,015)
	\$94,197	\$ -	\$94,197

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10. Property, plant and equipment

The following is a reconciliation of carrying amounts as of December 31, 2013 and 2012:

	Balances as of December 31, 2012	Acquisitions	Disposals	Transfers	Balances as of December 31, 2013
Investment:					
Freehold land	\$2,672,983	\$4,021	(\$48,762)	(\$5,993)	\$2,622,249
Buildings and constructions	2,927,571	29,111	(17,858)	(48,814)	2,890,010
Machinery and equipment	5,784,856	293,908	(600,932)	(421,458)	5,056,374
Furniture and office equipment	45,869	10,264	(2,644)	17,414	70,903
Vehicles	2,127,638	560,296	(530,307)	257,971	2,415,598
Computer equipment	230,551	72,959	(115,908)	9,595	197,197
Coolers	1,370,053	439,893	(67,714)	470,604	2,212,836
Forklifts	28,494	4,613	(1,176)	52,634	84,565
Containers and boxes	404,776	124,732	(2,325)	104,267	631,450
Carboys	840,744	506,250	(335,422)	(41,902)	969,670
Leasehold improvements	17,018	4,086	(3,542)	13,977	31,539
Aircraft	151,964	-	-	(15,323)	136,641
Parts and repairs	48,386	-	(17,831)	-	30,555
Projects in process	491,335	752,644	(246,510)	(346,521)	650,948
Idle assets	145,186	-	(574)	(46,451)	98,161
Total investment	17,287,424	2,802,777	(1,991,505)	-	18,098,696
Depreciation:					
Buildings and constructions	209,753	146,858	(17,653)	17,834	356,792
Machinery and equipment	817,556	715,004	(813,732)	(203,136)	515,692
Furniture and office equipment	24,955	7,066	(2,515)	(12,899)	16,607
Vehicles	498,406	335,032	(378,847)	35,745	490,336
Computer equipment	72,341	72,477	(115,956)	20,902	49,764
Coolers	520,287	376,741	(48,564)	110,869	959,333
Forklifts	6,981	9,857	(1,008)	6,256	22,086
Containers and boxes	241,579	62,718	(265)	104,267	408,299
Carboys	427,075	454,223	(334,559)	(78,021)	468,718
Leasehold improvements	1,281	8,239	(3,072)	1,711	8,159
Aircraft	9,973	6,668	-	-	16,641
Idle assets	9,179	14,594	(216)	(3,528)	20,029
Total accumulated depreciation	2,839,366	2,209,477	(1,716,387)	-	3,332,456
Net investment	\$14,448,058	\$593,300	(\$275,118)	\$ -	\$14,766,240

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	Balances as of December 31, 2012	Acquisitions	Disposals	Transfers	Balances as of December 31, 2013
Investment:					
Freehold land	\$2,675,537	\$ -	(\$2,487)	(\$67)	\$2,672,983
Buildings and constructions	2,884,124	33,660	(20,260)	30,047	2,927,571
Machinery and equipment	4,981,714	263,505	(34,140)	573,777	5,784,856
Furniture and office equipment	43,309	3,295	(160)	(575)	45,869
Vehicles	1,892,394	308,109	(352,797)	279,932	2,127,638
Computer equipment	156,443	75,968	(1,540)	(320)	230,551
Coolers	891,998	394,983	(29,262)	112,334	1,370,053
Forklifts	30,199	280	(1,985)	-	28,494
Containers and boxes	289,844	188,559	(128,080)	54,453	404,776
Carboys	438,334	298,410	(154,290)	258,290	840,744
Leasehold improvements	17,018	-	-	-	17,018
Aircraft	149,763	2,201	-	-	151,964
Parts and repairs	-	-	-	48,386	48,386
Projects in process	466,538	1,492,213	(111,159)	(1,356,257)	491,335
Idle assets	135,414	9,772	-	-	145,186
Total investment	15,052,629	3,070,955	(836,160)	-	17,287,424
Depreciation:					
Buildings and constructions	61,791	162,849	(14,887)	-	209,753
Machinery and equipment	228,789	619,606	(30,839)	-	817,556
Furniture and office equipment	19,202	6,868	(1,115)	-	24,955
Vehicles	195,534	333,239	(30,367)	-	498,406
Computer equipment	16,083	57,451	(1,193)	-	72,341
Coolers	174,990	354,012	(8,715)	-	520,287
Forklifts	3,132	4,387	(538)	-	6,981
Containers and boxes	116,028	125,552	(1)	-	241,579
Carboys	196,423	353,041	(122,389)	-	427,075
Leasehold improvements	1,281	-	-	-	1,281
Aircraft	4,011	5,962	-	-	9,973
Idle assets	9,179	-	-	-	9,179
Total accumulated depreciation	1,026,443	2,022,967	(210,044)	-	2,839,366
Net investment	\$14,026,186	\$1,047,988	(\$626,116)	\$ -	\$14,448,058

Depreciation recognized in the statement of comprehensive income (loss) during the years ended December 31, 2013 and 2012 amounted to \$2,209,477 and \$2,022,967, respectively.

Some of the Entity's property, plant and equipment have been pledged as collateral for certain loans, as described in Note 14.

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11. Investments in associated companies

The Entity's associated companies are:

Entity	Percentage of ownership Interest	Principal activity
Ingenio Presidente Benito Juárez, S. A. de C. V. (IPBJ)	49.00%	Sugar mill
Inmobiliaria Dos Aguas, S. A. de C. V.	34.72%	Real estate
Inversiones Chilaquimar, S. A.	49.00%	Estevia production
Impulsora Agrícola Ganadera y Comercial, S. P. R. de R. L. de C. V. (Impulsora)	49.00%	Sugar cane cultivation

Summarized financial information of the Entity's associated companies is shown below:

Entity	Percentage of ownership Interest	December 31, 2013 Equity in:	
		Capital stock	Profit (loss)
Ingenio Presidente Benito Juárez, S. A. de C. V.	49.00%	\$ 374,058	\$(16,641)
Inmobiliaria Dos Aguas, S. A. de C. V. y otras menores	34.72%	5,837	-
Inversiones Chilaquimar, S. A. (Chilaquimar)	49.00%	37,386	-
Impulsora Agrícola Ganadera y Comercial, S. P. R. de R. L. de C. V.	49.00%	399,452	-
		\$816,733	\$(16,641)

Entity	Percentage of ownership Interest	December 31, 2012 Equity in:	
		Capital stock	Profit (loss)
Inmobiliaria Dos Aguas, S. A. de C. V. y otras menores	34.72%	\$5,837	\$26
Ingenio Presidente Benito Juárez, S. A. de C. V.	49.00%	591,846	20,008
		\$597,683	\$20,034

IPBJ and Impulsora

On January 15, February 11, March 11, 16 April 16, May 17, June 11 and July 14, 2013 , extraordinary general meetings of shareholders of IPBJ were held in which they decided to capitalize liabilities which until then were owed to IPBJ's shareholders , while respecting the right of first refusal and participation available to each of the shareholders. Due to the above, the Entity's investment in shares of IPBJ increased by \$198,305.

During the December 31, 2013 stockholders' extraordinary special meeting, a reduction in the variable capital of IPBJ was approved in the amount of \$815,207, of which \$399,452 corresponds to the Entity's participation in IPBJ.

The meeting minutes state that the shareholders (both the majority shareholder and the Entity) would not receive a cash capital reduction, but instead the assignment of rights in the contribution for future increases IPBJ held to date in IMPULSORA (99.99% subsidiary of IPBJ).

During the December 31, 2013 stockholders' extraordinary special meeting of IMPULSORA, the existence of the contribution for future capital increases by IPBJ in the amount of \$ 815,207 was acknowledged, and it was also determined that IPBJ may assign all or part of the future capital increases to one or more third parties. During the March 19, 2014 stockholders' extraordinary special meeting of IMPULSORA the capitalization of the contribution for future capital increases of \$815,207, of which \$399,452 are assigned to the Entity such that from that date, the Entity holds a 49% of equity interest in IMPULSORA.

On March 31, April 14 and December 10, 2012, extraordinary general meetings of shareholders of IPBJ were held in which it was decided to capitalize liabilities that were owed to IPBJ's shareholders, respecting the right of first refusal and participation available to each of the shareholders. Due to the above, the investment in shares of the Entity in IPBJ was increased by \$ 68,000.

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Chilaquimar -

During May 2013, the Entity made an equity investment of \$ 37,386 in Chilaquimar through PAM Chile Limitada (indirect subsidiary through GAMPEC). This investment provides for an indirect 49% interest in the share capital of Chilaquimar. During 2013, the Entity did not account for its equity investment in the shares Chilaquimar because the minimal operations carried out by this associate in 2013.

Financial information of principal associates -

Then the financial information of the significant associated (IPBJ) includes:

IPBJ	2013	2012
Current assets	\$233,653	\$193,433
Non current assets	\$1,575,657	\$2,046,074
Current liabilities	\$500,519	\$548,088
Non current liabilities	\$545,406	\$483,569
Income	\$1,151,815	\$1,225,307
Income from continuing operations	\$12,898	\$57,592
(Loss) profit of the year	(\$33,961)	\$40,834

12. Goodwill

Goodwill is as follows::

	2013	2012
Acquisition of Industria Embotelladora de Jalisco, S. A. de C. V., (Seven-Up distribution company in Mexican states, Jalisco and Colima)	\$44,828	\$44,828
Acquisition of Grupo Embotellador BRET, S. A. de C. V. (BRET)	355,034	355,034
Acquisition of The Pepsi Bottling Group Mexico, S. de R.L. de C.V. and subsidiaries (PBC)	27,257	27,257
Acquisition of Quaker Holdings LLC (QUAKER)	300,232	300,232
Acquisition of GAMHOLD 1 y CONASA (Sugar segment)	2,314,248	2,314,248
	\$3,041,599	\$3,041,599
Balances at the beginning of period	\$3,041,599	\$3,090,305
Net decrease of goodwill of PBC and QUAKER	-	(48,706)
Balances at end of period	\$3,041,599	\$3,041,599

13. Intangible and other assets

	2013	2012
Cost	\$4,757,718	\$4,727,107
Accumulated amortization and impairment	(273,038)	(199,594)
	\$4,484,680	\$4,527,513

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Following is a reconciliation of the carrying amounts at december 31, 2013 and 2012:

	Distribution rights	Water rights	Brands	Information systems	Power cogeneration project	Other minor assets	Total
Investment:							
Balances as of January 1, 2013	\$3,254,139	\$176,392	\$774,638	\$228,916	\$248,000	\$45,022	\$4,727,107
Acquisitions by software purchase	-	-	-	1,233	-	-	1,233
Recovery of other minor assets	-	-	-	-	-	(8,055)	(8,055)
Additions for internal developments	-	2,415	-	1,172	27,797	6,049	37,433
Balances as of December 31, 2013	3,254,139	178,807	774,638	231,321	275,797	43,016	4,757,718
Accumulated amortization:							
Balances as of January 1, 2013	-	-	(68,528)	(127,559)	-	(3,507)	(199,594)
Amortization for the period	-	-	(39,142)	(32,102)	-	(2,200)	(73,444)
Balances as of December 31, 2013	-	-	(107,670)	(159,661)	-	(5,707)	(273,038)
Net balances as of December 31, 2013	\$3,254,139	\$178,807	\$666,968	\$ 71,660,	\$275,797	\$37,309	\$4,484,680
	Distribution rights	Water rights	Brands	Information systems	Power cogeneration project	Other minor assets	Total
Investment:							
Balances as of January 1, 2012	\$3,254,139	\$174,600	\$774,638	\$216,058	\$248,000	\$57,294	\$4,724,729
Recovery of guarantee deposits	-	-	-	-	-	(15,028)	(15,028)
Additions for internal developments	-	1,792	-	12,858	-	2,756	17,406
Balances as of December 31, 2012	3,254,139	176,392	774,638	228,916	248,000	45,022	4,727,107
Accumulated amortization:							
Balances as of January 1, 2012	-	-	(28,478)	(24,596)	-	(2,713)	(55,787)
Amortization for the period	-	-	(40,050)	(102,963)	-	(794)	(143,807)
Balances as of December 31, 2012	-	-	(68,528)	(127,559)	-	(3,507)	(199,594)
Net balances as of December 31, 2012	\$3,254,139	\$176,392	\$706,110	\$101,357	\$248,000	\$41,515	\$4,527,513

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Amortization for the period is presented in the following statement of comprehensive income (loss) line items:

	2013	2012
Administrative expenses	\$72,490	\$141,978
Cost of sales	954	1,321
Selling expenses	-	508
Total	\$73,444	\$143,807

14. Bank loans

	2013	2012
Notes payable to Banco Inbursa S. A. Institución de Banca Múltiple, Grupo Financiero (Inbursa) dated December 26, 2013, contracted by GEPP in the amount of \$1,000,000, maturing on March 26, 2014, earning annual interest at one point above the 90 day (Interbank Interest Rate) TIIE rate. At the date of issuance of the financial statements, GEPP paid \$600,000 and the remainder was restructured to mature on April 30, 2014.	\$1,000,000	\$ -
On September 28, 2012, Tala, Lázaro Cárdenas, El Dorado and Electric signed a credit contract with Rabobank for US \$65 million payable as of March 2014, maturing in September 2017, and earning interest at 2.75% above the LIBOR rate. This loan is the result of a restructuring of the aforementioned loans with Rabobank. A guarantee trust was created for such purpose; the Entity, PAM and GAMPEC are the guarantors of this loan.	849,239	844,288
Syndicated loan contract executed with Rabobank on September 6, 2013, for the amount of US \$60,000, maturing on October 11, 2016, and earning annual interest at two points above the LIBOR rate.	783,912	-
Syndicated loan contract executed with Rabobank, on October 7, 2013 for the amount of US \$60,000, maturing on October 11, 2016, and earning interest at two points above the LIBOR rate.	783,912	-
Notes payable to HSBC S.A. dated December 30, 2013 contracted by GEPP, for the amount of \$750,000, maturing on March 28, 2014, and earning annual interest at a rate 0.90 points above the 88-day TIIE rate. At the date of issuance of the financial statements, the Entity has refinanced such loan, which matures on June 26, 2014.	750,000	-

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	2013	2012
Notes payable to Inbursa contracted by GEPP dated December 26, 2013, for the amount of \$500,000, maturing on January 31, 2014, and earning interest at an annual rate one point above the 36 day TIIE rate. Such notes payable were settled at maturity.	500,000	-
Notes payable to Inbursa contracted by GEPP dated December 26, 2013, for the amount of \$500,000, maturing on January 31, 2014, and earning interest at an annual rate one point above the 36 day TIIE rate. Such notes payable were settled at maturity.	500,000	-
Notes payable to BBVA Bancomer S.A. contracted by GEPP dated December 4, 2013, for the amount of \$400,000, maturing on March 4, 2014, earning interest at an annual rate 0.60 points above the 90 day TIIE rate. Such loan was restructured upon maturity, and its revised term ends on April 30, 2014.	400,000	-
Notes payable to Banorte contracted by GEPP dated December 4, 2013, for the amount of \$200,000, maturing on March 4, 2014; earning interest at an annual rate 0.90 points above the 90 day TIIE rate. Such notes payable were settled at maturity.	200,000	-
Revolving credit with Inbursa in dollars, secured with promissory notes, whose original maturity was December 3, 2013, with the term restructured up to its settlement on January 15, 2014. The rate was 2.24% as of December 31, 2013.	117,587	-
Unsecured loan in Mexican pesos for working capital with Banco Santander (México), S.A. for \$50,000, earning interest at a rate three percentage points above the 28 day TIIE rate, with monthly repayments and maturity on December 14, 2014. CULTIBA, PAM and GAMPEC are the guarantors of this loan.	50,000	-

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	2013	2012
Current-account loan contract executed with Inbursa, for the amount of \$30,000 and maturing on March 4, 2014; earning interest at 1.5 percentage points above the TIIE rate 2014. Such loan was settled at maturity.	30,000	-
Mexican peso loan with Inbursa, with mortgage security provided by the aircraft owned by the Entity, earning interest at a rate four percentage points above the 91 day TIIE rate. This loan matures on September 14.	27,070	54,220
Mexican peso current-account credit to provide working capital loans and maintenance work with Banco del Bajío, S.A. up to \$40,000,000, at a rate five percentage points above the 28 day TIIE rate, based on monthly repayments and maturity on April 6, 2018. PAM is the guarantor of this loan; however, this loan was repaid in advance due to decisions taken by management.	991	-
Syndicated loan contract with Rabobank, for 125 MDD, maturing in 2017, earning interest at 2.25 percentage points above the LIBOR rate, and increasing to 2.5 percentage points above the LIBOR rate as of January 2017. Certain property, plant and equipment owned by the Entity guarantee this credit, apart from the surety granted by GAM, and the commercial pledge on 216,220,186 of the Entity's shares which are owned by GAM. Originally this credit had a maximum amount of 220 MDD and on February 22, 2013 it was increased by 250 MDD, divided equally between Rabobank and Banorte, and the credit of Banorte was paid in its Mexican peso equivalent of MX \$1,607,187.	-	1,623,500
Syndicated loan contract in pesos with Banorte, maturing in six years as of 2017, and earning interest at 1.6 percentage points above the TIIE rate. Certain property, plant and equipment owned by the Entity guarantee this credit, apart from the surety granted by GAM, a related party, and the commercial pledge on 216,220,186 of the Entity's shares owned by GAM. As discussed in Note 1, this credit was settled on February 11, 2013, with the resources obtained from the public offering.	-	1,607,188
Note payable to Inbursa, earning interest at an annual rate equal to 1.5 points above the 28 day TIIE rate, which was settled at maturity.	-	1,000,000

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	2013	2012
Note payable to Banco Santander, S.A. dated October 19, 2013, for the amount of \$415,000 with initial maturity on January 1, 2013, which was renegotiated as of April 17, 2013 to mature up to July 12, 2013. Such loan was settled at maturity. The interest rate is variable, equal to one percentage point above the TIIE rate.	-	415,000
Revolving credit in Mexican pesos with Inbursa, secured with promissory notes, whose final maturity is February 17, 2013, earning interest at 1.5 and 2.5 percentage points above the TIIE rate as of September and December 2013, respectively. Such loan was settled at maturity.	-	180,444
Current-account credit contract executed with Inbursa, for the maximum amount of \$286,000, maturing on January 17, 2013, and earning interest at 1.5 percentage points above the TIIE rate. Such credit was settled on March 8, 2013.	-	146,000
Current-account credit contracts executed with Inbursa, for a maximum amount of \$26,000, maturing on February 17, 2013, and earning interest at 1.5 percentage points above the TIIE rate. Such credit was settled at maturity.	-	26,000
Current-account credit contracts executed with Inbursa, for a maximum amount of \$15,000, maturing on February 13, 2013, and earning interest at 1.5 percentage points above the TIIE rate. Such credit was settled at maturity.	-	15,000
Unsecured loan in Mexican pesos executed with Banco del Bajío, S.A., whose original maturity is June 30, 2013, earning interest at five percentage points above the TIIE rate. Such loan was settled at maturity.	-	6,902
	5,992,711	5,918,542
Less short-term portion	3,976,315	1,816,564
	\$2,016,396	\$4,101,978

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Maturities of the long term portion of these liabilities as of December 31, 2013, are as follows:

2014	\$3,976,315
2015	923,273
2016	923,273
2017	169,850
	\$5,992,711

15. Bonds payable

In June 2013 the following transactions were performed:

- a. On September 9, 2013, GEPP repaid all securitized certificates with ticker symbol “Geusa 06” (the Certificates), by means of the following payments:
 - Interest on the period number 87, for 31 days, between August 8, 2013 and September 8, 2013, in the amount of \$3,365.
 - The amount of the total advance repayment of \$750,000 (\$746,334 as of December 31, 2012, for the costs of debt issuance, net of the liability).
 - The additional payment to the holders of the Certificates of an advance repayment premium in the amount of \$2,257, which was calculated in accordance with the issuance document of the Certificates, based on a net premium of 0.25% of the face value of the Certificates.

Pursuant to the foregoing, at the advance repayment date of the Certificates the Entity concluded its obligations as the issuer of debt instruments, including compliance with the listing and maintenance requirements for issuers with securities registered in the National Securities Registry, and those related to the filing of annual and quarterly financial information with the National Banking and Securities Commission (CNBV).

- b. During November and December the Entity carried out the placement of 1,400,000 Securitized Certificates payable to the bearer, authorized by CNBV, at a face value of MX \$100 for each certificate, payable in Mexican pesos; the amount of \$1,400,548 was obtained as gross resources from such placement.

The principal characteristics of the issuance are as follows:

- The funds derived from the issuance were used to settle certain bank loans owed by the Entity, which were made as follows: 85 MDD to settle the Entity’s loan with Rabobank, and the difference was used to provide funding for the subsidiaries in the sugar segment.
- The term of the issuance is five years, equivalent to 1820 calendar days, terminating on November 23, 2018.
- The interest earned on the Securitized Certificates is settled at its Mexican peso equivalent on a monthly basis, adding 0.89 percentage points to the highest annual rates of return from the 28 day TIIE rate published by Banco de México (Banxico).
- The Securitized Certificates will be repaid in a single payment at the end of the issue term against delivery of the respective certificate.
- The Securitized Certificates issued are unsecured and therefore do not have any specific collateral.

For purposes of presentation of the accompanying consolidated statement of financial position, the debt issuance expenses incurred with regard to the placement are net of the liability for securitized certificates. The unpaid debt issuance expenses are \$8,311.

16. Suppliers and sugar cane producers

The average credit term granted to the Entity by its vendors is 30 days; interest is not charged on accounts payable to suppliers. The Entity has implemented financial risk management policies to ensure that all account payables are paid in accordance with the pre-established credit terms.

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17. Derivative financial instruments

Derivative financial asset (liability) instruments are as follows:

	2013	2013
Exchange rate forwards	(\$9,260)	\$27,636
Interest rate swaps	733	(3,608)
Derivative financial instruments - net position	(\$8,527)	\$24,028

Exchange rate forwards

During May 2012, the Entity entered into two US dollar forwards for a total notional of US\$20 million, with maturity in January 2013, fixing the exchange rate at \$14.28 and \$14.26 Mexican pesos per one US dollar respectively, to hedge exchange rate exposure arising from sales of sugar in the US market. The instrument was an economic hedge on cash flow, therefore the forward exchange result is recorded in financial income (expense), offsetting the exchange result product from the hedged item.

As of December 2012, the exchange rate forwards described in the previous paragraph have the following fair values:

Year	National amount in thousands of dollars	National amount in thousands of pesos	Start date	Expiration date	Exchange rate paid	Fair value
2012	\$10,000	\$142,565	24/05/2012	15/01/2013	\$14.26	\$13,433
2012	10,000	142,802	24/05/2012	30/01/2013	14.28	13,456
	<u>\$20,000</u>	<u>\$285,367</u>				26,889
				Less- Current portion		26,889
				Long term		\$ -

In November 2012, the Entity entered into six US dollar forwards with IXE Banco, S.A. for a total of US\$9 million, with a monthly maturity, starting from May 2013. These instruments were acquired to hedge exchange rate exposure arising from sales of sugar to the US market. The instrument was an economic hedge of cash flows, therefore the forward exchange result is recorded in the financial income (expense), offsetting the exchange result resulting from the hedged item.

Year	National amount in thousands of dollars	National amount in thousands of pesos	Start date	Expiration date	Exchange rate paid	Fair value
2012	\$1,500	\$19,872	20/11/2012	22/05/2013	\$13.25	\$177
2012	1,500	19,929	20/11/2012	19/06/2013	13.29	163
2012	1,500	19,975	20/11/2012	24/07/2013	13.32	120
2012	1,500	20,035	20/11/2012	21/08/2013	13.36	109
2012	1,500	20,098	20/11/2012	18/09/2013	13.40	101
2012	1,500	20,164	20/11/2012	23/10/2013	13.44	77
	<u>\$9,000</u>	<u>\$120,073</u>				747
				Less- Current portion		747
				Long term		\$ -

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On May 24, 2013, the Entity entered into three US dollar forwards with Banco Mercantil del Norte S.A., for a total of US\$5 million, with a monthly maturity, starting from January 2014. These instruments were acquired to cover exchange rate exposure arising from sales of sugar in the US market. The instrument was an economic hedge of cash flows, therefore the forward exchange result is recorded in the financial income (expense), offsetting the exchange resulting from the hedged item.

As of December 2013, the exchange rate forwards described in the previous paragraph have the following fair values:

Year	Amount in thousands of dollars	Amount in thousands of pesos	Start date	Expiration date	Exchange rate paid	Fair Value
2013	\$1,650	\$21,057	24/05/2013	23/01/2014	\$12.76	(\$565)
2013	1,650	21,093	24/05/2013	20/02/2014	12.78	(581)
2013	1,700	21,782	24/05/2013	20/03/2014	12.81	(602)
	\$5,000	\$63,932				(1,748)
				Less- Current portion		(1,748)
				Long term		\$ -

On May 24, May 28, and October 31, the Entity acquired three US dollar forwards with CIBanco, S.A. for a total notional of US\$12.4 million, with a monthly maturity starting from January 2014. These instruments were acquired to cover exchange rate exposure arising from sales of sugar sales in the US market. The instrument was an economic hedge of cash flows therefore the forward exchange result is recorded in the financial income (expense), offsetting the exchange result from the hedged item.

Year	Amount in thousands of dollars	Amount in thousands of pesos	Start date	Expiration date	Exchange rate paid	Fair Value
2013	\$1,650	\$21,217	28/05/2013	31/01/2014	\$12.86	(\$451)
2013	1,650	21,217	28/05/2013	28/02/2014	12.86	(509)
2013	1,650	21,217	28/05/2013	31/03/2014	12.86	(572)
2013	1,650	21,173	24/05/2013	24/04/2014	12.83	(665)
2013	1,650	21,220	24/05/2013	23/05/2014	12.86	(678)
2013	850	10,930	24/05/2013	30/04/2014	12.86	(326)
2013	850	10,930	24/05/2013	30/05/2014	12.86	(358)
2013	850	10,930	24/05/2013	27/06/2014	12.86	(388)
2013	1,650	21,262	24/05/2013	19/06/2014	12.89	(693)
2013	850	10,928	31/10/2013	31/01/2014	12.86	(232)
2013	850	10,928	31/10/2013	28/02/2014	12.86	(262)
2013	850	10,928	31/10/2013	31/03/2014	12.86	(295)
2013	1,650	21,214	31/10/2013	30/04/2014	12.86	(634)
2013	1,650	21,214	31/10/2013	30/05/2014	12.86	(696)
2013	1,650	21,214	31/10/2013	27/06/2014	12.86	(753)
	\$19,950	\$256,522				(7,512)
				Less- Current portion		(7,512)
				Long term		\$ -

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Interest rate swap

On September 28, 2012, the Entity entered into an interest rate swap relating to debt with a notional amount of US\$65 million, fixing the rate on interest payments of the restructured loan with Rabobank at 3.44% , in which Ingenio Lázaro Cárdenas, Ingenio Tala, Ingenio Eldorado, and Tala Electric also participate.

As of December 31, 2013 and 2012, the interest rate swap described in the previous paragraph has the following fair value:

Year	National amount in thousands of dollars	National amount in thousands of pesos	Start date	Expiration date	Agreed interest rate	Asset fair value
2013	\$65,000	\$849,238	28/09/2012	28/12/2017	3.44%	\$733

Year	National amount in thousands of dollars	National amount in thousands of pesos	Start date	Expiration date	Agreed interest rate	Asset fair value
2012	\$65,000	\$843,700	28/09/2012	28/12/2017	3.44%	(\$3,608)

18. Retirement employee benefits

a. Defined contribution plans – The Entity pays an equivalent of 2% of its employee’s consolidated wage (capped) to the defined contributions plan under the concept of retirement savings system as stated in Mexican law. The recognized expense for this item was \$93,714 and \$58,806 during the years ended December 31, 2013 and 2012, respectively.

b. Defined benefits plan – The retirement benefits liability is derived from the pension plan that will pay a pension (or retirement payment) and a seniority premium when an employee is retiring.

Servicios Calificados, S. A. de C. V. (SECSA), an indirect subsidiary through GEPP, funds the amount for the pension plan, as determined in the calculations performed by independent actuaries using the projected unit credit method. SECSA’s pension plan maintains defined benefits for all employees, at the executive and managerial levels, who reach 65 years of age. Benefits consist of providing a lifetime monthly payment with a guarantee of 120 payments of the average salary earned in the last 24 months before the respective retirement date, according to the dates, payment percentages and retirement conditions as specified in such plan.

Meanwhile, PBC has a defined benefits pension plan for certain employees of certain subsidiaries who reach 65 years of age and 10 years of service rendered in PBC. The plan consists of granting these employees the equivalent to 0.5% of the average annual compensation received for each year of service rendered, plus an additional 0.5% derived from comparing the average annual compensation and 25 times the minimum wage in the Federal District for each year of service rendered in PBC. This plan includes indemnity obligations which consist of payments equivalent to 20 days for each year of service plus an additional 90 day payment.

Seniority Premium consists of a one-time payment equivalent to 12 days for each year of service based on the last salary, limited to twice the minimum wage as established in Mexican law.

The present values of these obligations are:

	2013	2012
Discount rate	7.9%	6.5%
Expected return on plan assets	7.9%	6.5%
Salary increase	4.0%	4.0%

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Net cost recognized in profit or loss during the period for these defined benefit plans are as follows:

	2013	2012
Current service cost	\$58,407	\$49,279
Current financial cost	81,792	66,757
Expected return on plan assets	(11,056)	(10,273)
	\$129,143	\$105,763

Net cost recognized in profit or loss during the period for these defined benefit plans, was allocated as follows:

	2013	2012
Cost of sales	\$29,071	\$25,475
Administrative expenses	23,201	7,802
Selling expenses	76,871	72,486
	\$129,143	\$105,763

The present net values of these obligations are as follows:

	2013	2012
Defined benefit obligation	\$1,184,949	\$1,410,892
Less - Fair value of plan assets	161,688	171,730
Net liability arising from defined benefit obligation	\$1,023,261	\$1,239,162

Changes in the present value of the defined benefit obligation in the current year were as follows:

	2013	2012
Opening defined benefit obligation	\$1,410,892	\$1,212,598
Current service cost	58,407	49,279
Interest cost	81,792	66,757
Actuarial gains	(30,905)	(10,273)
Debit to OCI(Adoption of IAS 19 (amended))	(275,828)	185,256
Benefits paid	(59,409)	(92,725)
Closing defined benefit obligation	\$1,184,949	\$1,410,892

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Changes in the fair value of the plan assets in the current year were as follows:

	2013	2012
Opening fair value of plan assets	\$171,730	\$147,078
Return on plan assets	11,056	21,984
Contributions from the employer	-	3,154
Benefits paid	(21,098)	(486)
Closing fair value of plan assets	\$161,688	\$171,730

The main categories of plan assets, and the expected return rate in each category at the end of the reporting period, are:

	Expected returns	
	2013	2012
Equity instruments	7.9%	6.5%
Debt instruments	7.9%	6.5%

	Assets fair value	
	2013	2012
Equity instruments	\$72,228	\$73,843
Debt instruments	89,460	97,887
Total	\$161,688	\$171,730

19. Stockholders' equity

a. Common stock as of December 31, 2013 and 2012, historical and restated, is as follows:

	Number of shares	2013		Total
		Historical value	Effect of restatement	
Fixed capital				
Series B	75,600,504	\$414,475	\$36,933	\$451,408
Variable capital				
Series B	641,936,962	3,519,378	248,121	3,767,499
Total shares	717,537,466	\$3,933,853	\$285,054	\$4,218,907

	Number of shares	2012		Total
		Historical value	Effect of restatement	
Fixed capital				
Series B	75,600,504	\$414,475	\$36,933	\$451,408
Variable capital				
Series B	559,810,826	3,069,127	248,121	3,317,248
Total shares	635,411,330	\$3,483,602	\$285,054	\$3,768,656

Fixed and variable capital Series B shares consists of common stock, nominative no par value shares, which are fully subscribed and paid in, with full voting rights, of which 51% must be owned by Mexican individuals or legal corporations.

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- b.** During a Stockholders' Special Meeting held on November 12, 2012, the stockholders agreed to carry out a mixed public offering for subscription of Series B nominative, ordinary common stock shares at no par value. Such public offering was performed on February 5, 2013 through the issuance of 82,126,136 shares at par value of \$35 each share, and gross proceeds of approximately \$2,874,415 were obtained from such offering (\$2,769,523 net of the placement expenses incurred and the effect of taxes), of which \$450,251 refers to the increase in common stock and \$2,319,272 to the share subscription premium.
- c.** During a Stockholders' Ordinary General Meeting held on April 30, 2013, the stockholders agreed to distribute dividends for \$128,008, which were paid in cash on June 3, 2013. As the Entity did not have retained earnings at the date of approval and payment of the aforementioned dividend, for financial reporting purposes, the dividend is shown as a reduction in the share subscription premium (contributed capital) within the consolidated statement of changes in stockholders' equity.
- d.** During a Stockholders' Special Meeting held on August 30, 2013, the stockholders agreed to merge the Entity with GAM and CONASA. The merger was performed through the exchange of shares, as follows, i) the stockholders of GAM received one share of CULTIBA for each 3.185 shares of GAM and ii) the stockholders of CONASA received one share for each 1.302 shares of CONASA. As the net assets transferred by GAM and CONASA at the time of the merger were \$0, the effects of such merger for practical purposes were the exchange of shares owned by GAM and CONASA for shares of the Entity.
- e.** During a Stockholders' Ordinary and Special General Meeting held on April 30, 2012, the stockholders agreed to split the total amount of shares representing the Entity's common stock, with their consequent issuance and delivery to the related stockholders, free of charge, of two new shares against the delivery of each of the shares they own, without involving any increase in common stock.

The stock split went into effect on October 15, 2012 and was registered in the securities section of the National Securities Registry, which is regulated by the National Banking and Securities Commission. The number of the Entity's common stock shares as of that date is comprised as follows:

	Number of shares	
	Before the Split	After the Split
Fixed capital		
Series B	37,800,252	75,600,504
Variable capital		
Series B	279,905,413	559,810,826
Total shares	317,705,665	635,411,330

As a result of the aforementioned split, the average of shares in circulation and basic profit (loss) per ordinary share shown in each of the years of the consolidated financial statements and the consolidated statement of profits or loss were retroactively restated.

- f.** Retained earnings include the statutory legal reserve. The Mexican General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value. The legal reserve may be capitalized but cannot be distributed unless the entity is dissolved and must be replenished when it decreases for any reason. As of December 31, 2013 and 2012, the legal reserve is \$23,561 and \$15,383, respectively.
- g.** Stockholders' equity, except restated paid-in capital and tax retained earnings, will be subject to income tax payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income taxes of the year in which the tax on dividends is paid and the following two fiscal years.

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20. Shares in trust

During the year 2013, the Entity canceled the trust it had created, as part of a share sale program for its key officers, in which CULTIBA and GEPP was trustor and beneficiary and Scotiabank Inverlat, S.A. was trustee.

During 2013 and 2012, the Entity did not deliver any certificates to its key officers.

21. Transactions and balances with related parties

a. Transactions with related parties, carried out in the ordinary course of business, were as follows:

	2013	2012
Entities with significant influence:		
Recovery of advertising costs	\$1,640,252	\$1,778,625
Sale of finished goods	55,255	55,133
Sale of raw materials	-	250
Other revenues	2,858	10,063
Purchase of raw material	(3,981,564)	(2,730,935)
Other expenses	(606)	(20,503)
Advance paid for purchase of raw material	(780,680)	-
Related parties:		
Sales of finished goods	\$52,255	\$153,587
Revenue for services rendered	-	7,346
Sale of raw material	-	411,975
Other revenues	708	9,980
Purchase of raw material	(279,346)	(737,008)
Paid administrative services	(39,174)	(68,306)
Logistical services	-	(17,565)
Interest paid to guarantors	(60,921)	-
Paid leases	-	(639)
Export costs	-	(38,291)
Other expenses	(214)	(43,919)

Entities with significant influence include: Pepsi-Cola Mexicana, S. de R. L. de C. V. (PCM).

Associated companies include: Inmobiliaria Dos Aguas, S. A. de C. V. and Ingenio Presidente Benito Juárez, S. A. de C. V.

Affiliates include: Ingenio Presidente Benito Juárez, S. A. de C. V. and Blaue NC, S. de R. L. de C. V. Transactions are also incorporated Grupo Azucarero México, S. A. de C. V., Controladora de Negocios Azucareros, S. A. de C. V. (by the 8-month period ended August 31, 2013, when it merged with GAM CULTIBA and CONASA) and Corporativo Gamsa, S.A. de C.V. (by the 6-month period ended June 30, 2013 and 2012.)

b. Balances due from related parties and due to related parties are as follows:

	2013	2012
Receivable-		
Pepsi-Cola Mexicana, S. de R. L. de C. V.	\$274,861	\$559,256
Bottling Group, L.L.C.	1,989	18,659
Ingenio Presidente Benito Juárez, S. A. de C. V.	641	815
Distribuidora la Florida, S.A.	335	-
Pepsico de México, S. de R.L. de C. V.	284	-
Pepsicola Uruguay, S. A.	260	-
Control y Sistemas AZ, S. A. de C. V.	154	-
Controladora de Negocios Azucareros, S.A. de C.V.	-	18,460
Others	336	395
	278,860	597,585
Less - Controladora de Negocios Azucareros, S.A. de C.V	-	2,313
	\$278,860	\$595,272
Payable -		
Sabritas, S. de R. L. de C. V.	\$1,228	\$7,228
Blaue NC, S. de R. L. de C. V.	588	-
Pepsico Internacional, Inc.	45	29,587
Grupo Azucarero México, S.A. de C.V.	-	59,153
Others	5	5,980
	\$1,866	\$101,948

As of December 31, 2013, the amounts receivable from Pepsicola Mexicana, S. de R. L. de C.V. (PCM) include \$780,680, corresponding to an advance for the purchase of concentrate that will be used by the bottler companies during 2014.

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As of December 31, 2012, the account receivable from Pepsicola Mexicana, S. de R. L. de C.V. (PCM) includes \$649,400 (equivalent to US \$50,000,000), for the third payment of the share subscription premium established in the contract of subscription and purchase and sale signed on July 18, 2011, in which the businesses of PBC and QUAKER were obtained. Such account receivable was paid by PCM in 2013 on the second anniversary of the transaction close. The remaining balance, net of the account receivable, refers to commercial operations maintained with PCM, mainly the purchase of concentrate.

- c. The employees benefits given to the manager personal of the entity were as follows:

	2013	2012
Direct benefits	\$105,208	\$79,042
Defined benefit plans	8,028	68,539

22. Costs and expenses by nature

	2013	2012
Raw materials and materials in cost of sales	\$14,678,820	\$15,491,861
Freights	903,970	736,177
Administrative services	1,861,810	1,713,128
Advertising and publicity	2,532,436	1,926,045
Salaries and related	9,143,049	7,201,996
Depreciation and amortization	2,282,921	2,166,774
Lease paid	319,302	371,872
Other expenses	1,321,369	2,091,677
	\$33,043,677	\$31,699,530

23. Financial instruments

- a. **Capital management** - The Entity manages its capital to ensure that entities in the Entity will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Entity consists of equity attributable to its equity holders, comprising issued capital and retained earnings and borrowings (see Note 14), which are offset by cash and cash equivalent balances. The Entity's management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The Entity is incorporated as a S.A.B. de C. V. under the terms of the Mexican Securities Market Law and in accordance with the Mexican General Corporate Law; its minimum fixed common stock is \$50. The declaration and payment of dividends is determined subject to certain restrictions contained in the letters of credit signed by the Entity, and the affirmative vote of a majority of the stockholders at the stockholders' annual ordinary general meeting.

- b. **Financial risk management objectives** - The Entity's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Entity through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Entity seeks to minimize the effects of these risks by using different strategies. Firstly, it, seeks to obtain natural risk hedges. When it is not possible or economically viable, the Entity considers entering into derivative financial instruments, as long as the risk is considered insignificant for the Entity's financial situation, performance and cash flows.

The use of financial derivatives is governed by the Entity's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors continually. The Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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- c. Market risk** – The Entity’s activities mainly expose it to the financial risks of changes in foreign currency exchange rates and interest rates. Note 17 describes the derivative financial instruments used by the Entity to manage its risk exposure.
- d. Foreign currency risk management** – The Entity undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The carrying amounts of the Entity’s foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Currency: US Dollars	
	2013	2012
Monetary assets	21,219	67,226
Monetary liabilities	(233,623)	(292,793)
Net liability position	(212,404)	(225,567)
Equivalent in Mexican pesos	\$ (2,775,106)	\$ (2,929,670)

	Currency: Euros	
	2013	2012
Monetary assets	5	-
Monetary liabilities	(797)	(105)
Net liability position	(792)	(105)
Equivalent in Mexican pesos	(\$14,462)	(\$1,807)

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The following table details the Entity's sensitivity to a 10% increase and decrease in the exchange rate against the US Dollar. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or equity where the Mexican peso strengthens 10% against the relevant currency. For a 10% weakening of the Mexican peso against the relevant currency, there would be a comparable impact on the profit or equity, and the respective balances would be negative.

	US Dollar impact		Euro Impact	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Loss	(\$277,511)	(\$292,967)	(\$1,446)	(\$194)

e. Interest rate risk management – The Entity is exposed to interest rate risk because entities in the Entity borrow funds at floating interest rates. The Entity manages the risk by using interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, thus ensuring that the most cost-effective hedging strategies are applied.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, there would be a comparable impact on the period's profit (loss) and other comprehensive income (loss), as follows:

	December 31, 2013	December 31, 2012
Increase of interest expenses	(\$36,966)	(\$33,321)

f. Credit risk management – Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Entity.

The Entity has adopted a policy of keeping its cash and equivalents only in recognized institutions in good standing and with high credit quality. In the case of accounts receivable, credit risk mainly arises in the segment of beverage sale to the modern market, which are assessed with a credit analysis before it is granted, and the transactions are performed with prestigious companies. Finally, non-current accounts receivables refer to a financially solvent related party.

Furthermore, the Entity has a large database of customers located in different geographical areas. No sales are made to any individual customer that represents 5% or more of the Entity's total sales.

g. Liquidity risk management – Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Entity's short-, medium- and long-term funding and liquidity management requirements. The Entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The following table sets out details of additional undrawn facilities that the Entity has at its disposal to further reduce liquidity risk:

	December 31, 2013	December 31, 2012
Bank facilities:		
Amount used	\$7,393,259	\$6,668,542
Amount unused	2,865,578	2,029,158

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The following tables detail the Entity's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities according to the earliest date on which the Entity can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Entity may be required to pay.

	Weighted average effective interest rate %	From 1 to 4 months	5-12 months	2 years	3 years	4 years	5 years	Over 5 years	Total
December 31, 2013									
Non-interest bearing		\$2,235,139	\$350,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,585,419
Variable interest rate instruments	3.53	3,686,235	377,501	372,034	1,945,697	276,005	1,499,745	-	8,157,217
		\$5,921,374	\$727,781	\$372,034	\$1,945,697	\$276,005	\$1,499,745	\$ -	\$10,742,636
December 31, 2012									
Non-interest bearing		\$2,577,856	\$878,019	\$ -	\$ -	\$ -	\$ -	\$ -	\$3,455,875
Fixed interest rate instruments		103,707	-	-	-	-	-	-	103,707
Variable interest rate instruments	5.60	880,693	1,217,537	454,524	443,282	1,159,162	2,190,428	4,140,296	10,485,922
		\$3,562,256	\$2,095,556	\$454,524	\$443,282	\$1,159,162	\$2,190,428	\$4,140,296	\$14,045,504

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

As of December 31, 2013 and 2012, the Entity has contracted bank loans with financial Mexican institutions, for \$5,992,711 y \$5,918,542 respectively, of which as of December 31, 2013 \$3,350,000 are pacted loans by simple debt with Mexican financial institutions with expiration no longer than 3 months. The Entity Administration considers that there is no liquidity risk due to the solid relationships with the financial institutions, which enabled them to renew the expiration dates of the short-term credits before the expiration date initially agreed. Additionally, the Entity haste credit lines of revolving credit available, which can be used to deal their obligations in case they have a liquidity problem.

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h. Fair value measurements of financial instruments – This note provides information about how the Entity determines fair values of various financial assets and financial liabilities.

1. Fair value of the Entity's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Entity's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as of		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/13	31/12/12				
1) Foreign currency forward contracts (see Note 17)	Liability (\$9,260)	Asset \$27,636	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Interest rate swaps (see Note 17)	Asset \$733	Liability (\$3,608)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

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2. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Financial instruments not measured at fair value include the account receivable and payable to suppliers. The administrations consider that the carrying values of financial assets and liabilities measured at amortized cost in the financial statements its close to the fair value.

3. Valuation techniques and assumptions to measure fair value

The fair value of financial assets and liabilities is measured as follows:

- The fair value of financial assets and liabilities with standard terms and conditions negotiated in the liquid assets markets are measured with reference in the prices of the market.
- The fair value of the assets and liabilities is measured with the models of determination of prices general accepted, which are based in the cash flow discounted analysis.

4. Fair value hierarchy

The Entity classifies the measurement of fair value in three hierarchy levels in the statement of financial position, based on the data used in their respective measurement. When a measurement uses data from different levels, the measurement as a whole is classified in the lowest level of any relevant data. The three levels of fair value are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

24. Income taxes

The Entity is subject to ISR and through December 31, 2013, to ISR and IETU.

ISR - The rate was 30% in 2013 and 2012 and as a result of the new 2014 ISR law (2014 Tax Law), the rate will continue at 30% in 2014 and thereafter. CULTIBA, controller Entity, incurred ISR on a consolidated basis up to 2013 with its Mexican subsidiaries of sugar segment, some beverage segment subsidiaries, GEUPEC y TRANSMAR. Also the subsidiaries of GEPP, PBC (since 1990) and Embotelladores Valle de Anáhuac, S. de R.L. de C.V. (EMVASA) (since 1991) and theirs subsidiaries consolidate tax, and they separately do the consolidation of CULTIBA. As a result of the 2014 tax reform, the tax consolidation regime was eliminated, and the Entity and its subsidiaries have the obligation of pay the deferred tax determined at that date during the next ten accountant years since 2014 as illustrated below.

Pursuant to Transitory Article 9, section XVIII, subsection d) of the 2014 Law, and given that CULTIBA, PBC y EMVASA as of December 31, 2013 the Entity was considered to be a holding Entity and was subject to the payment scheme contained in Article 4, Section VI of the transitory provisions of the ISR law published in the Federal Official Gazette on December 7, 2009, or article 70-A of the ISR law of 2013 which was repealed, it must continue to pay the tax that it deferred under the tax consolidation scheme in 2007 and previous years based on the aforementioned provisions, until such payment is concluded.

With the calculation of deconsolidation effects, the Entity has adopted certain criteria in the Entities that consolidate tax, to determine the deferred ISR by consolidation and the current income tax to pay in 2014 for the deconsolidation of CULTIBA, PBC and EMVASA which are supported by opinions issued by external consultant opinions.

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The non-current ISR due to tax consolidation and reinvested profits, as shown in the statement of financial position, is comprised as follows:

	2013	2012
Non-current ISR due to tax consolidation	\$1,567,817	\$1,599,900
ISR on reinvested profits	10,846	11,887
	\$1,578,663	\$1,611,787

The ISR liability relating to tax consolidation benefits will be paid during the following years:

Year	Amount
2014	\$352,267
2015	295,506
2016	305,170
2017	214,755
2018	151,477
2019	133,160
2020	63,099
2021	32,174
2022	20,209
	\$1,567,817

IETU - IETU was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The respective rate was 17.5%. As of 2008, the Asset Tax Law (LIMPAC) was eliminated, but under certain the amount of this tax paid in the 10 years immediately prior to that in which ISR is first paid may be recovered in accordance with applicable tax provisions. Additionally, unlike the income tax, IETU until 2013 caused individually by the holding and its subsidiaries.

The current income tax is the greater of ISR and IETU up to 2013.

Through 2012, based on financial projections, the Entity and most of its subsidiaries identified essentially pay ISR, except for certain subsidiaries that cause IETU. Therefore the Entity and its subsidiaries recognize deferred ISR and deferred IETU. From 2013, deferred ISR is calculated only due to the abrogation of the IETU.

a. Income tax recognized in profit or loss

	2013	2012
ISR:		
Current tax	\$299,256	\$326,130
Deferred tax	(379,034)	(887,332)
ISR due to tax consolidation	241,408	119,938
IETU:		
Current tax	31,669	49,666
Deferred tax	(167,564)	(143,280)
	\$25,735	(\$534,878)

b. Income tax recognized in other comprehensive income

	2013	2012
Deferred taxes		
Arising on income and expenses recognized in other comprehensive income:		
Labor obligations, adoption of IAS 19 modified	(731)	43,081
Total income tax recognized in other comprehensive income	(\$731)	\$43,081

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c. Following are the income taxes and the reconciliation of the statutory and effective ISR rates, expressed in amounts and as a percentage of income before income taxes:

	2013	
	Amount	Rate
Income before income taxes	\$230,052	-
Current tax	330,925	143.9%
PBC ISR on fiscal consolidation	241,408	104.9%
Deferred tax	(546,598)	(237.6%)
Total income taxes	25,735	11.2%
Less effects of permanent differences, mainly non- deductible expenses	203,535	88.4%
Effects of inflation	159,909	69.5%
Effects of tax consolidation	357,014	155.1%
Cancellation of reserve for measure of tax losses	(519,009)	(225.6%)
Cancellation of deferred IETU	(167,564)	(72.8%)
Profit from share of sales in trust	(55,519)	(24.1%)
IETU paid in excess of ISR	35,138	15.2%
Effect of change in rates	17,847	7.8%
Other	11,930	5.3%
	\$69,016	30%

	December 31, 2012			
	Entities that will pay ISR		Entities that will pay IETU	
	Amount	Rate	Amount	Rate
Income (loss) before income taxes	(\$218,456)	-	\$332,700	-
Current tax	326,130	149.3%	49,666	14.9%
PBC ISR on fiscal consolidation	119,938	54.9%	-	-
Deferred tax	(887,332)	(406.2%)	(143,280)	(43.0%)
Total income taxes	(441,264)	202.0%	(93,614)	(28.1%)
Less effects of permanent differences, mainly non-deductible expenses	58,565	(26.8%)	113,839	34.2%
Effects of inflation	105,061	(48.1%)	(722)	(0.2%)
Effects of tax consolidation	(236,439)	108.20%	-	-
Cancellation of reserve for measure of tax losses	223,212	(102.2%)	-	-
Cancellation of deferred IETU	152,357	(69.7%)	-	-
IETU paid in excess of ISR	46,443	(21.3%)	-	-
Other	26,528	(12.1%)	38,720	11.6%
	(\$65,537)	30.0%	\$58,223	17.5%

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d. The main items that give rise to a deferred income tax assets (liability) are:

	2013	2012
Deferred ISR asset (liability):		
Property, plant and equipment, intangibles and other assets	(\$1,060,326)	(\$1,095,690)
Retirement employment benefits	306,978	346,965
Others - Net	218,435	416,425
Temporary differences deferred ISR	(534,413)	(332,300)
Recoverable IMPAC paid	-	37,662
Tax loss carryforwards	1,000,274	483,841
Deferred ISR liability	465,861	189,203
Deferred IETU asset (liability):		
Property, plant and equipment	-	(208,122)
Other - Net	-	(18,006)
Deferred IETU liability	-	(226,128)
Total deferred income taxes	\$465,861	(\$36,925)

To determine deferred ISR and IETU the Entity applied the applicable tax rates to temporary differences based on their estimated reversal dates.

As of December 31, 2013 and 2012 the Entity's beverage segment (GEPP) based on its projections, recorded a deferred ISR asset for the tax loss carryforwards, due to the high probability of realizing the deferred asset tax with taxable income. In the case of the tax loss carryforwards for which the Entity does not have sufficient evidence that they will be recovered in the future, no deferred asset has been recognized.

e. The benefits of restated tax loss carryforwards and recoverable IMPAC, for which the deferred ISR asset and tax credit, respectively, have been partially recognized, and a tax credit can be recovered subject to certain conditions. Expiration dates and restated amounts as of December 31, 2013 are:

Year of expiration	Tax loss carryforwards	Recoverable IMPAC
2014	\$48,535	\$37,944
2015	124,267	37,662
2016	1,496,105	37,662
2017	733,441	41,674
2018	341,296	-
2019	600,925	-
2020	791,419	-
2021	715,088	-
2022	340,953	-
2023	87,749	-
	\$5,279,778	\$154,942

f. Assets for deferred tax not recognized

	2013	2012
The follow assets for deferred tax have not been recognized at the date of the financial statements:		
Tax loss carryforwards	\$583,659	\$1,254,416
Recoverable IMPAC paid	154,942	154,942
	\$738,601	\$1,409,358

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25. Provisions

	2013	2012
Employees benefits (i)	\$180,537	\$245,373
Other provisions	253,098	343,636
	\$433,635	\$589,009

Other provisions	Administration and operation services (ii)	Commercial agreements with customers (iii)	Various	Total
Balance as of January 1, 2013	\$232,536	\$86,106	\$24,994	\$343,636
Provisions recognized	1,188,257	384,390	26,702	1,599,349
Reduction arising from payments	(774,125)	(239,538)	(34,263)	(1,047,926)
Changes of estimates not requiring cash flow	(394,734)	(229,861)	(17,366)	(641,961)
Balance as of December 31, 2013	\$251,934	\$1,097	\$67	\$253,098

(i) The provision for employee benefits represents annual withdrawals and long-term withdrawals for acquired and accrued services and labor compensation demanded by the employees. The decrease in the balance of the provision for one year against another is because no liability for executive bonuses was recognized in 2013, inasmuch as the targets established were not met.

(ii) The provision for administrative and operating services is related to the estimated cost of the work agreed to carry out the services required by the Entity.

(iii) The provision for commercial agreements with customers represents the value of management's best estimate of the future flow of economic benefits that will be required under the obligations for the commercial agreements established by the Entity with its strategic customers in the modern market.

26. Operating leases

a. The Entity as lessee

1. Leases

The operating leases are related to the buildings that house the administrative offices of GEPP and subsidiaries in Mexico City and certain distribution centers, as well as certain machinery, computers and vehicles. Some leases are for a fixed duration of two years, with no purchase option upon termination, while others are indefinite.

2. Paid recognized as expenses

	2013	2012
Minimum lease payment	\$301,684	\$276,108

3. Operative leasing agreement not cancellable

	2013	2012
1 year or less	\$293,199	\$301,653
From 1 to 5 years	1,265,336	1,558,535
	\$1,558,535	\$1,860,188

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27. Commitments

- a. The Entity has entered into different supply contracts with certain of its main vendors, for the purpose of providing certainty of consumption to its vendors and assuring nonstop and timely supply of the raw material needed for production.

According to the Entity and its legal advisors, the chances of a favorable outcome are very high, because the credits that originated the timely offset mentioned in the previous paragraph were overturned by the Seventh Regional Chamber.

28. Contingencies

- a. Amendments to the Income Tax Law (LISR) effective in 2005 established, among others, the option to accrue the inventory amount as of December 31, 2004, using the concept of “accrued inventory”, and to deduct the cost of sales instead of purchases. However, in 2005 the Entity’s legal advisors gave the opinion that such accumulated inventory should not be included in the base of the PTU calculation. If the authorities contested this treatment, a difference might arise, in which case the Entity intends to use all available legal means to defend its position, and believes that a favorable outcome will be obtained.
- b. During the expropriation period, legal proceedings were initiated by the tax authorities, demanding payment of alleged debts owed by Tala to the Mexican National Water Commission (CNA), in relation to wastewater discharges, for the amount of \$1,455 MM Mexican pesos, and certain petitions were filed to suspend the lawsuits. After Tala’s reincorporation into GAM in March 2004, Tala brought the legal actions related to the aforementioned procedures. On August 24, 2009, the Seventh Regional Metropolitan Chamber of the Federal Tax Court (the Seventh Regional Chamber) ruled in favor of Tala declaring “the challenged notifications as invalid.” On October 19, 2009, the Seventh Regional Chamber confirmed this ruling.

During 2005, 2004 and 2003, the value added tax refund, as requested by Tala with a nominal value in thousands of Mexican pesos of \$28,958, \$21,642 and \$19,565, respectively, was credited by the Mexican Treasury Department against the debt owed to CAN, as mentioned in the previous paragraph, for which reason Tala filed three actions for annulment before the Second, Fourth and Fifth Regional Metropolitan Chamber of the Federal Tax Court because of the refusal to return the aforementioned quantities.

- c. There are certain claims filed by the other stockholders of Grupo Gepp, S.A.P.I. de C.V. against CULTIBA under the contracts, in which GEPP acquired 100% of the partnership interests and the voting stock of the Pepsi Bottling Group México, S. de R.L. de C.V. and Quaker Holdings, LLC., respectively. These involve issues of regulatory enforceability in certain workplaces of the beverages segment which, according to the management and attorneys of CULTIBA, are being dealt with by the parties involved, and for which no final ruling has been reached which might imply a direct or contingent liability for CULTIBA. For this reason, the Entity is not in a position to quantify the amount of resources which, if any, should be channeled to implement the necessary actions so that it can meet respective regulatory requirements.
- d. As of December 31, 2013 and 2012, the Entity and its assets are not subject to any type of legal action which is not routine and inherent to its activity.
- e. The Entity is involved in various lawsuits and claims, derived from the normal course of its operations which are not expected to have any important effect on its future financial position or profits.
- f. In accordance with current tax law, the authorities are entitled to examine the five fiscal years prior to the last income tax return filed.
- g. In accordance with the Mexican Income Tax Law, corporations that perform transactions with related parties are subject to tax limitations and obligations, in relation to the determination of agreed prices, since they must be similar to those used with or between independent parties in comparable transactions.

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29. Information by segments

The information by operating segments is recorded using the managerial approach and is based on how the administration of the Entity controls and evaluate its business.

a. Information by operating segments

	December 31, 2013					Consolidated
	Beverage Segment	Sugar segment	Other	Total segments	Reconciling items	
Statement of comprehensive:						
Sales to external customers	\$31,173,944	\$2,279,212	\$ -	\$33,453,156	\$ -	\$33,453,156
Intersegment sales	10,505	736,266	113,796	860,567	(860,567)	-
Interest income	10,707	4,145	8,423	23,275	-	23,275
Interest expense	(167,926)	(54,359)	(116,634)	(338,919)	-	(338,919)
Depreciation and amortization	(2,095,237)	(180,286)	(7,398)	(2,282,921)	-	(2,282,921)
Income before taxes	295,770	71,836	30,008	397,614	(167,562)	230,052
Income taxes	55,946	(56,246)	(25,435)	(25,735)	-	(25,735)
Statement of financial position:						
Total assets	24,351,404	5,816,695	13,752,534	43,920,633	(12,035,949)	31,884,684
Additions of investments assets	2,743,398	182,375	4,043	2,929,816	-	2,929,816
Investments of productive assets	11,424,785	3,211,005	130,450	14,766,240	-	14,766,240
Current liabilities	6,499,231	1,302,127	399,124	8,200,482	(843,586)	7,356,896
Non-current liabilities	3,305,932	1,396,044	1,440,908	6,142,884	(484,594)	5,658,290
Statement of cash flow:						
Cash flow of activities of:						
Operating	(214,645)	477,523	230,224	493,102	-	493,102
Investing	(2,291,344)	(369,820)	(245,240)	(2,906,404)	-	(2,906,404)
Financing	2,424,055	(4,148)	487,199	2,907,106	-	2,907,106

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Reconciling items refer to eliminations derived from the consolidation process, which basically include intercompany balances and transactions, investments in shares and the equity method.

The accounting policies of the segments which are informed are the same accounting policies of the Entity described in Note 3. The income (loss) for segment represents the income (loss) obtained for each segment, without the assignation of corporate administrative costs and salaries of administration, financial costs and expenses of income taxes. The prior represents the valuation that is informed to the official that makes the operating decisions for distributions of resources and evaluation of segment performance purposes.

The revenues reported in the 2013 and 2012 tables represent the income generated by external customers.

Currently, with the goal of overseeing the performance of the segment, the goodwill and the assets and liabilities derived from the acquisition of GAMHOLD1, CONASA, PBC and QUAKER are assigned to the reporting segments as described in Note 14. There are no assets shared between the reporting segments.

	December 31, 2012					
	Beverage segment	Sugar segment	Other	Total segments	Reconciling items	Consolidated
Statement of comprehensive:						
Sales to external customers	\$29,684,522	\$2,299,842	\$2,209	\$31,986,573	\$ -	\$31,986,573
Intersegment sales	9,284	670,350	28,902	708,536	(708,536)	-
Interest income	1,858	34,442	5,007	41,307	(5,007)	36,300
Interest expense	(185,636)	(56,892)	(183,768)	(426,296)	5,007	(421,289)
Depreciation and amortization	(2,002,322)	(157,579)	(6,873)	(2,166,774)	-	(2,166,774)
Income before taxes	(302,093)	403,477	183,101	284,485	(170,241)	114,244
Income taxes	(705,661)	96,661	77,261	(531,739)	(3,139)	(534,878)
Statement of financial position:						
Total assets	21,954,597	4,973,873	18,447,276	45,375,746	(15,829,094)	29,546,652
Additions of investments assets	2,537,377	409,218	-	3,030,682	-	3,030,682
Investments of productive assets	11,055,465	3,250,602	141,991	14,448,058	-	14,448,058
Current liabilities	(5,128,299)	(887,347)	(453,934)	(6,469,580)	210,664	(6,258,916)
Non-current liabilities	(2,759,618)	(1,691,617)	(3,325,285)	(7,776,520)	330,487	(7,446,033)
Statement of cash flow:						
Cash flow of activities of:	801,344	254,144	(4,105)	1,051,383	-	1,051,383
Operating	(1,933,293)	(410,104)	27,221	(2,316,176)	-	(2,316,176)
Investing	1,040,010	305,320	(11,296)	1,334,034	-	1,334,034

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Principal customers:

The Entity does not depend on any specific customer, since its customer portfolio comprises a variety of important customers from the traditional market, small and medium-sized distributors and some retail chains. Furthermore, no individual customer represents more than 10% of total sales.

Principal vendors:

The Entity does not depend on any specific vendor because no vendor represents more than 10% of the investments in productive assets and/or total operating costs.

30. Subsequent events

On March 12, 2014, the Entity disposed of the credit line it had with Banco Santander, S.A. for \$150,000, which matured on June 12, 2014. The interest rate on such loan is equivalent to 1.25 points above the TIIE rate.

31. Authorization to issue the financial statements

On April 24, 2014, the issuance of the accompanying consolidated financial statements was authorized by Juan Ignacio Gallardo Thurlow, Chief Executive Officer, and Carlos Gabriel Orozco Alatorre, Chief Financial Officer; consequently, they do not reflect events occurred after that date. These consolidated financial statements are subject to the approval of the Entity's Board of Directors, where they may be modified, based on provisions set forth in the Mexican General Corporate Law.



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