



COCA-COLA FEMSA

INTEGRATED
REPORT
2018



CLARITY
CONSISTENCY
COMMITMENT





COCA-COLA
FEMSA



+3.3

billion
unit cases



35%
of the brands in
our portfolio are low- or
no- sugar beverages.



131

leading
brands

Our **CLARITY,**
CONSISTENCY,
and **COMMITMENT**
set us apart

These attributes underscore our **clarity** of vision, mission, and strategy; our **consistent** focus on satisfying our consumers, shoppers, and clients' needs, building our winning portfolio, transforming and empowering our operations to foster agility across our organization, carrying on our consumer and client-centric cultural evolution, and continuing our disciplined approach to capital allocation; and our unwavering **commitment** to generate sustainable economic, social, and environmental value for all of our stakeholders.





José Antonio Fernández Carbajal

John Santa Maria Otazua

+2

million
points of sale



Dear Fellow
Stakeholders

We celebrated the 25th anniversary of our company's incorporation and stock exchange listing—an entrepreneurial story of consistent growth, innovation, and value creation.

+182

billion pesos
in total revenues

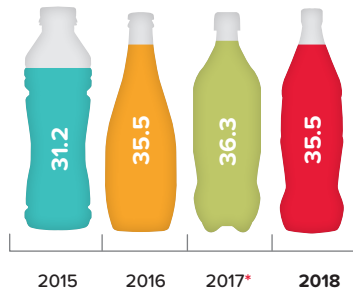
We've grown from a Mexico-based bottler to a multinational, multi-category beverage leader, serving 290 million people and 2 million points of sale through 48 plants and 297 distribution centers across 10 countries. We've re-invested over US\$20 billion in our business, including US\$11.4 billion in accretive mergers and acquisitions.

Our entrepreneurial spirit and passion for our consumers and clients powered our drive for growth and innovation. Leading the way, we served the market through our transformative practices—from revenue growth management to segmented point-of-sale execution, to cold drink equipment placement, and end-to-end supply chain integration.

Impressively, our company multiplied the original value of our business by almost 13 times—from US\$1 billion at our IPO to US\$12.8 billion today—delivering an annual total shareholder return of over 19.2% since 1993.

Serving
290
million
people

Operating cash flow
billion Mexican Ps.



Operating cash flow = operating income + depreciation + amortization & other operative non-cash charges

Consistent with our disciplined approach to capital allocation—focused on driving shareholder returns—and the recent evolution of the Philippines' business outlook, our Board of Directors concluded that exercising our put option and selling our 51% stake in Coca-Cola FEMSA Philippines, Inc., represented the best course of action for our company's stakeholders. This very difficult decision came after a successful five-year turnaround of this operation.

We continued to capitalize on strategic, long-term synergetic opportunities through the acquisitions of the ABASA, Los Volcanes, and MONRESA franchises in Guatemala and Uruguay, serving an additional 14.6 million people. Looking forward, we will continually evaluate geographical and category opportunities, maintaining our disciplined approach to capital allocation to maximize shareholder returns.

Clear Integrated Value
Creation Model

Our consumers and clients are at the center of everything we do. Accordingly, we're building a winning portfolio for each market—marked by 237 launches this year. Capitalizing on brand Coca-Cola, we're leveraging our sparkling beverage category's growth through an affordable mix of returnable and convenient, smaller presentations at magic price points for our consumers. We're also driving our low- or no-sugar portfolio ahead of consumer trends, nearly doubling our low- or no-sugar offering in Mexico.



“Our company multiplied the original value of our business by almost 13 times—from US\$1 billion at our IPO to US\$12.8 billion today.”

* 2017 financial information is re-presented as if the Philippines had been discontinued from February 2017, date of the consolidation of said operation.

We used

21%

of recycled materials in our PET packaging, staying on track to achieve our 2020 goal of 25%



With our launch of SmartWater in Brazil and Argentina, we're establishing a consistent leadership position in water, amplifying our premium, mainstream, and value water portfolio.

We're selectively improving our competitive position in the still beverage category, exemplified by our redesigned Brazilian juice portfolio. We're accelerating our dairy category's growth through Santa Clara, while consolidating our position in the plant-based beverage category under AdeS—expanding our portfolio with the launch of almond and coconut beverages.

Also we're accelerating our digitally driven business transformation. Our vision is to deploy a demand-driven end-to-end integrated supply chain platform, utilizing advanced analytics, big data, and artificial intelligence to granularly serve our clients and consumers. We further look to capture the analytical insights we gain from our comprehensive sales and marketing platform to design tailored business models that maximize and capture customer value creation for each segment.

Consistent with our consumer and client-centric cultural evolution, we defined KOF DNA—core beliefs and behaviors that we aspire to live daily. KOF DNA will enable us to better work together to achieve our business results, while becoming a total beverage leader aligned with our consumers' tastes and lifestyles.

We're responsibly addressing environmental and social challenges across our operations' value chain. Aligned with The Coca-Cola Company's "World Without Waste" global initiative, we used 21% of recycled materials in our PET packaging, on track to achieve our 2020 goal of 25%. We also covered 50% of our manufacturing operations' power needs with clean energy; improved our overall water use ratio by 19% over the past 8 years to 1.59 liters of water per liter of beverage produced; and surpassed our 2020 goal of benefiting 5 million people through our healthy habits initiatives.



“We're accelerating our digitally driven business transformation. Our vision is to deploy a demand-driven end-to-end integrated supply chain platform, utilizing advanced analytics, big data, and artificial intelligence to granularly serve our clients and consumers.”

Consistent Transformation: Operating Highlights

Guided by our clear strategy, we navigated a complex environment to deliver positive comparable¹ results this year. Our comparable sales volume increased 1.3% to 3.09 billion unit cases, with transactions growing 1.4% to 18.4 billion. Comparable total revenues grew 5.9% to Ps. 168.6 billion. Comparable operating income grew 0.9% to Ps. 23.0 billion. Comparable operating cash flow grew 3.8% to Ps. 32.8 billion. Importantly, our reported net controlling interest income reached Ps. 13.9 billion for earnings per share of Ps. 6.62 (Ps. 66.21 per ADS).

In Mexico, we maintained market share, delivering positive top-line results in the face of macroeconomic uncertainty and currency volatility. With regard to profitability, our pricing, currency hedging, and cost and expense control strategies—coupled with our digital initiatives—mitigated significant raw material cost pressures.

In Central America, we leveraged our portfolio of affordable presentations to continue our turnaround in Costa Rica and Guatemala, while improving Panama's top-line growth. The consolidation of new territories and our successful pre-sale model rollout enabled us to achieve outstanding volume growth in Guatemala.

Emerging from a tough macroeconomic environment in Brazil, we delivered consistent volume growth for the year.

Leveraging our affordability strategy, our portfolio is well positioned to satisfy Brazil's recovering consumer environment. Our digital capabilities, along with favorable sugar costs and attractively hedged prices, produced profitability improvements for the year.

Led by our affordability strategy, we improved our volumes in the face of Colombia's challenging, gradually recovering consumer environment. Confronting Argentina's tough macroeconomic environment marked by hyperinflation, we are much better prepared for this market's challenges thanks to our growing mix of affordable packages and no-sugar beverages, digital initiatives, currency hedging, and cost and expense controls. In Venezuela, we continually adjust our business model to serve our consumers and clients.

Moving forward, we will focus on seven strategic priorities: leverage sparkling beverage growth through **affordability**; establish a consistent leadership position in **water**; selectively improve our competitive position in **still beverages**; drive our **low- or no-sugar footprint**; develop tailored business models for **customer segments**; accelerate our **digitally driven business transformation**; and create a **more collaborative, consumer and client-centric culture**.

On behalf of our employees, we thank you for your continued confidence in our ability to deliver economic, social, and environmental value for you all.

“We continue to capitalize long-term synergistic opportunities through the acquisitions of the ABASA, Los Volcanes, and MONRESA franchises in Guatemala and Uruguay.”

We've
re-invested over

US\$20

billion in
our business



José Antonio Fernández Carbajal
Chairman of the Board

John Santa Maria Otazua
Chief Executive Officer

¹ Excluding the effects of: mergers, acquisitions, and divestitures; exchange rate movements; and hyperinflationary economies such as Argentina and Venezuela; and presenting Coca-Cola FEMSA Philippines, Inc., as a discontinued operation as of January 1, 2018, and the consolidated income statements are re-presented as if the Philippines had been discontinued from February 2017, date of the consolidation of said operation.



1. Acquire first Coca-Cola franchise for the Valley of Mexico and southeast Mexico (1979)



2. Initial public offering and listing in the NYSE and the Mexican Stock Exchange; Appoint Alfredo Martinez Urdal CEO (1993)

3. Complete first international acquisition of Coca-Cola Buenos Aires, Argentina (1994)



5. Build and begin operations at Toluca plant in Mexico (1994)



4. Develop Right Execution Daily (RED) and segmented customer execution



7. Appoint Carlos Salazar Lomelín CEO of Coca-Cola FEMSA (2000)



6. Introduce innovative pre-sale system and handheld devices in Mexico and Argentina (1997)

9. Establish first Latin American bottle-to-bottle PET recycling facility with ALPLA and The Coca-Cola Company (2004)



8. Seize regional leadership position with multinational acquisition of PANAMCO (2003)

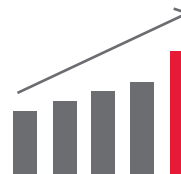


10. Diversify portfolio with joint acquisition of Jugos del Valle in Mexico and Brazil (2007)



11. Expand still beverage portfolio through joint acquisition of Leão Alimentos in Brazil (2010)

12. Enter value-added dairy category with joint acquisition of Estrella Azul in Panama (2011)



13. Deploy innovative revenue growth management to foster customer value creation

2 HIGHLIGHTS FOR 25

5 LIGHTS years

25. Expand multinational footprint to 10 Latin American countries through acquisition of MONRESA in Uruguay (2018)



24. Develop Guatemalan market position with acquisition of ABASA and Los Volcanes (2018)



23. Enter plant-based beverage category through joint multinational acquisition of AdeS (2017)



22. Integrate cutting-edge centers of excellence and launch next generation KOFmmercial Digital Platform (2016)



21. Inaugurate state-of-the-art manufacturing facilities in Itabirito, Brazil, and Tocancipa, Colombia (2015)

19. Appoint John Santa Maria Otazua CEO of Coca-Cola FEMSA (2014)

20. Fortify value-added dairy category with joint acquisition of Verde Campo in Brazil (2015)



17. Bolster Brazilian market leadership with integration of REMIL (2008), Fluminense, Spaipa (2013), and Vonpar (2016)



18. Operate in the Philippines (2013–2018), transform market and operation infrastructure to achieve unmatched results



14. Bolster value-added dairy category through joint acquisition of Santa Clara in Mexico (2012)

15. Strengthen Mexican market leadership with integration of Grupo Tampico, FOQUE, CIMSA, and YOLI (2011–2013)



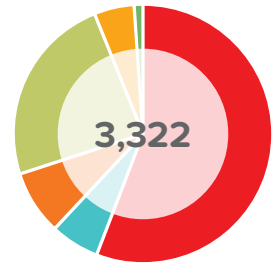
16. Join Dow Jones Sustainability Emerging Markets and BMV IPC Market, and Sustainability Indices (2011–2012)



Our Footprint

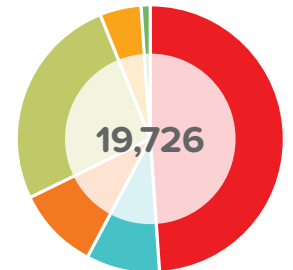


Total Volume*
million unit cases



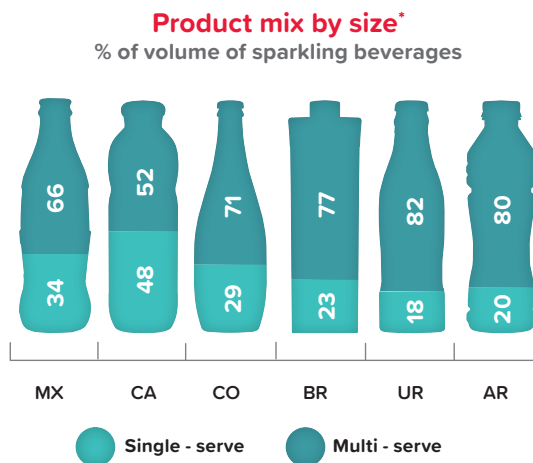
- Mexico: **1,850**
- Central America: **215**
- Colombia: **271**
- Brazil: **787**
- Uruguay: **23**
- Argentina: **175**

Transactions*
million unit cases



- Mexico: **9,728**
- Central America: **1,779**
- Colombia: **2,060**
- Brazil: **5,125**
- Uruguay: **112**
- Argentina: **920**

	Population served (millions)	Points of sale	Plants	Distribution centers
1 Mexico	74.6	864,638	17	145
2 Central America	32.9	181,142	7	56
3 Colombia	45.5	376,042	7	24
4 Venezuela	31.8	156,267	4	22
5 Brazil	88.8	403,059	10	40
6 Uruguay	3.5	25,360	1	6
7 Argentina	12.4	47,630	2	4
Total	289.6	2,054,138	48	297



	Product mix by category (% of volume of total beverages)			
	Sparkling	Water ¹	Bulk Water ²	Still
Mexico	72.9%	5.6%	15.0%	6.5%
Central America	85.0%	5.2%	0.2%	9.6%
Colombia	76.5%	9.8%	7.2%	6.5%
Brazil	87.5%	6.0%	0.9%	5.6%
Uruguay	91.6%	6.9%	0.0%	1.5%
Argentina	80.4%	9.9%	2.6%	7.1%

¹ Excludes still bottled water in presentations of 5.0 Lt. or larger. Includes flavored water.

² Bulk water - still water in presentations of 5.0 Lt. or larger. Includes flavored water.

*As of December 31, 2017, as a non-consolidated operation, Venezuela is reported as an investment in shares.

Financial Highlights

Our clear and compelling strategy, consistency in our search for innovation and commitment to our strong principles allow us to create shareholder value over the short and long term.

Millions of Mexican pesos and U.S. dollars as of December 31, 2018 (except volume and per share data). Results Under International Financial Reporting Standards.

	(US\$) 2018 ¹	(Ps.) 2018	(Ps.) 2017 ²	% Change
Sales Volume (million unit cases)	3,321.8	3,321.8	3,318.2	0.1%
Total Revenues	9,287	182,342	183,256	-0.5%
Income from Operations	1,257	24,673	24,996	-1.3%
Controlling Interest Net Income ³	708	13,911	-12,802	NA
Total Assets	13,435	263,787	285,677	-7.7%
Long-Term Bank Loans and Notes Payable	3,575	70,201	71,189	-1.4%
Controlling Interest	6,363	124,943	122,569	1.9%
Capital Expenditures	564	11,069	12,917	-14.3%
Book value per share ⁴	3.03	59.47	58.34	1.9%

¹ U.S. dollar figures are converted from Mexican pesos using the exchange rate for Mexican pesos published by the U.S. Federal Reserve Board on December 31, 2018, which exchange rate was Ps. 19.64 to U.S.\$1.00.

² 2017 Income statement information is re-presented as if the Philippines had been discontinued from February 2017, date of the consolidation of said operation.

³ As of December 31, 2017, the Company changed the method for reporting Coca-Cola FEMSA de Venezuela to Fair Value. Due to this change, a recorded foreign currency translation charge in equity has been reclassified as a non-cash one-time item to the other non-operative expenses line of the Income Statement in accordance with IFRS.

⁴ Based on 2,100.83 million outstanding ordinary shares in 2017 and 2018.

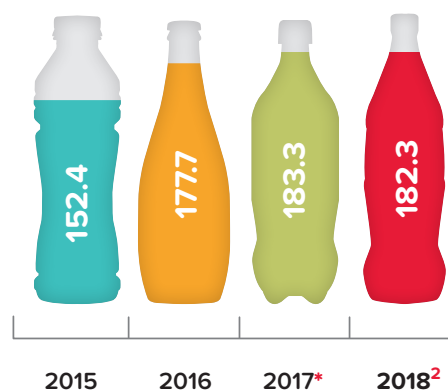
Sales Volume

million unit cases¹



Total Revenues

billion Mexican Ps.



Income from Operations

billion Mexican Ps.



Dividend per Share

Mexican Ps.



¹ Unit case is a unit of measurement that equals 24 eight-ounce servings of finished beverage.

² As of December 31, 2017, as a non-consolidated operation, Venezuela is reported as an investment in shares.

* 2017 is represented without the Philippines.

Strategic Framework

Our Integrated Strategy is oriented to generate value for all of our stakeholders considering our priorities, capitals, and risks.



TOTAL BEVERAGE LEADER with **SUSTAINABLE** and **PROFITABLE GROWTH**

Categories

Geographies



Winning Portfolio Buildup

- Leverage sparkling beverage growth **through affordability.**
- Consistent **leadership position in water.**
- Selectively improve our competitive position **in still beverages.**
- Drive our **low- and no-sugar** footprint.



Operating Model Transformation

- Accelerate **digitally driven business transformation.**
- Develop tailored **business models for customer segment.**
- Address **proactively growing environmental challenges.**



Cultural Evolution

- Create a more collaborative, **consumer and client-centric culture: New KOF DNA.**

SUSTAINABILITY



CHOICES FOR EVERY LIFESTYLE



SUSTAINABLE COMMUNITIES & ENVIRONMENT



PROFESSIONAL DEVELOPMENT AND WORKPLACE RIGHTS

DISCIPLINED CAPITAL ALLOCATION

STRATEGIC MERGERS & ACQUISITIONS

Capitals

& Company engagement



Human

Our people and the way they work together are our company's most valuable assets. Accordingly, we encourage the comprehensive professional and personal development of our people, while creating an inclusive, diverse, and safe work environment. Through our continuous talent management and development, we promote trust, transparency, and teamwork, prepare our next generation of leaders, advance meritocracy, recognize and celebrate our teams' success, while providing them with honest, regular feedback. In this way, we look to attract, retain, and develop the best multicultural talent to ensure our sustainable success.



Financial

Our financial and operating discipline, strong capital structure and financial flexibility, powerful brands and distribution system, transformational digital initiatives, and adaptability to changing market dynamics enable us to capture organic and inorganic growth opportunities in our industry, while creating sustainable value for our investors.



Natural

Our business is committed to the responsible use of our natural resources. As the main ingredient in our beverages, our comprehensive water strategy focuses on ensuring efficient water management in our operations, facilitating access to safe water and sanitation in our communities, and implementing water conservation and replenishment projects to protect the environment. We also work to increase energy efficiency across our value chain, while integrating clean and renewable energy to reduce our carbon emissions. Aligned with The Coca-Cola Company's "World Without Waste" global initiative, we continue to focus on comprehensive and responsible waste management, increase our use of recycled materials in our packaging, and participate in schemes and models that support post-consumption collection and recycling.



Manufactured

Through our highly experienced team of specialists, we operate 48 bottling plants and 297 distribution centers across 10 countries, deliver approximately 3.3 billion unit cases of beverages through a primary and secondary fleet of 12,641 trucks to 2 million points of sale and serve a population of 290 million people annually.



Social and Relationship

Our communities and other stakeholders are key enablers of our business success. Accordingly, we are committed to creating economic, environmental, and social value by encouraging dialogue and continuous interaction with our neighbors and stakeholders in order to develop and implement programs and initiatives that address their particular needs and guarantee the continuity of our social license to operate.



Intellectual

We are accelerating our digitally driven business transformation throughout our value chain—designing and deploying a demand-driven end-to-end strategy encompassing our digital manufacturing, distribution and logistics, and commercial models. We are further capturing the insights from our powerful analytical platform to develop tailored business models. By building our critical capabilities, we are creating a stronger, more agile, and flexible organization to drive our competitiveness, proactively address industry challenges, capitalize on market opportunities, and foster intellectual development across our organization.

Comprehensive Risk Management

Main risk	Potential impacts	Key mitigation actions
 <p>Strategic shareholder relationships</p> <p>Our business depends on our relationship with The Coca-Cola Company and FEMSA, and changes in this relationship may adversely affect us.</p>	<ul style="list-style-type: none"> Termination of the bottler agreements Actions contrary to the interests of our shareholders other than The Coca-Cola Company and FEMSA 	<ul style="list-style-type: none"> Comply with our bottler agreements Work together and promote effective interaction between our strategic shareholders in order to maximize growth and profitability and create value for all of our shareholders
 <p>Consumer preferences</p> <p>Changes in consumer preferences, purchase drivers, and consumption habits might reduce demand for some of our products.</p>	<ul style="list-style-type: none"> Reduction in the demand for our products 	<ul style="list-style-type: none"> Transform into a total beverage company aligned with consumers' changing tastes and lifestyles Build a winning total portfolio of products and presentations Drive our low- and no-sugar portfolio ahead of consumer trends Promote healthy habits
 <p>Coca-Cola trademarks</p> <p>Coca-Cola's brand reputation or brand violations could adversely affect our business.</p>	<ul style="list-style-type: none"> Damage to Coca-Cola's trademark reputation 	<ul style="list-style-type: none"> Maintain the reputation and intellectual property rights of Coca-Cola trademarks Effective brand protection Strictly comply with Responsible Marketing Policy
 <p>Competition</p> <p>Our competition could adversely affect our business, financial performance, and results of operations.</p>	<ul style="list-style-type: none"> Changes in consumer preferences Lower pricing by our competitors 	<ul style="list-style-type: none"> Offer affordable prices, returnable packaging, effective promotions, access to retail outlets and sufficient shelf space, enhanced customer service, and innovative products Identify, stimulate, and satisfy consumer preferences
 <p>Cyber attacks</p> <p>Service interruption, misappropriation of data or breaches of security could adversely affect our business.</p>	<ul style="list-style-type: none"> Financial loss Interruption of operations Unauthorized disclosure of material confidential information 	<ul style="list-style-type: none"> Identify and address cyber threats Provide training for information protection
 <p>Economic, political and social conditions</p> <p>Adverse economic conditions, political and social events in the countries where we operate and elsewhere, and changes in governmental policies may adversely affect our business, financial condition, results of operations, and prospects.</p>	<ul style="list-style-type: none"> Affect and reduce consumer per capita income, which could result in decreased consumer purchasing power Lower demand for our products, lower real pricing of our products or a shift to lower margin products Negatively affect our company and materially affect our financial condition, results of operations, and prospects 	<ul style="list-style-type: none"> Through a risk management strategy, hedge our exposure to interest rates, exchange rates, and raw material costs Annually or more frequently evaluate, when the circumstances require, the possible financial effects of these conditions and, to the extent possible, anticipate mitigation measures
 <p>Regulations</p> <p>Taxes and changes in regulations in the regions where we operate could adversely affect our business.</p>	<ul style="list-style-type: none"> Increase in operating and compliance costs Restrictions imposed on our operations 	<ul style="list-style-type: none"> Map regulatory risks and proposals of changes to regulations that directly affect our operation or financial condition Advocacy work to provide advice on legislators' proposed regulatory changes
 <p>Legal proceedings</p> <p>Unfavorable results of legal proceedings could adversely impact our business.</p>	<ul style="list-style-type: none"> Investigations and proceedings on tax, consumer protection, environmental, and labor matters 	<ul style="list-style-type: none"> Comply with applicable laws and regulations and comply with workplace rights policy

Our company is present in different countries and regions. Consequently, we are continually exposed to an environment that is full of challenges and risks. Our ability to manage the risks that may arise in the global environment where we operate is vital for our business value creation. Accordingly, our strategy includes a Comprehensive Risk Management Process through which we are able to identify, measure, register, assess, prevent and/or mitigate risks.

Main risk	Potential impacts	Key mitigation actions
 <p>Acquisitions Inability to successfully integrate acquisitions or achieve expected synergies could adversely affect our operations.</p>	<ul style="list-style-type: none"> • Difficulties and unforeseen liabilities or additional costs in restructuring and integrating bottling operations 	<ul style="list-style-type: none"> • Integrate acquired or merged businesses' operations in a timely and effective way, retaining key qualified and experienced professionals
 <p>Foreign exchange Depreciation of the local currencies of the countries where we operate relative to the U.S. dollar could adversely affect our financial condition and results.</p>	<ul style="list-style-type: none"> • Financial loss • Increase cost of some raw materials • Adversely affect our results, financial condition, and cash flows in future periods 	<ul style="list-style-type: none"> • Closely monitor developments that may affect exchanges rates • Hedge our exposure to the U.S. dollar with respect to certain local currencies, our U.S. dollar-denominated debt obligations, and the purchase of certain U.S. dollar-denominated raw materials
 <p>Climate change Unfavorable weather conditions could adversely affect our business and results of operations.</p>	<ul style="list-style-type: none"> • Negatively affect consumer patterns and reduce sales • Affect plants' installed capacity, road infrastructure, and points of sale 	<ul style="list-style-type: none"> • Support and comply with climate change measures for adaptation and mitigation • Identify and reduce our environmental footprint through efficient use of water, energy, and materials
 <p>Social media Negative or inaccurate information on social media could adversely affect our reputation.</p>	<ul style="list-style-type: none"> • Damage to Coca-Cola's trademark reputation without affording us an opportunity for correction 	<ul style="list-style-type: none"> • Effective brand protection • Proactive external communication
 <p>Water Water shortages or failure to maintain our current water concessions could adversely affect our business.</p>	<ul style="list-style-type: none"> • Water supply may be insufficient to meet our future production needs • Water supply may be adversely affected due to shortages or changes in governmental regulations or environmental changes • Water concessions or contracts may be terminated or not renewed 	<ul style="list-style-type: none"> • Efficient water usage • Execute water conservation and replenishment projects • Maintain 100% legal compliance • Develop Water Risk Index, including four issues that need to be assessed: Community and Public Perception Risks, Scarcity of Water and other Inputs, Regulatory Risks, and Legal Risks for each of our bottling plants • Implement a water risk assessment methodology and work plans that contemplate aspects such as climate change, resilience to hydrological stress, media and social vulnerabilities, as well as regulations and production volumes for each of our bottling plants
 <p>Raw materials Increases in the price of raw materials we use to manufacture our products could adversely affect our production costs. Insufficient availability of raw materials could limit the production of our beverages.</p>	<ul style="list-style-type: none"> • Increase in our cost of goods sold • Shortage or insufficient availability of raw materials may adversely affect our capacity to ensure production continuity • Adjustments to our product portfolio according to availability 	<ul style="list-style-type: none"> • Implement measures to mitigate the negative effect of product pricing on our margins, such as derivative instruments • Proactively address risk of supply on our value chain • Strictly comply with our Supplier Guiding Principles • Strategically adjust our product portfolio to enable us to minimize the impact of certain operating disruptions

Sustainability Strategy

Materiality Study

In 2012, we carried out a materiality analysis, identifying best practices globally, interviewing key executives, dialogues with representatives of external stakeholders executives, sustainability experts and employees. Through this exercise we identified the material issues that impact our business.

The material issues for our business include the following:

- **They are those** in which Coca-Cola FEMSA may generate greater value.
- **They are issues** in which we have a sufficient degree of maturity that allow us to be agents of change.
- **Previous investments** have been made in these areas.
- **They have elements** that may be converted into a competitive advantage and that allow us to stand out in the market.
- **They are important** to our stakeholders and we have identified that for some of them we may join efforts to create positive changes.



Strategic Sustainability Framework

The Sustainability Strategy provides us with the guidelines to achieve our mission to positively transform the communities where we operate, supported by our Ethics and Values.

2020

Goals

Our 2020 Goals for each pillar of the Sustainability Strategy guide us to measure our progress.



OUR COMMUNITY

Healthy Lifestyles

- Benefit 5 million people with our nutrition and physical activation programs and initiatives.

Community Development

- Have Social License programs in 100% of our priority plants and distribution centers.



OUR PLANET

Water

- Increase our efficiency in water usage to 1.5 liters of water per liter of beverage produced.
- Return to our communities and their environment the same amount of water used in our beverages.

Waste and recycling

- Integrate 25% of recycled or renewable materials in our PET packaging.
- Recycle at least 90% of our waste in every one of our bottling plants.

Energy

- Supply 85% of the energy used in manufacturing in Mexico with clean energy sources.
- Reduce by 20% the carbon footprint of our value chain vs 2010



OUR PEOPLE


Comprehensive Development

- Generate 1 million hours of volunteer work.
- Achieve a Lost Time Incident Rate (LTIR) of 0.5 per 100 associates.
- Reduce by 20% the general illness absentee rate vs 2010.
- Zero fatalities from work-related diseases.

Sustainable Development Goals


We are committed to contribute to the United Nations Sustainable Development Goals. Many of our initiatives contribute to the 17 objectives with specific actions, however, we are convinced that through our strategic framework and initiatives we can have a larger impact in the following nine.





2 ZERO HUNGER

 Several of our projects are focused on Healthy Habits for Our Community, such as the Latin American Commitment for a Healthy Future that we recently launched and the social programs from FEMSA Foundation.


3 GOOD HEALTH AND WELL-BEING


 We are committed to promoting healthy habits. This way, we have already accomplished our 2020 goal to benefit 5 million people with our nutrition and physical activation programs. In addition, we offer a portfolio of total beverages, and we carry out responsible marketing strategies for our products.


6 CLEAN WATER AND SANITATION

 Our production processes ensure the efficient use of water, as well as correct wastewater treatment. We are committed to return to nature and to the communities all the water used to produce our beverages.


7 AFFORDABLE AND CLEAN ENERGY

 Our 2020 goal is to supply 85% of the energy we use in manufacturing in Mexico with clean sources, and we continue to introduce clean energy in all countries where we operate reaching a 50% share of clean energy for our manufacturing needs.

8 DECENT WORK AND ECONOMIC GROWTH

 We look for economic growth through the efficient use of resources, by promoting a work environment that offers comprehensive development, by creating jobs in emerging markets, and by applying our sustainable sourcing principles.

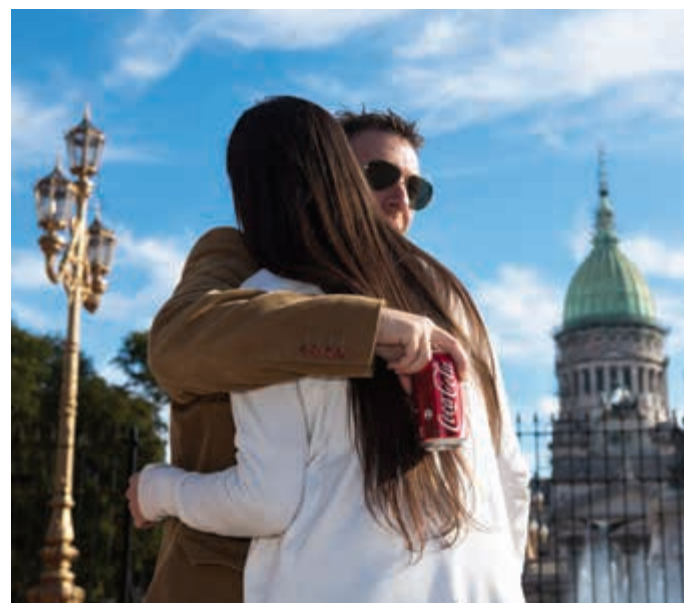
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

 We work on innovative processes in the industry, aiming to develop local suppliers and to improve our environmental performance, which is why our 2020 goal is to reduce our carbon footprint by 20% across our value chain.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

 We communicate our sustainability results annually through our Integrated Report, and have established goals to ensure a responsible consumption of raw materials, to achieve greater efficiencies, and to encourage recycling.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

 We collaborate with other companies, government and NGOs to clean water bodies to reduce water pollution through volunteer cleanup activities.

17 PARTNERSHIPS FOR THE GOALS

 We recognize that complex challenges in an ever-changing, complex context require coming up with innovative solutions that can only be achieved and put into action together. We embrace this reality and partner with other companies, government, NGOs and other institutions to maximize our impact.

“In line with our sustainability strategy, we contribute to the United Nations Sustainable Development Goals.”





237

launches in
12 categories
in 2018

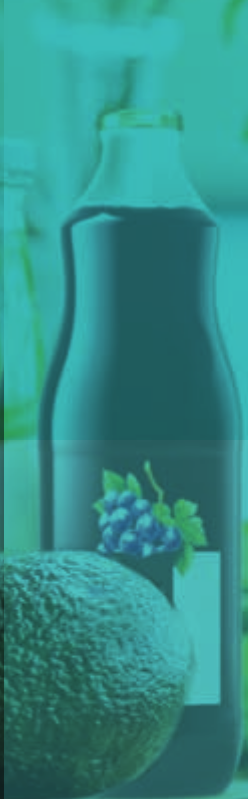


Consistent



Winning Portfolio Buildup

Aligned with our Strategic Framework, we are consolidating a leading total beverage portfolio with options for every consumer taste and lifestyle, while promoting healthy habits locally—encouraging people across our communities to combine proper nutrition with physical education and activity throughout all stages of their lives.



TOTAL BEVERAGE LEADERSHIP

Consistent with our consumers and clients' evolving preferences and practices, we are consolidating a winning total beverage portfolio, offering a growing array of low- or no-sugar sparkling beverages, refreshing juices, nectars, and fruit-based beverages, hydrating purified, sparkling, and flavored water, revitalizing coffee, teas, sports, and energy drinks, and wholesome dairy and plant-based protein products. Leading the way, we fortify and amplify our total beverage portfolio of consumer-centric brands in line with their changing tastes and buying habits.



CONSISTENT FOCUS ON CONSUMER SATISFACTION

Our consumers and customers are at the center of everything we do. By deeply understanding our consumers and shoppers, we act faster than our competitors to adapt our portfolio to satisfy their evolving needs through exemplary product innovation and flawless point-of-sale execution.



Continuing consumer-centric innovation

To satisfy our Brazilian consumers' varying tastes, we launched Coca-Cola Plus Café Espresso in our sleek 220-ml mini can. Featuring great espresso taste, less sugar, and more caffeine for consumers on the go, this enhanced Coke is already a big hit. We also launched our first "all natural" sparkling beverage brand YAS. This niche brand, with juice, and with no preservatives or other additives, is already attracting interest from trendsetters at upscale supermarkets and on-premise locations. We further launched refreshing Del Valle Coconut water, along with mango and maracuya-flavored coconut water in single-serve presentations. Through these innovative launches, we deliver premium beverage options to quench the thirsts of our high-end consumers.

Satisfying consumers' local tastes

Catering to our Mexican consumers' local preferences, we launched multiple new flavors of our iconic Mundet sparkling beverage brand, featuring tantalizing sangria, tangerine, and apple-peach in our 2-liter multi-serve PET presentation. As we broadened our portfolio to meet local demand, we doubled this brand's volume year over year, while reinvigorating the Mundet brand among our consumers.

+45%

of the launches in our portfolio are low- or no-sugar beverages

Delivering exemplary execution

To better serve our consumers and clients, we continue to enhance our point-of-sale execution. For example, in Mexico we increased our ICE score in the modern trade channel by 5.2 percentage points for the year—leading the way for the entire Coca-Cola system across the country. Among other indicators, our ICE score measures the efficiency and effectiveness of our point-of-sale portfolio, commercial and promotional activity, price communication, and cooler placement. Most important for the modern trade channel is our superior coverage of consumer interaction points within any particular supermarket, including the right promotions, the right products, and the right prices to activate consumer demand.

“The most important thing for the modern trade channel is our superior coverage of consumer interaction points within any particular supermarket.”



RENEW SPARKLING BEVERAGE CATEGORY THROUGH AFFORDABILITY

Throughout the year, we revitalized our sparkling beverage growth through our focus on affordability. To this end, we continued to satisfy our cost-conscious consumers through our strong platform of affordable, returnable packaging alternatives at the right price points.



Bolstering Brazil's transactions

Through our affordability strategy, our Brazilian operation's transactions outperformed our volume growth for the second consecutive year in both convenient single-serve packages and multi-serve returnable presentations. To intensify our connection with cost-conscious consumers, we significantly expanded coverage of the two pillars of our Magic Price Points strategy, our affordable single-serve 200-ml PET presentation and 220-ml mini-can, capturing 72% and 37% growth in transactions, respectively, for the year. On top of these convenient, smaller packages, we considerably increased the coverage, as well as the innovative packaging, of our 2-liter multi-serve PET presentation. In addition to extending the coverage of this presentation, we launched duo- and four-packs of our core Coca-Cola and Fanta brand sparkling beverages of this popular family-size returnable presentation. As a result of our efforts, we grew the volume of this affordable package by over 13%, while significantly expanding its share of sales.

Adapting to Argentina's consumer environment

In the face of an adverse macroeconomic environment, we focused on expanding the coverage of our affordable single-serve 220-ml mini-can—along with our 2-liter multi-serve returnable PET presentation—capturing transactions at Magic Price Points for our cost-conscious consumers. Consequently, we improved our competitive portfolio's coverage by 8% for the year, while significantly gaining share of sales at the low socioeconomic level.

Capitalizing on brand Coca-Cola in Mexico

We extended coverage of our 3-liter multi-serve returnable PET presentation of Coca-Cola for our consumers to enjoy. Specifically, we launched this attractive value proposition in our central and southern territories, while strengthening our position in the Valley of Mexico. Consequently, we not only increased the volume of this popular family-size package by 17% year over year, but also gained market share in this important category.

Growing consumer base across Colombia, Guatemala & Costa Rica

Our affordable, returnable packages enabled us to increase our consumer base and achieve important volume growth across our Colombian, Guatemalan, and Costa Rican markets. In Colombia, we expanded the coverage of our 2-liter multi-serve returnable PET presentation, enabling us to achieve more than 72% volume growth for this popular package year over year. In Guatemala, we recently launched our 2-liter multi-serve returnable PET presentation in the recently acquired ABASA and Los Volcanes territories, contributing to our almost 11% volume growth in returnable packages for the year in Guatemala. Similarly, in Costa Rica, we achieved more than 16% volume growth in our affordable, returnable presentations year over year.



“ We are consolidating a winning total beverage portfolio, offering a growing array of low- or no-sugar sparkling beverages, refreshing juices, nectars, and fruit-based beverages, hydrating purified, sparkling, and flavored water, revitalizing coffee, teas, sports, and energy drinks, and wholesome dairy and plant-based protein products.”



IMPROVE COMPETITIVE POSITION IN STILL BEVERAGE CATEGORY

As the fastest growing category in our industry, we focus on improving our competitive position and capturing the most value from our still beverage segments.



Generating MONSTER growth

To quench active consumers' thirst for energy drinks, we reinforced our distribution of Monster energy drink across our franchise territories in Brazil. Monster is proving to be one of the fastest growing, most attractive energy drinks for consumers in the country. Together with our Burn brand energy drink, we began to surpass the sales volume of the country's market leader—an important milestone—and achieved 25% volume growth while significantly increasing our share of sales for the year in the energy category. Additionally, we recently began distribution of our Monster energy drink in Argentina, becoming the top brand in this category across our franchise territory.

Offering refreshing mix of juice-based beverages

We continue to fulfill Brazilian consumers' growing demand for refreshing juice-based beverages through our popular Del Valle Fresh brand. Utilizing our cold-fill platform, we successfully launched Del Valle Fresh Orange and Lemon juice-based drinks, achieving sales of more than 1 million unit cases a month while rapidly gaining market share in this growing category. Additionally, in the premium juice segment, we launched Del Valle Origens, a 100% apple and grape juice in 1.5-liter glass bottles. Thanks to our bi-modal juice strategy, we grew more than 20% driven by the affordable and premium juice segments, year over year.



Re-energizing FUZE Tea for Mexico's consumers

In 2018, we continued to build on our prior year's successful re-launch of FUZE Tea, a fusion of green and black tea with refreshing fruit flavors, across all of our Mexico sales channels. Enabled by our point-of-sale execution and product innovation—marked by our recently launched lychee fruit flavored tea—we expanded our share of sales in the tea category year over year.

Rolling out invigorating mix of Del Valle brand beverages

To compete in Colombia's mid-juice segment, we recently launched Del Valle Fruit guava, mango, and tangerine/pineapple in our 200-ml single-serve one-way, 350-ml single-serve returnable PET, and 500-ml PET presentations. With this launch, we entered the country's largest juice segment. Moreover, we reinforced our position in Central America's growing juice-based beverage category with our re-launch of Del Valle Fresh in Guatemala and our launch of Del Valle Fresh apple in Nicaragua.

We achieved volume growth by

25%

in Energy category in Brazil

“We increased volume growth by 7.3% year over year in stills category in Mexico.”



ACCELERATE GROWTH IN NEW CATEGORIES

In 2018, we continued to accelerate our growth across the dairy category. Under our joint venture with The Coca-Cola Company, we capitalized on the new state-of-the-art dairy plant in Lagos de Moreno, Mexico—close to milk supply—to meet growing consumer demand for our portfolio of wholesome Santa Clara brand UHT white milk, flavored milk, yogurt, and ice cream products. Among our innovative products, we launched our new line of Beyond Kids ice cream flavored strawberry, chocolate, and chocolate-mint UHT milk with great success. Thanks to our expanded client coverage, marketplace execution, and product innovation, we accelerated our volume growth by 27% year over year across the modern and traditional trade channels, while positioning Santa Clara as the second largest brand in both the UHT white and flavored milk categories throughout the traditional trade channel.

Through our joint venture with The Coca-Cola Company in Brazil, we switched to an all-natural platform for our premium Verde Campo dairy brand. Already, this innovative new platform—which features no preservatives and no added sugar—boasted 30% volume growth among the country’s most demanding consumers in a high potential market category.



We multiplied our volume of AdeS by

2x

year over year

Consolidating position in the plant-based beverage category

After we closed the acquisition of Unilever’s AdeS plant-based beverage business with our partner The Coca-Cola Company last year, we consolidated this new brand in our key Argentina, Brazil, and Mexico markets, while re-launching AdeS in Colombia this year. Among our initiatives, we refreshed AdeS brand image, enhanced its client coverage and execution, and expanded its portfolio with our launch of almond and coconut dairy-alternative beverages for our consumers’ enjoyment. Thanks to our efforts, we extended AdeS’ footprint across our customer network and increased our share of the plant-based beverage category, particularly the fast-growing seed-based beverage segment.



“Thanks to our expanded client coverage, marketplace execution, and product innovation, we accelerated our volume growth in Santa Clara by 27% year over year across the modern and traditional trade channels.”

DEVELOP WATER PORTFOLIO

We continue to develop our innovative portfolio of still, sparkling, and flavored bottled water to rehydrate our consumers throughout their day.



Reinforcing leadership position in Panama

In Panama, we reinforced our leadership position in the water category. To complement our personal water portfolio, we launched Dasani Fruit in our 600-ml PET presentation, coupled with Dasani mainstream water in our 355-ml PET presentation. Thanks to these and other initiatives, we increased our share of sales substantially across the personal water category.

4.8%

volume growth in our personal water category year over year



Executing a three-tier strategy across Argentina and Colombia

In Argentina and Colombia, we implemented a three-tier strategy to differentiate our brands and better compete in the value, mainstream, and premium water segments. In Colombia's value segment, we leveraged our Tai brand personal water through a new route-to-market to serve the country's mom-and-pop customers. In Colombia's mainstream segment, we continue to leverage our Brisa brand and we re-launched our Manatial brand water in the premium segment. In addition, in Argentina's premium segment, we recently launched SmartWater. Overall, we achieved total personal water volume growth, excluding jug water, of more than 14% in Colombia, and we generated water volume growth of over 9% in Argentina.



Deploying a robust 360° plan in Mexico

Through our 360° strategic plan in Mexico, we strengthened our personal water portfolio while becoming a more robust player in this big beverage category. In the natural water segment, we achieved a major turnaround in our performance, significantly expanding our market share this year. In the

flavored water segment, we generated steady volume and market share growth throughout the year as we expanded our portfolio with the

launch of attractive new flavors, including strawberry, coconut-raspberry, and pineapple-cucumber. In the mineral

water segment, we achieved 5.5% volume growth driven by 45% volume growth of our iconic blue glass bottle of Ciel mineral water for Mexico's on-premise and modern trade channels.

Overall, in the Valley of Mexico, we expanded our personal water volume by 9% and significantly improved our market share year over year.



Taking a three-tier approach in Brazil

Consistent with our water strategy, we undertook a three-tier approach during the year. In the mainstream water segment, we focused on expanding the coverage of our Crystal brand 500-ml PET single-serve and 1.5-liter PET multi-serve presentations across the traditional and modern trade channels, respectively. In the upper mainstream flavored water segment, we built on our successful launch of naturally flavored Crystal sparkling water in personal 310-ml cans and 510-ml PET bottles, featuring lime, tangerine with lemongrass, and berry flavors. In the premium water segment, we recently launched SmartWater. Thanks to these initiatives, we achieved more than 13% volume growth, while significantly expanding our share of sales for the year.

HEALTHY HABITS

As leaders in the beverage industry, we continue to meet the changing lifestyles of our consumers and the communities we serve. We are taking specific, meaningful actions, driving the development of our low- or no-sugar portfolio across our markets ahead of consumer demand. We also strive to promote healthy habits in our communities through multi-sector coalitions and local initiatives focused on fostering healthy habits, proper nutrition, and physical activity.

DRIVE NO-SUGAR FOOTPRINT AHEAD OF CONSUMER TRENDS

We drive development of our no-sugar portfolio of beverages to satisfy and stimulate demand for our products ahead of consumer trends.

Consolidating launch of Coca-Cola Sin Azúcar in Mexico

In 2018, we consolidated the successful launch of one of our fastest growing sparkling beverage brands, Coca-Cola Sin Azúcar, across our Mexican territories. Coca-Cola Sin Azúcar offers consumers a no-sugar alternative for one of the world's most beloved brands. Launched throughout our Mexican sales channels, we achieved double-digit volume growth, while steadily gaining market share throughout the year. Correspondingly, we carried out a major rollout of our original Coca-Cola recipe with less sugar in our family-size one-way presentations. Thanks to these and other initiatives, we nearly doubled our no- and low-sugar offering to 26% of our total Coca-Cola portfolio mix, from 14% in 2017.



“With Coca-Cola Sin Azúcar launched throughout our Mexican sales channels, we achieved double-digit volume growth, while steadily gaining market share throughout the year.”

Successfully rebranding Coca-Cola Sem Açúcar in Brazil

After we rebranded Coca-Cola Sem Açúcar in August, our sales of this increasingly popular consumer choice grew dramatically across our Brazilian franchise territories. Driven by a combination of coverage, affordable convenient and multi-serve packaging, and a compelling digital campaign of influencers, we generated accelerating volume growth of almost 10% year over year, marked by double-digit volume growth in the fourth quarter of 2018.

Building on growth of Coca-Cola Sin Azúcares in Argentina

Building on the growth of Coca-Cola Sin Azúcares, we launched this popular brand in our 1.5-liter and 2-liter PET presentations across our Argentine territory. We also complemented this brand's growth with our launch of our core Fanta and Sprite sparkling beverage brands without sugar in our 220-ml mini cans. By year-end 2018, our no-sugar offering reached 34% of our total sparkling beverage mix—the highest of our international franchise territories.

26%

of our colas portfolio mix is low- and no-sugar in Mexico



RESPONSIBLE MARKETING

At Coca-Cola FEMSA, our clients and consumers are at the center of our decisions and actions. Accordingly, transparency, fact-based information, and a high sense of responsibility are the guiding principles for our marketing practices.



1

INFORMED NUTRITIONAL DECISIONS

To enable our consumers to make informed choices across every one of our operations, our up-front product labels include clear, easy-to-find nutritional content information, including the nutrients, fats, sugar, and sodium in each of our products. Our nutritional labeling strategy is based on recommended Dietary Daily Allowance Guidelines and on applicable regulations in each country. Given our geographic position in 10 countries, we understand that each

population is different, with its own needs and habits. Therefore, we fully endorse and comply with each of our countries' existing legal framework, as long as this framework clearly provides science-based information to our consumers. When regulatory changes arise, we are always willing to take part in such changes, providing our expertise as a system in order to ensure that our consumers are provided high-quality information.

2

RESPONSIBLE MARKETING

As part of our commitment to the wellbeing of our consumers, our advertising adheres to The Coca-Cola Company's Responsible Marketing Policy and Global School Beverage Guidelines. For example, as part of The Coca-Cola Company's Responsible Marketing Policy, we

diligently follow and enforce our policy not to target advertising of any products to children under the age of 12. We also push the industry to advertise responsibly, ensuring commercial-free classrooms. In this and other ways, we underscore our devotion to the healthy habits of our consumers.

3

HIGHEST QUALITY

Our production processes fulfill the highest quality standards; our ingredients comply with each of our operations' local regulations and with the standards of other regulatory agencies,

including CODEX, FDA, JECFA, and EFSA. Our processes are permanently performed in state-of-the-art bottling facilities within the global beverage industry, guaranteeing only the best quality products for our consumers.

MULTI-SECTOR INITIATIVES

To improve health issues that can affect the life quality of our communities, we must generate comprehensive solutions in collaboration with governments, the private sector, and civil society through multi-sector partnerships.

For the third consecutive year, we participated as a strategic partner in the Latin American Commitment for a Healthy Future, a multi-sector coalition with the Healthy Weight Commitment Foundation and other companies in the beverage industry. The coalition's goal is to promote the execution of national initiatives that empower school-aged children and their families to make appropriate decisions about their dietary practices and physical activity to

generate healthy habits through different educational tools. To implement the Latin American Commitment for a Healthy Future initiative, we also collaborated with Discovery Education to deploy the Together Counts™ online educational platform. This platform offers a study plan based on health and wellbeing adapted to each stage of development, as well as interactive tools that consider the standards recommended by professional institutions to stimulate and build healthy habits.

The Latin American Commitment for a Healthy Future initiative and the Together Counts™ platform are currently active in Colombia, Mexico, and Brazil, benefiting more than 2.6 million people over the past three years.

FOSTERING HEALTHY HABITS IN OUR COMMUNITIES

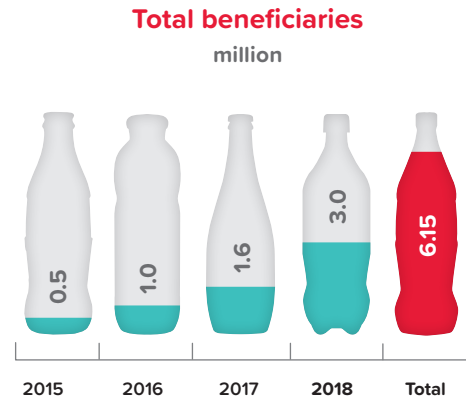
We seek to encourage healthy habits in our communities through local programs focused on nutrition and physical activity.

Among our goals, we aim to benefit 5 million people through our healthy habits and nutrition programs from 2015 to 2020. At the end of 2018, we exceeded our goal with approximately 6.15 million people benefiting from our programs over the past four years.



Coca-Cola FEMSA Surpasses Healthy Habits 2020 Goal

To achieve this goal, over the past 10 years, we have made strategic social investments in projects—with a strong education component—focused on fostering healthy habits in our communities.



Local initiatives



MEXICO

Along with the Coca-Cola System and other partners, we collaborate in the **Ponte al 100 program**—designed to generate healthy habits in elementary school students, while providing metabolic index measurement of different health indicators for a large portion of the population. Thanks to this program, we have positively improved the wellbeing of our communities.



BRAZIL

We improve our communities' quality of life through **Praça da Cidadania**. This initiative provides access to public services—including tests for breast cancer, diabetes, and hypertension—while building a network of upgraded community health, nutrition, and physical activity programs.



CENTRAL AMERICA

We contribute to the physical activity of children, teenagers, and adults through their participation in the **Hora de Moverse** initiative, which promotes teacher training and donates sports equipment.



VENEZUELA

The goal of **Coca-Cola FEMSA's Red de Entrenadores** is to develop leaders who encourage communal living, inclusion, and gender equality through sports. The instructors received theoretical and practical training based on the Sports for Development methodology to promote peaceful, harmonious coexistence in their communities.



COLOMBIA

Vive Bailando. This social intervention model focuses on teenagers, using dance classes as a transformative healthy lifestyles tool that provides a positive, sustainable impact on their behavior, leadership, family unit, and ability to change surroundings that have been affected by violence.



CENTRAL AMERICA

We support **Campaña de Colores**, a network that promotes nutrition and healthy habits at 65 elementary schools in Costa Rica, Guatemala, Nicaragua, and Panama, by educating children about nutrition, hygiene, and positive physical activity habits. This project is carried out in collaboration with the American Nicaraguan Foundation (ANF) and Glasswing International.



NICARAGUA

Partnering with The Coca-Cola Company, we offer the **Un Plato, Una Sonrisa** program to contribute to academic performance, promote balanced eating habits, and maintain nutritional wellbeing by supplying daily meals throughout the school year.





50%

of our global bottling operations' energy requirements come from clean sources

Consistent



Operating model transformation

Consistent with our strategic framework, we continue to transform our operating models to achieve more competitive advantages creating the next generation of strategic capabilities in order to strengthen our value chain. We are further reinforcing our relationships with the communities with which we interact, contributing to our ability to serve the marketplace while enhancing our social license to operate. Overall, this is enabling us to become a fitter organization with the ability to adapt to ever-changing environments and generate sustainable growth.

Sustainable operations

At Coca-Cola FEMSA, we ensure sustainability is fully embedded throughout our day-to-day business operations. As a driver behind our strategic business decisions, our operations are firmly committed to generating sustainable economic, social, and environmental value.

Digitally Driven Operating Models



ACCELERATE DIGITALLY DRIVEN BUSINESS TRANSFORMATION

We are accelerating our digitally driven business transformation throughout our value chain—developing and deploying a demand-driven, end-to-end strategy, encompassing our digital manufacturing, distribution, and commercial models. As a result, we are creating a stronger, more agile, and flexible organization, enabled with the right capabilities to drive our competitiveness, proactively address evolving industry challenges, and capitalize on arising market opportunities.

Our commercial strategy aims to create and satisfy consumer demand for our products whenever, wherever, and however they want them. Through a deep understanding of our shoppers and consumers, our demand-driven KOFmmercial Digital Platform (KDP) is devoted to serving our clients and consumers across the traditional trade, modern trade, aggregators, and direct-to-consumer channels. This platform is based on three main pillars:

1. **Advanced analytics for revenue transformation**
2. **Dynamic initiative management and**
3. **Shopper, consumer, and client engagement**

Built on advanced descriptive, predictive, and prescriptive analytics, our comprehensive KDP platform enables the development of the right operating models—coupled with the creation of next-generation capabilities—for our four main sales channels.



Deep market understanding through analytics in Mexico and Colombia

During 2018, we fully deployed our marketing and sales analytical capabilities in Mexico and Colombia. Based on internal and external data, we redefined our pricing strategy, optimized the effectiveness of our trade promotion spending—yielding an incremental improvement in our return on investment—and designed and deployed segmented customer initiatives based on shoppers’ insights. Through our dynamic initiative management, we communicated these initiatives to our sales force team’s mobile, hand-held Sales Force Automation (SFA) devices.



Artificial intelligence in Mexico

With Victoria, our machine learning prescriptive analytical engine, we will considerably improve the accuracy of our demand forecasting thanks to our capacity to continuously learn what’s happening in our markets from a variety of different sources. In Mexico, where Victoria has been learning about the market for over six months, we are already improving our demand forecast accuracy by 5% over our current tools. Through Victoria’s high accuracy demand forecast, we will open up numerous opportunities to not only drive per capita demand, but also plan supply based on demand, generating significant inventory and transport savings.

Dynamic Initiative Management in Mexico, Brazil, Colombia, and Argentina

We fully deployed our Dynamic Initiative Management (DIM) capabilities, utilizing our next-generation Customer Relationship Management (CRM) platform, across Mexico, Brazil, Colombia, and Argentina in 2018. With DIM, every month we identify, prioritize, and communicate more than 5 million targeted customer initiatives in Mexico, almost 2 million in Brazil, nearly 300 thousand in Colombia, and approximately 275 thousand in Argentina to our sales force in the traditional sales channel. Importantly, we measure the effectiveness of our initiatives every week and, thereby, accelerate our ability to react to market opportunities from a month to three days. Consequently, we enable our sales force to maximize the value of their customer visits and interactions, enhance our point-of-sale execution, and achieve better resource allocation in the market.

Sales Force Automation across eight countries

By year-end 2018, we completed the rollout of our Sales Force Automation (SFA) solution in eight countries, covering 7,600 pre-sale routes. This user-centric mobile solution empowers our sales force with best-in-class hand-held functionalities, including faster order entry, a two-way targeted initiatives module, dashboards, and 360° customer data.

Modern trade transformation in Brazil

We developed and deployed a best-in-class operating model to serve Brazil's modern trade channel. This new model features end-to-end analytics, end-to-end client collaboration, and Omni-modal point-of-sale execution. Achieving historic market share, this model enabled us to reach more than 70% of the modern trade channel in São Paulo, Brazil.

Moreover, we continued the deployment of our Digital Distribution platform. This platform not only offers improved customer satisfaction, but also delivers increased resource optimization and enhanced driver safety. We also completed the implementation of our KOF Logistics Services' (KLS) Supply Chain Planning model in all of our operations. Through this end-to-end supply chain model, we enhance our customer service, while optimizing our costs and capital allocation, through: 1) standardized strategic, tactical, and operating processes; 2) cutting-edge technological tools; and 3) enhanced centralized organizational capabilities. We further continued to benefit from warehouse optimization, particularly our implementation of voice picking technology. Importantly, we collaborated with our Commercial Center of Excellence to define our new Secondary Distribution Evolution Strategy, an end-to-end distribution model designed to enable flexibility and satisfy customer service needs.

Furthermore, we transformed and merged the core elements of our modular Manufacturing Management Model into our end-to-end Digital Manufacturing 2.0 platform. This end-to-end platform is currently comprised of our Manufacturing Execution System (MES), Statistical Process Control (SPC), Centralized Plant Maintenance Planning, and Advanced Analytics, including data science, process modeling, and failure prediction. Through our MES + SPC platform, we digitalize all of our manufacturing processes to enable better-informed decision-making, enhanced efficiency, and improved productivity. Moreover, our Centralized Plant Maintenance Planning model consolidates our manufacturing plants' maintenance planning and budgeting at the country level. Beyond the design and development of our digital manufacturing platform, we continued the implementation of our Plant Operating Model in a total of 69 bottling lines by year-end 2018—achieving increased efficiency of 2% year over year.



We communicate

~7.5

million targeted customer initiatives per month



We increased

2%

our operating efficiency
year over year

Digital distribution in Mexico and Brazil

We finished the deployment of our Digital Distribution platform, including our web-based app, mobile delivery devices, and vehicle telemetry equipment, across our Mexican and Brazilian operations' secondary distribution fleet—reaching 4,500 and 2,500 routes, respectively. Among its many benefits, we enjoy the capability to identify and correct operational and service deviations in our distribution route execution versus our route plan. This equipment also enables us to analyze our route performance patterns in order to identify an optimal combination of variables to improve our route planning process.



“We finished the deployment of our Digital Distribution platform, including our web-based app, mobile delivery devices, and vehicle telemetry equipment, across our Mexican and Brazilian operations' secondary distribution fleet.”

Successful rollout of KOF Logistics Services (KLS)

After Mexico and Colombia last year, we completed the implementation of our KLS Supply Chain Planning model across all of our plants, distribution centers, and long-haul distribution fleet in Argentina, Central America, and Brazil during 2018. We also provided more than 200 planners on our logistics team with over 10,000 hours of training. As a result of this model, we have already generated production, warehousing, and transportation cost savings of over US\$15 million across these operations.

Warehouse optimization in Brazil, Colombia, and Mexico

We continued to capitalize on warehouse optimization, leveraging our implementation of voice picking technology at our three main distribution centers in Brazil, Mexico, and Colombia. With this tool, we improve the efficiency and accuracy of our product picking and loading processes. We also deployed our truckload optimizer at 80% of our distribution centers in Brazil. Through these initiatives, we optimize our storage, handling, and labor costs while minimizing our delivery trucks' time spent at our distribution centers.

MES + SPC Platform Across Mexico, Brazil, Colombia and Argentina

We deployed our full MES + SPC platform across all of our manufacturing processes in Mexico, Brazil, Colombia and Argentina. In 2018, we also deployed our MES platform's real-time monitoring of our utilities process—covering all aspects of our plant's power needs—in 13 of our bottling plants across 4 countries, while implementing SPC in 45 bottling plants throughout our operations.

Centralized Plant Maintenance Planning throughout five countries

We fully implemented Centralized Plant Maintenance Planning throughout our 40 bottling plants in Mexico, Brazil, Colombia, Argentina, and Venezuela. This innovative model improves our operating efficiency by reducing downtime.

Advanced Manufacturing Analytics in Mexico

We leveraged Advanced Analytics to improve the performance of various manufacturing facilities. For example, at our bottling plant in Villahermosa, Mexico, we employed an advanced analytical tool to significantly reduce scuffing and, increase life of returnable PET bottles. Moreover, at our wastewater treatment plant in Apizaco, Mexico, we designed and deployed an advanced analytical methodology that controls multiple parameters to reduce substantially this facility’s energy consumption.

DEVELOP TAILORED ROUTE-TO-MARKET MODELS

We look to capture the analytical insights we gain from our comprehensive KDP platform to develop and deploy tailored direct and indirect route-to-market (RTM) models that maximize and capture customer value creation, while optimizing our cost to serve. Utilizing our advanced analytics capabilities, we will build trust-based partnerships with our clients, identify new ways to reach our customers, shoppers, and consumers, and digitalize our route-to-market process.



“In Mexico, we employed an advanced analytical tool to significantly reduce scuffing and, increase life of returnable PET bottles.”



Route to market 3.0 in Colombia and Mexico

In all of our Colombian and more than half of our Mexican operations, we have deployed our market-driven RTM 3.0 to serve the needs of our strategic customer segments across the traditional sales channel. Through this model, we allocate the appropriate resources—from the sales personnel who interact with our clients, to the frequency of their visits, to the quantity of our targeted initiatives, to our level of marketing support—in order to capture the most value from each client segment, large and small.

Direct home delivery in Mexico

Through “Coca-Cola en tu Hogar,” we successfully converted a third of our jug water routes to direct home delivery routes, offering those households our full portfolio of products from the convenience of their own homes. Consequently, we not only expanded the coverage of our portfolio, but also increased the productivity and profitability of those routes, while continuously improving the way we serve the market.

Mobile technology in Brazil

In Brazil, we implemented mobile technology such as the WhatsApp mobile communications model to complement our high-volume customers’ daily visits with related messages, including targeted initiatives. Our mobile apps focused heavily on recurring service orders, and through our collaboration with Rappi and iFood, we designed cross-category combinations, particularly ready-to-eat meals to promote and sample new products. We also developed a Credit Policy tailored to suit the needs of our low-volume customers, who receive face-to-face visits every 15 days, to expand their inventories and reduce their risk of stock outs.

Pre-sale platform in Guatemala

We fully implemented our pre-sale platform in Guatemala. This platform enables our sales people to focus on stimulating and satisfying customer demand prior to delivery and to serve our clients' needs better by loading their desired mix of products on our trucks. Through our pre-sale system, our sales people provide additional merchandizing and promotional services during their regular customer visits and, thereby, enhance our picture of success, while improving our product sales and profitability.



KOF Global Business Services: enabling our strategy

KOF Global Business Services model is designed to better support and enable our company's global and local strategy. Consistent with our business strategy, objectives, guidelines, and requisite accounting and financial results, three specialized entities we established in the Finance area, our Corporate Experts team, KOF Financial Services (KFS), and Region/Country Finance team who work collaboratively to give on-field support focused on providing the rules of engagement and financial services to serve our internal and external clients and ensure our strategic objectives. Through our Transformation Framework, we enable an efficient, technology-supported, and harmonious Administrative & Financial (A&F) Service Model.

Moreover, with the implementation of KOF People Services in our Mexico operation and corporate headquarters, we have consolidated human resources services, including updating personal data, payroll, talent platform, requests for letters, vacations, savings and benefits, and paid and unpaid leaves, for all of our workplaces through kiosks and a mobile app, promoting self-service at all organizational levels.

“KOF Global Business Services model is designed to better support and enable our company's global and local strategy.”

TRANSFORMATION FRAMEWORK



PROACTIVELY ADDRESSING ENVIRONMENTAL CHALLENGES

At Coca-Cola FEMSA, we embrace a holistic approach to sustainable development by ensuring sustainability is fully embedded throughout our day-to-day business operations. To this end, we strategically, efficiently, and responsibly address our operations' environmental and social challenges across our value chain—from clean energy to responsible waste management, community development, and safety.

Clean energy in our operations

We strive for energy efficiency across our value chain. We further integrate clean and renewable sources of energy and technologies to reduce our carbon emissions—thus contributing to climate change mitigation.

Consequently, our operations' energy consumption focuses on a comprehensive strategy that encompasses our manufacturing operations. Consistent with this strategy, we have defined the following 2020 goals:



OUR 2020 GOALS

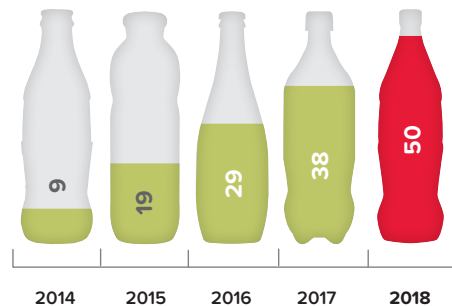
Reduce the carbon footprint of our value chain by 20% against our 2010 baseline.

Supply 85% of the energy we use for our manufacturing in Mexico from clean sources.



“At Coca-Cola FEMSA, we embrace a holistic approach by ensuring sustainability is fully embedded throughout our day-to-day business operations.”

Clean Energy
% of energy from clean sources





Manufacturing energy efficiency & emissions reduction

Our aim is to improve the energy efficiency of our manufacturing operations, while simultaneously reducing our greenhouse gas emissions. To this end, we managed to increase our energy efficiency by 33% from 2010 to 2018.

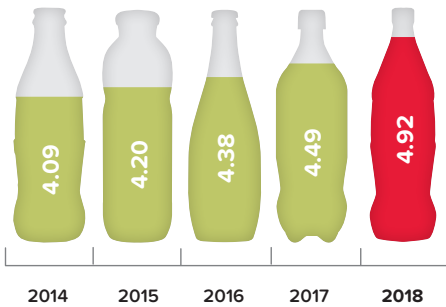
To improve our plants' energy efficiency, we have implemented multiple strategic initiatives:

- **Energy Training.** We provide annual energy training to all of our energy managers in every division, as well as all of the operators of each of our plants.
- **Energy Assessments.** We conduct annual energy assessments to support our operations, including 18 assessments in Argentina, Brazil, Central America, Colombia, and Mexico this year.
- **Steam Standard.** We focus on the utilization of steam produced in our plants to reduce consumption, ensure safe use, recover steam condensate, and increase the life of our assets.
- **Top 20 Energy Efficiency Strategies.** We implement key energy efficiency strategies to minimize each of our plants' energy consumption.

From 2010 through 2018, we achieved a 40% decrease in our manufacturing operations CO₂(eq) emissions, reaching 11.62 grams of CO₂(eq) per liter of beverage produced in 2018.

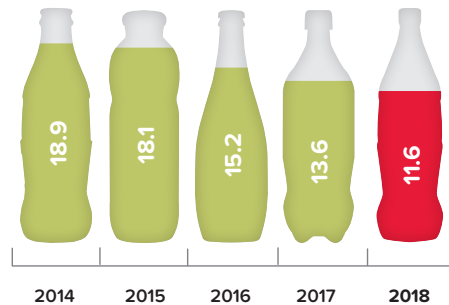
Energy efficiency

liters of beverage produced per Mega Joule consumed



Efficiency in greenhouse gas emissions in manufacturing

grams of CO₂(eq) per liter of beverage



Science based targets initiative: transition to the low-carbon economy

Coca-Cola FEMSA joined over 500 international companies in the Science Based Targets initiative, which aims to mobilize companies to set science-based greenhouse gas emissions targets and boost their competitive advantage in the transition to the low-carbon economy. The initiative is a collaboration between CDP (formerly the Carbon Disclosure Project), the United Nations Global Compact, World Resources Institute, the World Wide Fund for Nature, and one of the We Mean Business Coalition commitments.

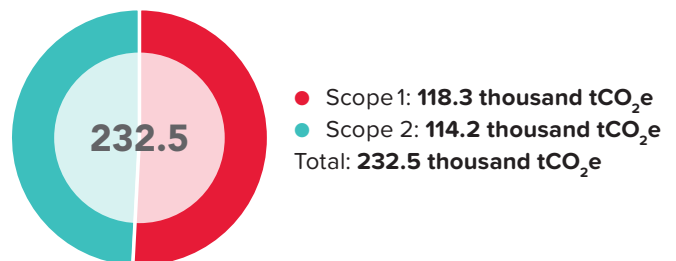
We have reduced

40%

our Carbon emissions from 2010 through 2018

Emissions in manufacturing

thousand of tons of CO₂(eq)



By 2020, we look to satisfy 85% of our Mexican manufacturing operations' energy requirements with clean energy. By year-end 2018, we achieved 51.5% coverage of our Mexican bottling operations' power needs. Overall, we accomplished 50% coverage of our global bottling operations' energy requirements, up more than fivefold from 9% in 2014. We use clean sources of energy for our manufacturing operations in Mexico, Brazil, Colombia, Argentina, and Panama.

For the year, we reduced our energy consumption by 10%, resulting in the following total savings:

US\$5.62 million – total energy savings

- US\$4.27 million – energy efficiency
- US\$1.35 million – clean energy



“50% of our operations electric power comes from clean sources, in Mexico, Brazil, Colombia, Argentina, and Panama.”

WATER SUSTAINABILITY

Water is an essential ingredient in the production of our beverages. Consequently, we are committed to ensuring the efficient use and conservation of this natural resource for the benefit of our company, our communities, and our planet.

Consistent with this commitment, we have established a comprehensive water strategy, founded on three pillars:

1. **Efficiency in water use at our plants**
2. **Facilitating access to water and sanitation in our communities**
3. **Replenishment and water funds**



OUR 2020 GOALS

Increase our efficiency in water usage to 1.5 Liters of water per liter of beverage produced.

Return to our communities and their environment the same amount of water used in our beverages.

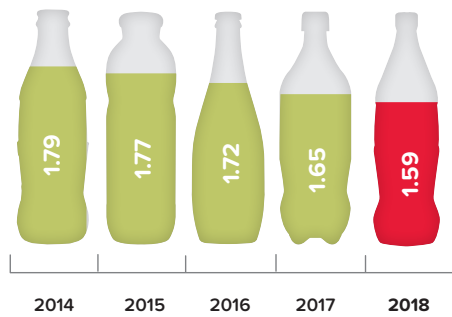
From 2010 through 2018, we decreased our absolute water consumption by 19%—representing savings of more than 7.25 billion liters.

Fostering water efficiency

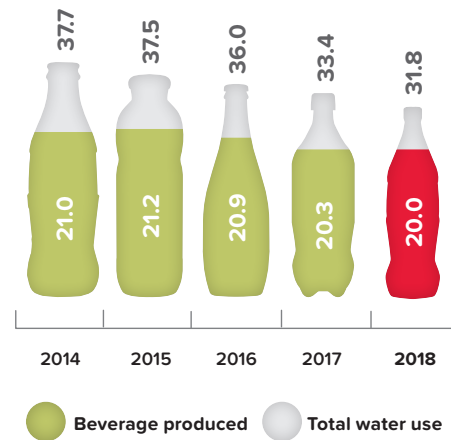
As a beverage bottler, efficient water management is essential to our business, our communities, and our planet. Our goal is to improve our water use ratio to 1.5 liters of water per liter of beverage produced by 2020. For 2018, we achieved 1.59 liters of water per liter of beverage produced—an 19% improvement in our water use ratio from our 2010 baseline. Moreover, our water efficiency initiatives and projects generated savings of US\$1.38 million in 2018.

Through our Top 20 Water Saving Initiatives program, we foster efficient water consumption across all of our plants. To this end, we registered significant progress across our operations, focusing on 20 key measures—from our detection and elimination of leaks to optimal water use in our plants to our water recovery systems.

Efficiency in water use
liters of water per liter of beverage produced



Water consumption
billions of liters



“100% of the water we discharge from our manufacturing operations is sent to wastewater treatment plants, which ensure sufficient quality to foster aquatic life.”

Facilitating access to safe water and sanitation in our communities

In collaboration with the FEMSA Foundation, we carry out projects designed to improve communities' quality of life by helping to provide them with safe water, improved sanitation, and hygiene education. While the Foundation intervenes considerably at the outset of each project, all of these initiatives utilize the necessary elements to enable communities to adopt them in a sustainable way—enduring over the long term.



Water replenishment and conservation

Aligned with the United Nations' Sustainable Development Goals, we recognize that water is an important and essential natural resource. Accordingly, we join efforts to provide access to potable and affordable water, as well as to protect and recover water-related ecosystems.

We are committed to returning the water we use in our processes by replenishing and conserving watersheds to ensure water balance in the communities where we interact. To this end, our goal is to reduce our water consumption and to return to the environment and our communities the same amount of water used to produce our beverages by 2020. Consistent with our commitment, we currently give back to the environment more than 100% of the water we use in the production of our beverages in Brazil, Central America, Colombia, and Mexico.

In light of the substantial scope, importance, and complexity of water conservation and replenishment, we work to strengthen water funds and conserve water basins through sustainable initiatives involving partnerships with several stakeholders. For example, through the Latin American Water Funds Alliance—comprised of the Nature Conservancy, the FEMSA Foundation, the Inter-American Development Bank (IDB), and the Global Environmental Fund—we jointly seek to offer hydrological safety in the region, ensuring sustainable access to a sufficient quantity and quality of water to sustain human life and socioeconomic development.

To date, the Alliance has developed 24 water funds. Of these funds, five are in countries where we operate—Brazil, Colombia, Costa Rica, Guatemala, and Mexico. As a result of this partnership, the Alliance has worked to directly benefiting 8,600 people in areas near the water basins through job creation and capabilities training since the projects began.

WASTE & RECYCLING

At Coca-Cola FEMSA, we strive to mitigate the environmental impact of our operations' processes. Over the past years, we have led the way in the promotion of a culture of waste management throughout all of our operations and our value chain, focusing on the following strategic priorities:

KOF Waste Management Strategy

- Comprehensive and responsible post-industrial waste management
- Post-consumption collection
- Efficient design and integration of recycled materials in our packaging



OUR 2020 GOALS

To recycle at least 90% of the waste we generate in every one of our bottling plants.

To include 25% of recycled materials in our PET packaging.



Innovative packaging development

Within the beverage industry, our product packaging is mainly comprised of PET, glass, and aluminum, which preparation and post-consumption handling can impact the environment and communities. Accordingly, we are committed to efficiently using our packaging materials, redesigning our packaging's components to achieve 100% recyclability and include recycled resin.

To this end, our goal is to incorporate 25% recycled material into all of our PET packages by 2020. In 2018, we successfully integrated close to 21% of recycled resin into the production of all of our PET presentations. Notably, we provide our consumers and clients with a water bottle made of 100% recycled resin for all of our one-way PET presentations of Ciel brand water in Mexico.

Consistent with our efficient resource management and optimization of our packaging materials, we continued to deploy a wide-ranging light-weighting strategy for our operations' PET presentations and caps. We also launched a new initiative to reduce the size of our labels without sacrificing the nutritional information that we provide to our consumers.

Thanks to our light-weighting initiatives, we have saved more than 25 thousand tons of PET resin since 2011. In addition, through our efficient resource management and packaging optimization, we generated savings of approximately US\$14.6 million in 2018.

Post-consumption collection & recycling

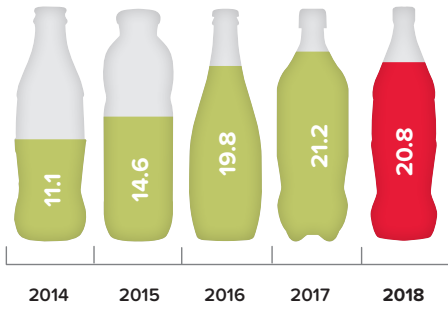
By joining efforts, we multiply the effects of our actions. Accordingly, we partner with communities, authorities, and NGOs on different initiatives to raise awareness of post-consumer waste management, carry out collection and recycling programs within our communities, and educate and inform consumers on the proper disposal and handling of the waste generated from our products, including water body litter prevention, debris collection, and beach cleanups.

For over 16 years, we have collaborated with other food and beverage companies through ECOCE, a Mexican civil association that promotes the collection of waste, the creation of a national market for recycling, and the development of recycling programs. Thanks to this collaborative effort, in 2018, ECOCE collected 58% of the total PET waste in Mexico.

Furthermore, we are leaders in PET bottle-to-bottle recycling in Latin America. In 2005, we joined efforts in Mexico to operate the first Food Grade PET Recycling Plant in Latin America, called IMER (Industria Mexicana de Reciclaje or Mexican Recycling Industry). In 2018, this plant, recycled 11,422 tons of PET.

Overall, in 2018, we utilized a total of almost 63,853 tons of recycled materials in our plants in Argentina, Brazil, Central America, Colombia, and Mexico. As a result of these efforts, we have used more than 273,000 tons of recycled PET since 2010.

PET packaging materials
% recycled materials in our PET packaging



Post-Industrial operating waste management

In 2018, 17 of our bottling plants in Mexico certified as Zero Waste. Designed for our Mexico operations, this initiative establishes specific measures to improve waste management, disposal, and repurposing—resulting in improved waste efficiency per liter of beverage produced.

By 2020, we aim to recycle at least 90% of our waste in each of our bottling plants. At year-end 2018, 93% of our plants successfully achieved this goal. Importantly, in Mexico, our plants recycled 100% of the waste generated in our production processes. Overall, we recycled 95% or approximately 134,000 tons of manufacturing waste generated.

Currently, 17 of our plants in Mexico have obtained Clean Industry certification from the Federal Environmental Protection Agency (PROFEPA). Moreover, in 2018, 36 of our distribution centers in Mexico received air quality certifications from PROFEPA, the State of Mexico’s Environmental Agency, Mexico City’s Secretary of the Environment (SEDEMA). These and other recognitions confirm our commitment to the environment and overall sustainability.

To this end, we diligently work to ensure our processes comply with the highest national and international standards and with all applicable laws, avoiding sanctions and fines pertaining to environmental issues, while reaffirming our commitment to efficient operational processes, environmental performance, and competitiveness.

“In 2018, 17 of our bottling plants in Mexico certified as Zero Waste.”

“World Without Waste” global initiative

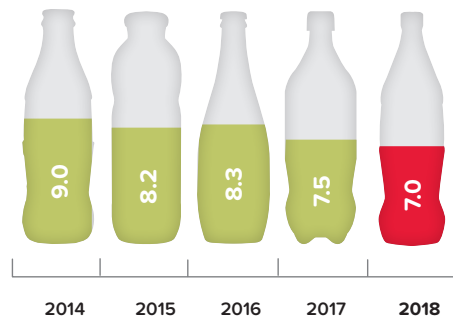
Aligning our efforts with The Coca-Cola Company, we embrace their “World Without Waste” global initiative’s 2030 vision:

- **To make** all consumer packaging 100% recyclable
- **To create** packaging that is at least 50% recycled material
- **To collect and recycle** the equivalent of 100% of our packaging
- **To educate and inform** consumers what, how, and where to recycle our packaging

The new plastics economy

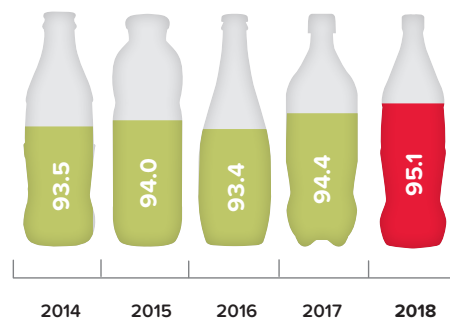
This year, we signed onto The New Plastics Economy Global Commitment. Led by the Ellen MacArthur Foundation with support from the World Wide Fund for Nature, the World Economic Forum, and The Consumer Goods Forum, among others, the Global Commitment mobilizes the public and private sectors to achieve its vision for a circular economy for plastic.

Waste efficiency
grams of waste per liter of beverage produced



Waste recycling

% of waste recycled of the total waste generated



SAFETY COMMITMENT

We view and understand safety as a principle action and key pillar of our business. Consequently, we are committed to inspiring a safety culture—valued for improving the welfare of our employees, business partners, contractors, and their families, together with the communities where we operate.

Overall, we aim to achieve zero work-related injuries and illnesses among our employees, contractors, and communities by ensuring the safety of our workplace through minimizing safety risks, eliminating incidents that could arise in our work centers, and developing safety capabilities across our organization. Until we achieve our vision of zero incidents, we accelerated the annual reduction of our incident rates to 10% and the achievement of world-class indicators aligned with our 2020 safety goals.

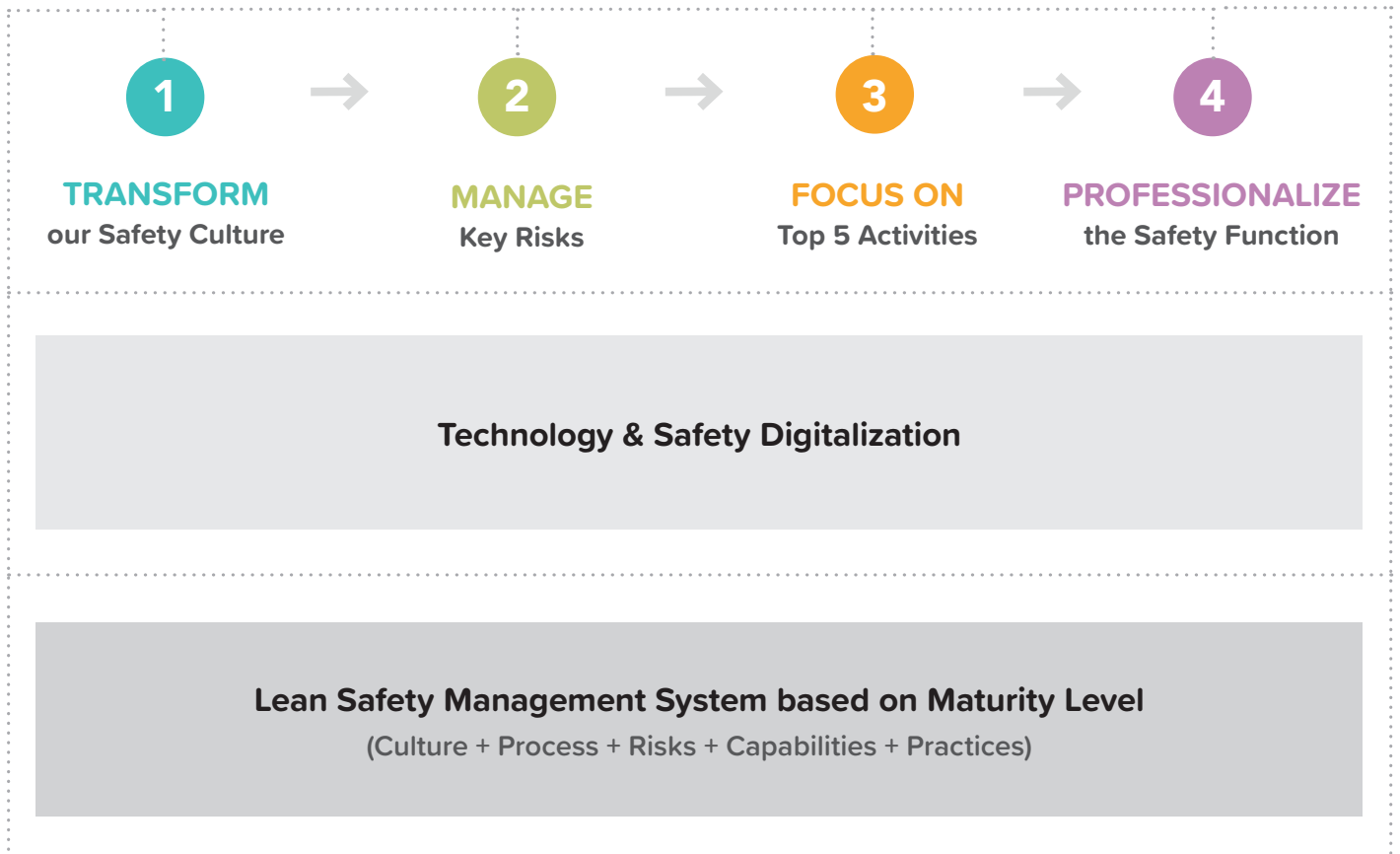
To this end, we established KOF Safety Council, representing the 10 countries where we operate, to define a transformational safety strategy and initiatives for our entire company. In 2018, the Council validated and complemented our four-pillar Safety Strategy.

OUR 2020 GOAL



To reach a Lost Time Incident Rate (LTIR)¹ of 0.5 per 100 employees and a Total Incident Rate (TIR)² of 1.5.

SAFETY APPROACH

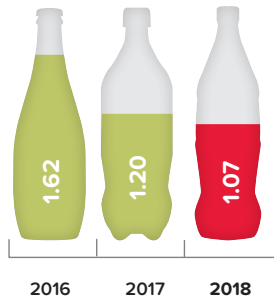


¹ (# Accidents x 200,000)/Hours Worked.

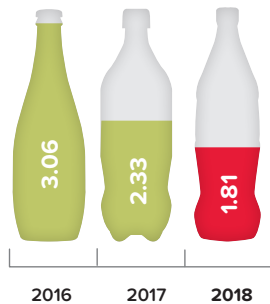
² (# Total Reportable Incidents x 200,000)/Hours Worked. The factor of 200,000 is obtained from the estimated hours worked by 100 employees over 50 weeks at 40 hours per week. This factor allows for a comparison of the indicators as a proportionate rate.

As a result of our strategic initiatives, we reported a Lost Time Incident Rate (LTIR) of 1.07 in 2018, a 12% decrease compared with 2017 and a 69% reduction compared with 2014. They also contributed to a 16% reduction in our Lost Time Incident Severity Rate (LTISR), from 26.97 in 2017 to 22.68 in 2018. We further achieved a Total Incident Rate (TIR) of 1.81, a 22% decrease versus 2017.

Lost Time Incident Rate (LTIR)



Total Incident Rate (TIR)



Transform our safety culture

We continued our KOF Safety Cultural Transformation program that we started two years ago, aligning the model and the plan for each operation. Through this transformational journey, we inspire a culture of safety by addressing our people’s beliefs about safety and managing their behavioral consequences across our organization. During 2018, we connected more than 35,000 employees and 200 work centers by forming 150 cultural committees, carrying out more than 500 activities, and conducting more than 50 leadership workshops.

12%
reduction of our
Lost Time Incident Rate
year over year

Manage key risks

We recognize that some of our business activities can be dangerous and, consequently, can cause damage to our people, facilities, and business if we do not manage them properly. Therefore, we have established prevention measures and standards to ensure that safety is a top priority, improve our processes, and define ways to manage key risks in a standardized, systematic manner—ensuring that our employees, contractors, and third parties do not experience incidents during their work activities.

Focus on critical activities

During 2018, we developed and implemented processes, programs, and digital technologies that enabled us to manage more effectively the critical activities of our Top Five Initiative and Key Risks Standardization across our production and distribution facilities.

World-class safety function

We launched the first stage of our School of Safety at the beginning of 2018. This three-year, 12 technical module program is initially focused on providing the leadership, technical, and functional skills to the professionals who are in charge of our Safety functions, so they become multipliers of knowledge throughout our organization. Our business units’ training programs include our Colombia operation’s Truck Safety School induction and our Brazil and Mexico operations’ Drivers School.



“During 2018, we developed and implemented processes, programs, and digital technologies that enabled us to manage more effectively the critical activities.”

Safety technology & digitalization

As part of our Safety Strategy and Digital Supply Chain Strategy, we installed telemetry systems in our Mexican and Brazilian operations' fleets to monitor and improve the behavior and performance of our drivers. We also included devices to ensure safe reverse maneuvers for 100% of our secondary distribution fleet across Mexico. We further fostered the development of competencies through road simulators and virtual reality tools in our Mexico and Brazil operations that enable us to accelerate learning processes and develop positive driving capabilities.



We have been implementing our companywide Road Safety Standard throughout the course of 2018. Based on three key elements—People, Organization, and Vehicles—this standard has significantly improved our road safety by reducing the number of accidents within our organization. To support this road safety strategy, our business units have developed innovative initiatives that have accelerated our positive performance in this critical area, focused on developing our drivers' capabilities and organizational processes while implementing monitoring and risk management technology.

Last year, we deployed mandatory safety specifications for all new secondary distribution trucks that we purchased. These specifications include:

- **Safe designs** cautionary yellow/black striped bumpers, circular traffic cones, and reflective signage.
- **Ergonomic equipment** to reduce operator injuries – handrails, internal body lights, pullout steps, stirrups, and hand truck holders.
- **Safe-driving devices** convex mirrors, reverse maneuver safety equipment, GPS to measure driving habits, and onboard driver training devices.

During 2018, we implemented these mandatory safety specifications for 230 new delivery trucks that we bought in Mexico.

Digital behavior-based safety in Brazil

In 2018, our Brazilian team developed an app for Behavior-Based Safety Programs to help directors and leadership teams identify, track and follow up on actions that might pose a safety opportunity in their operations, allowing them to create a safety culture based on prevention and risk mitigation.



OUR 2020 GOAL



To achieve a **50% crash rate reduction** from our 2016 baseline.

In 2018, we achieved a

60%

crash rate reduction from our 2016 baseline and accomplished our 2020 goal

Commitment to zero accidents

At Coca-Cola FEMSA, we firmly believe that all accidents are preventable. Accordingly, we continually research, analyze, and identify the measures required to reduce the number of injuries resulting from our operations.

For 2018, we reduced our total fatalities by 29%. This data includes our manufacturing, distribution, and trading operations that impact both our employees and our communities. Importantly, 95% of our operations did not have fatalities; however, the remaining 5% is still an unacceptable number. Although we made positive progress to decrease the number of fatalities for which our company is accountable to six from nine last year, the loss of any individual associated with our operations is unacceptable, so we continue to work hard to achieve our goal of zero injuries and fatalities.



SUSTAINABLE MOBILITY

Through our Sustainable Mobility strategy, we aim to reduce the impact of our fleet—including our primary and secondary distribution trucks—and to position ourselves as the industry leader in Latin America in terms of vehicle efficiency, environmental stewardship, and safety.

We are executing route optimization strategies to maximize our overall vehicle efficiency. With the complete rollout of our KOF Digital Distribution platform in Mexico and Brazil, we have installed telemetry equipment on 100% of our secondary distribution fleet. Thanks to our trucks' telemetry data—combined with the functionality of our mobile delivery devices—we enjoy the capability to identify and correct deviations in our distribution route execution versus our route plan. This equipment also enables us to analyze our route execution patterns in order to identify an optimal combination of variables to improve our route planning process. As a result, we optimize our fleet's usage, minimizing our vehicles' downtime while maximizing our vehicles' uptime. Thanks to our telemetry equipment, we also significantly reduced our fuel consumption by more than 1.2 million liters for the year.

“ We have installed telemetry equipment on 100% of our secondary distribution fleet in Mexico and Brazil.”

Moreover, with our deployment of dynamic routing across our secondary distribution fleet in Brazil, Colombia, and Argentina, we enjoy the flexibility to plan our vehicles' routes every day, thereby optimizing our available fleet resources and our distances traveled to serve our customers.

Additionally, we leveraged our secondary fleet substitution program in Mexico and Brazil, where we maintain our largest volume of delivery trucks. Over the past three years, we have substituted more than 600 trucks with vehicles that meet higher emission standards. Thanks to this program, we not only significantly reduce our fuel consumption, emissions, and maintenance costs, but also reinforce our commitment to eco-efficiency with local environmental authorities.

In the Valley of Mexico, we continued to work closely with local governmental authorities to earn certification for 1,400 of our trucks under the self-regulation program. Pursuant to this voluntary program, we commit to minimize our local delivery fleet's emissions through key initiatives, including our efficient maintenance process and ongoing fleet substitution program. Among other benefits, local authorities allow us to continually operate our complete secondary distribution fleet every day—fostering our social license to operate.

“With our deployment of dynamic routing across our secondary distribution fleet in Brazil, Colombia, and Argentina, we enjoy the flexibility to plan our vehicles' routes every day.”

SHARED OPPORTUNITY WITH OUR COMMUNITIES

We work closely with our communities to strengthen and consolidate positive relationships with our communities; identifying and developing shared opportunities for our company and communities' sustainable development.

Sustainable Sourcing

At Coca-Cola FEMSA, we work with our suppliers to reduce the environmental and social impacts generated by our commercial interactions and thus improve the conditions of our supply chain. In this way, we not only minimize negative impacts, but also raise standards in key business areas, increase labor efficiency, preserve environmental capital, and reduce risks and costs for all those involved throughout the value chain.

As part of our company's sustainable sourcing mandate, in conjunction with our defined strategic initiatives,

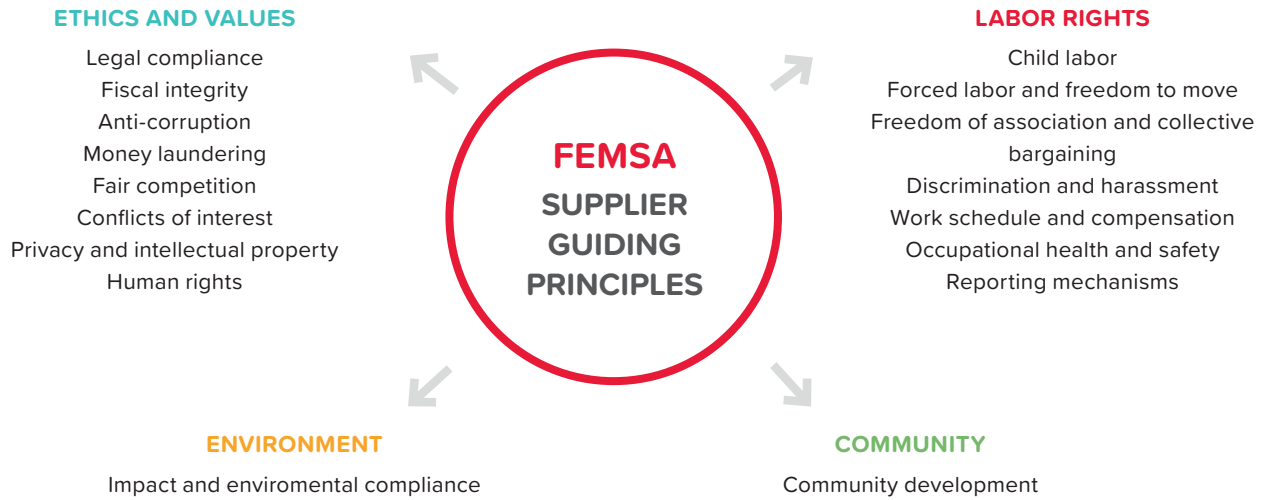
Environmental excellence

In recognition of our CO₂e emissions reduction, we earned the Environmental Excellence Award from Mexico's Federal Agency of Environmental Protection (PROFEPA). Moreover, for voluntary efforts to reduce our vehicles' emissions, we earned the Clean Transportation Award from Mexico's ministries of Environment and Natural Resources (SEMARNAT) and Communications and Transportation (SCT) for the eighth consecutive year.



each supplier cooperates to minimize their social and environmental risks over which we have no direct control and which cause impacts throughout our supply chain on a daily basis. The general guidelines that we use to make this happen are:

1. **The Coca-Cola Company's (TCCC) Supplier Guiding Principles** focus on strategic input categories and include areas such as Human Rights Policies, Environmental Protection, and Labor Rights. Through audits that ensure compliance with these standards, TCCC authorizes its bottlers to work with approved suppliers.
2. **Sustainable Agriculture Guiding Principles** Established by TCCC, they include the same areas as the previous principles, but are adapted to suppliers of agricultural raw materials.
3. **FEMSA's Supplier Guiding Principles** We apply these principles to mitigate social risks of suppliers for categories that are different from those of the strategic inputs and are relevant to the value chain.



These principles reflect the standards that guide our daily activities to ensure we provide responsible workplaces that protect human rights and comply with environmental laws. Founded on these principles, we follow a comprehensive five-step Sustainable Sourcing Strategy:

- 1. Prioritization of categories**
- 2. Sustainable purchases**
- 3. Assessment**
- 4. Capabilities Development**
- 5. Recognition**



Prioritization

Year after year, our company uses a proprietary tool to determine which suppliers from the countries that we have evaluated are candidates for a risk mitigation process. Suppliers are prioritized by taking into account factors such as expenditure, environmental, social, and ethical impacts for each product category, dependability, brand association, and operational criticality. After this analysis, a list of suppliers that must enter the evaluation process is generated.

“ At Coca-Cola FEMSA, we work with our suppliers to reduce the environmental and social impacts generated by our commercial interactions and thus improve the conditions of our value chain.”

Sustainable purchases

Through this step, we include FEMSA's Supplier Guiding Principles in our supplier contracts and requests for information, give general guidelines for assessment procedures, and provide training for sourcing and purchasing employees.

Assessment

At Coca-Cola FEMSA, we assess our suppliers continuously through our Sustainable Sourcing System, ensuring that they are aligned with our company's operating principles and values. Carried out online, this assessment focuses on four main areas: Social/Labor Rights; Environment; Ethics and Values; and Community. To ensure the process' transparency, a third party reviews and verifies the information, and we then provide feedback and create action plans to encourage supplier development, ethics, and sustainability. All of our suppliers with low scores are audited at their facilities and evaluated periodically to encourage their continuous improvement. This year, we conducted 400 supplier evaluations based on FEMSA's Supplier Guiding Principles, performing these evaluations for the first time in Argentina and Panama. Since 2015, we have carried out 1,471 evaluations under these principles.



Suppliers assessed under The Coca-Cola Company guiding principles				
COUNTRY	2015	2016	2017	2018
Mexico	33	52	40	59
Costa Rica	2	3	7	0
Guatemala	3	5	8	7
Nicaragua	0	1	0	0
Panama	1	0	3	3
Argentina	5	11	19	10
Brazil	54	47	102	51
Colombia	8	7	18	11
Venezuela	1	0	0	0
Total	107	126	197	141

Since 2015,
we have carried out

1,471

evaluations under FEMSA's
Supplier Guiding Principles

Consistent with this strategy, The Coca-Cola Company assesses and ensures compliance with its guiding principles and sustainability standards for specific categories of strategic suppliers; we only work with suppliers approved by TCCC in those categories. In 2018, TCCC carried out 141 evaluations of suppliers aligned with their supplier guidelines.

Suppliers assessed under FEMSA guiding principles				
COUNTRY	2015	2016	2017	2018
Mexico	100	198	245	172
Costa Rica	30	120	106	34
Guatemala	–	–	49	34
Nicaragua	–	84	94	27
Brazil	–	–	45	66
Panama	–	–	–	36
Argentina	–	–	–	31
Total	130	402	539	400

In addition to these assessments, Coca-Cola FEMSA is one of the few companies that promoted the application of these assessments to our Tier 2 suppliers or the suppliers of our suppliers. Currently, our strategic suppliers are applying the same risk assessment and mitigation mechanisms within their own value chain. This ensures that the knowledge and the drive for greater sustainability not only remains within our circle of influence, but also extends to all of those who participate in supplying our raw materials, inputs, and services.

Capabilities development

To strengthen our suppliers’ business capabilities, we provide them with access to training and growth initiatives on topics such as finance, marketing, and human resources, among others. We also support their growth and build their business skills, improve their companies, and develop high quality products aligned with our principles and values.

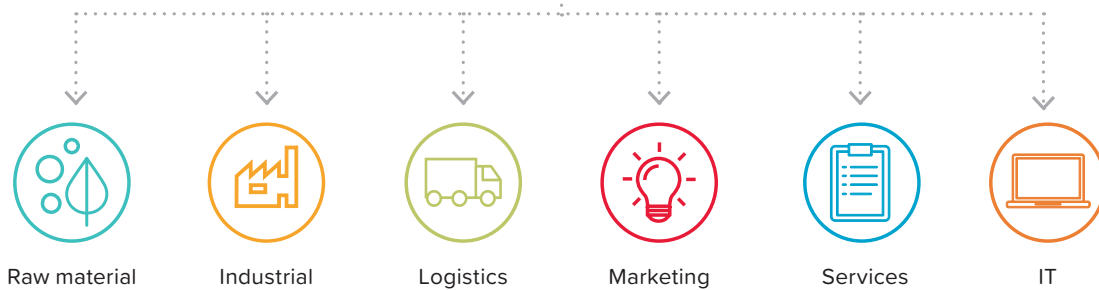
In collaboration with the Mexican Center for Competitiveness (Centro Mexicano de Competitividad), we carry out a Comprehensive Supplier Development Program for strategically selected small- and medium-sized enterprises (SMEs) to improve their business capabilities. Through this program, we collaborate with suppliers to not only improve their sustainable competitiveness, but also forge stronger

relationships with our company and other large companies. In 2018, 50 suppliers participated in the program, training a total of 231 suppliers from Mexico and Costa Rica over the past three years.

Recognition

The good performance of our suppliers on sustainability issues is very important. Accordingly, we recognize all of those suppliers that incorporate sustainability into their own business’s DNA not only as a requirement for doing business with Coca-Cola FEMSA, but also as a competitive advantage and a means to become socially responsible. In Brazil, we conduct the Premium Suppliers program through which we recognize suppliers in the following categories:

SUPPLIER CATEGORIES



Community development

To develop stronger relationships with our immediate communities, we encourage continuous dialogue and interaction. By systematically analyzing their particular needs, we design and deploy activities that benefit both our communities and our company. In this way, we seek to build trust and ensure the commitment of all parties involved—maintaining our social license to operate.

This not only enables us to consolidate positive relationships with our communities, but also contributes to our ability to serve the market while identifying key opportunities to collaborate with our neighbors.



OUR 2020 GOAL

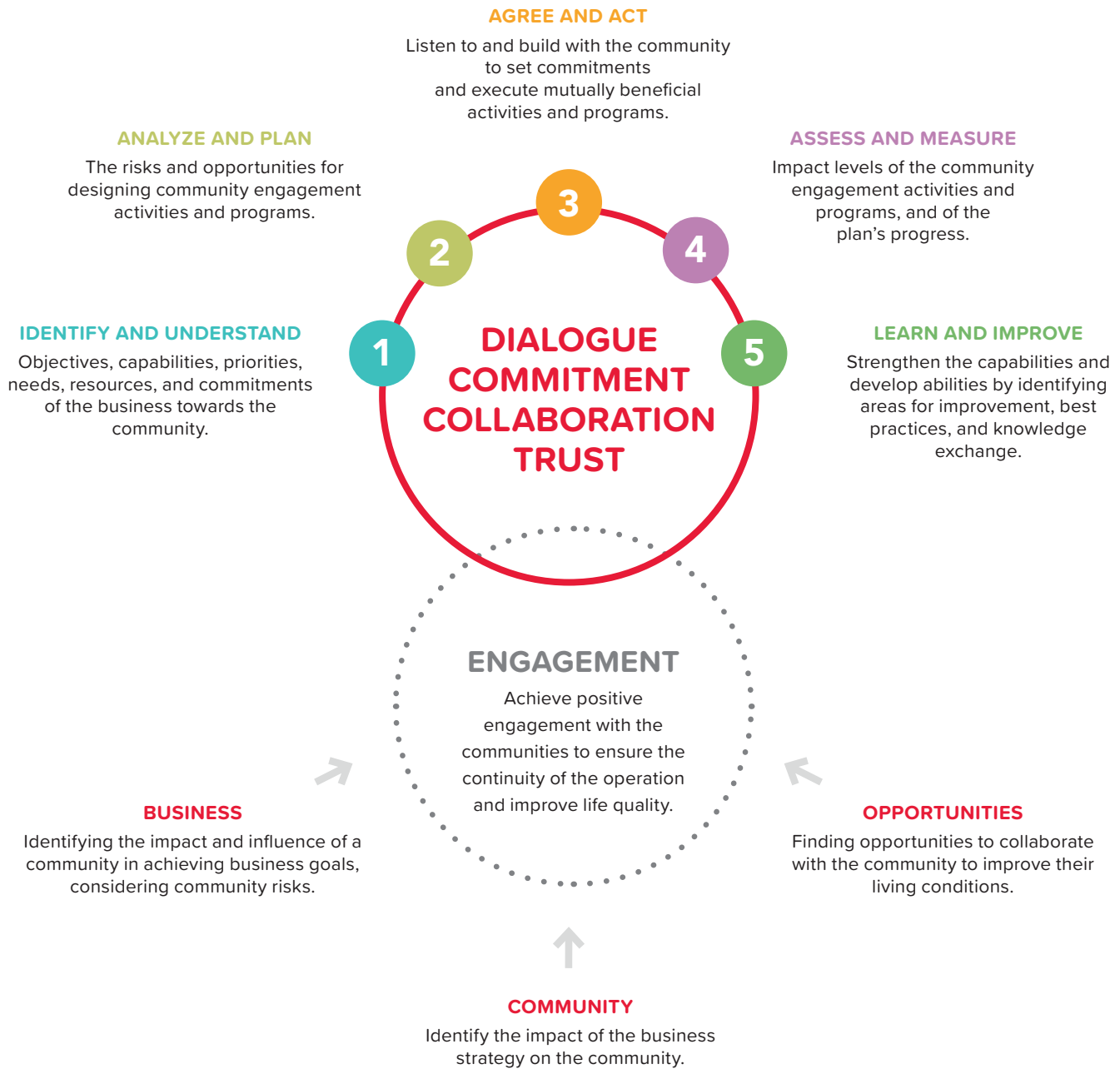


To put in place a community relations plan throughout 100% of our key work centers.

“To develop stronger relationships with our immediate communities, we encourage continuous dialogue and interaction.”

Community relations management model

To create a community relations vision that we can put it into practice in a standardized and systematic manner, we developed a management model that includes five sequential steps—which are the foundation of our Model for Addressing Risks and Relations with the Community (MARRCO).



During 2018, we implemented MARRCO in 20 work centers. From 2016 to date, we have implemented MARRCO in 48 work centers, including plants and distribution centers, representing 77% of our manufacturing facilities.

Based on MARRCO methodology, these work centers are designing a community engagement plan to immediately implement a series of measures, including mitigation activities to reduce our operational footprint and community programs aligned with local needs and risks. In turn, this will help us to ensure our positive coexistence and our business' permanence at those locations.

MARRCO locations		
COUNTRY OR REGION	WORK CENTER	
	DISTRIBUTION CENTERS	MANUFACTURING FACILITIES
Mexico (15)	–	Altamira, Coatepec, Cuatitlán, Cuernavaca, Ixtacomitán, Lagos de Moreno, Reyes, Morelos, Puebla, Querétaro, San Juan del Río, Tabasco, Tamaulipas, Toluca, Veracruz
Argentina (4)	Mega, Parral	Alcorta, Monte Grande
Brazil (12)	Blumenau, Jurubatuba, Santos, Sumaré, Marília	Campo Grande, Itabirito, Jundiá, Marília Planta, Maringá, Porto Alegre, Antonio Carlos
Colombia (10)	Girardot, Monteria, Valledupar	Barranquilla, Bogotá, Bucaramanga, Calera, Cali, Medellín, Tocancipá
Costa Rica (2)	–	Calle Blancos, Coronado
Guatemala (1)	–	Guatemala
Nicaragua (1)	–	Managua
Panama (3)	Panama CEDIS	Estrella Azul, Panama

US\$3.0
million invested to foster
community development and local
environment impacts



Social programs and initiatives

At Coca-Cola FEMSA, we have built positive relationships with our communities by carrying out different social programs and initiatives in order to improve local living conditions from the moment we begin our operations. Recognizing the diversity of our countries and communities, we develop enriching activities aligned with their local needs.

In 2018, we carried out 179 community development interventions, to benefit our communities across the 10 countries where we operate.

Among our many different activities, our exemplary social programs and initiatives in these countries include:



BRAZIL

Edital Idéias para um Mundo Melhor

The project took place in Maringá, Itabirito, Marília, Jundiá, Sumaré and Porto Alegre. A public call for proposals from social organizations that want to receive support or sponsorship for their project, which should be linked to the pillars of our sustainability strategy of healthy lifestyle, environment and community development. The pre-selected projects are invited to present at our facilities in the presence of a committee composed of several employees in leadership positions who jointly choose the winning project.



ARGENTINA

Canteros Alcorta Program

We rehabilitated the boulevard in front of our Alcorta plant by installing sports facilities.



COSTA RICA

Female Empowerment Project

With the participation of female entrepreneurs and neighbors from Calle Blancos, we carry out financial practices workshops to benefit their small businesses.



MEXICO

Vive Tu Parque

These parks feature an outdoor gym, sports facilities, drinking fountains, children's games, and lights.



URUGUAY

ANIMA

We receive students so they can complete their educational process performing the tasks agreed with ANIMA teachers for their development and learning. In turn, they receive an established remuneration and a subsequent evaluation of their performance.

We invested
US\$24.2 million
in our people



Consistent



Cultural evolution

Our cultural evolution is a consistent multi-year journey. Through this journey, we look to empower our people to lead our growth and transformation in the face of an ever-challenging environment, enabling them to work in the same direction to achieve our business results; achieve and enhance our position as the best total beverage leader; and live our core beliefs and behaviors each and every day.

CLEAR MISSION, VISION, AND VALUES

Our mission, vision, and values embody the essence of our company. They enable our behavior, express our integrity, and reflect our respect for human dignity—enhancing our organization’s culture to achieve our sustainable business strategy.

Mission

Our mission is to satisfy our beverage consumers with excellence.

Vision

Our vision is to become the best total global beverage leader, generating sustainable economic, social, and environmental value by managing innovative, winning business models with the best employees in the world.

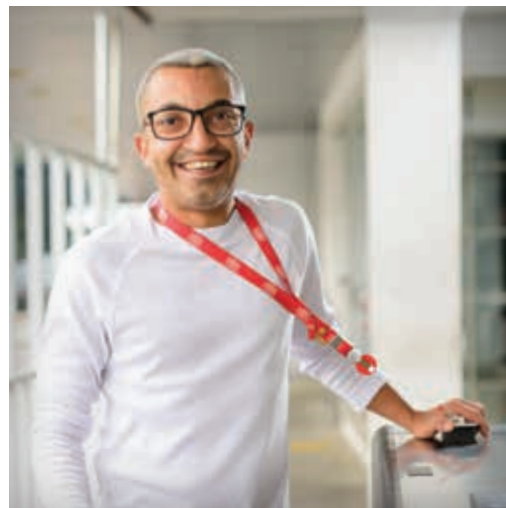
Values

Our values are key to ensuring our behavior every day. They express who we are and what we believe, while underscoring our integrity.

Organizational Values	Personal Values
Customer Focus We always look to improve our clients’ experience and value proposition.	Integrity and Respect We generate, inspire, and cultivate confidence in our people and their work.
Commitment to Excellence We focus on continuous improvement to achieve excellence and generate value.	Sense of Responsibility We are committed and measured; we recognize and take accountability for our actions.
Aptitude and Willingness to Collaborate We develop the best teams and coordinate our efforts to enable our clients through systemic thinking.	Simplicity and Service Attitude We do not perceive ourselves as superior to others—always willing to collaborate and to serve.
Spirit of Innovation We constantly question the status quo to positively transform our business model.	Passion for Learning We are constantly searching for new learning and challenges to develop our skills in a dynamic environment.

People first

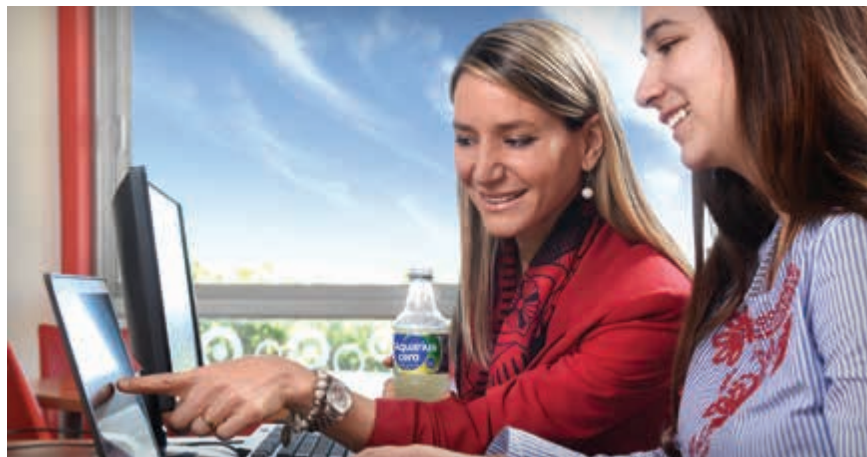
Our people and the way they work together are our company’s most valuable assets. Accordingly, we invested US\$24.2 million in our people over the course of the year, including social development and volunteer activities, training initiatives, and occupational health programs.



“We created an accelerated development program tailored to managers and directors in all countries in which we operate.”

KOF accelerated leaders program

To establish a pipeline of available leadership talent, we created an accelerated development program tailored to managers and directors in all of the countries in which we operate. We established strategic alliances with multiple academic institutions—including Tecnológico de Monterrey, IPADE Business School, EF Mexico, and Lee Hecht Harrison—and we created an app to help carry out the program’s virtual classes for participants from all of our countries. Through this program, 41 managers and 18 directors totaled 7,449 and 2,682 hours of training, respectively.



EMPOWER OUR PEOPLE TO LEAD OUR TRANSFORMATION

Our passion for continuous evolution has enabled us to build a history of great achievements that is reflected in our healthy growth over the past decade.

To empower our people to lead our growth and transformation in the face of an ever-changing industry environment, we defined KOF DNA—a set of beliefs and behaviors that we aspire to live and breathe on a day-to-day basis.

Building on our cornerstones of leadership, talent development, and innovation, our KOF DNA will enable us to not only accelerate our cultural evolution, but also achieve our strategic vision of becoming the best total beverage leader in our industry.

Recognizing that our people co-create our culture and share responsibility for our company’s transformation, KOF DNA is comprised of five key elements.

“In 2018, we invested US\$10.8 million in employee training initiatives.”



KOF DNA

OPERATIONAL EXCELLENCE

We strive for excellence in everything we do

PEOPLE FIRST

We value our people and work as one KOF

OBSESSIVE FOCUS ON CONSUMER & CLIENT



Our consumers and clients are at the center of everything we do

AGILE DECISION MAKERS

We are action oriented, making fast and assertive decisions

OWNERS MENTALITY

We think and act like owners, with focus on results

5 million
hours of training



Our cultural evolution is a multi-year journey, and we will know that we have triumphed when all of our employees:

1. **Work in the same direction** to achieve our business results
2. **Maintain and enhance our position** as the best total global beverage leader in our industry
3. **Live our DNA** at all times each and every day

TALENT MANAGEMENT AND DEVELOPMENT

“People First” is a key element of our company’s DNA. We comprehensively manage, attract, develop, and motivate our people effectively, preparing the next generation of leaders today.

Succession & Mobility

During the year, we undertook actions to continue developing a “talent mindset” within our organization, in which our leaders’ role is essential to establishing constant employee feedback and enabling them to achieve their full potential.

Under our 9-Box Performance-Potential Methodology, more than 5,150 employees from executive, senior, and middle management, as well as individual contributors, were evaluated throughout our operations in order to identify and take actions to develop our talent pipeline within our company. On average, approximately 30% of these employees are considered high potential talent, with 80% of them enjoying a clear career track that will contribute to our talent pipeline at different organizational levels.

Our succession process continues with a differentiated professional offering that supports the appropriate allocation of resources for each type of talent. This is translated into actions such as accelerated development programs for current and future managerial talent, constant monitoring of our compensation and benefits scheme, and compliance with our employee mobility game plan. Consequently, internal personnel covered 78% of our company’s director and managerial moves, reaching 78% at our middle management level. Of these moves, 65.7% constitute promotions across all of our organizational levels.

78%

of our company’s director and managerial moves were filled by internal candidates

Career Paths

Considering our employees’ feedback in several organizational surveys, we understand the need to provide them with more information to boost their career within our organization by communicating clear career paths. Through professional development dialogues, we seek to empower our employees to advance their own careers, while enabling our leaders to effectively guide their people’s growth. With shared responsibility between both leaders and associates, they agree on specific self-development actions based on the 70:20:10 model for learning and development.



“We undertook actions to continue developing a “talent mindset” within our organization, in which our leaders’ role is essential to establishing constant employee feedback and enabling them to achieve their full potential.”

FEMSA University

We reviewed and established guidelines to improve the quality of online registration for courses and functional materials available on FEMSA University’s platform. We also trained new administrators about the functionalities of this online learning platform—consolidating our community of 120 administrators—an increase of 21% versus the previous year. As a result of the increased development of virtual initiatives, the platform’s use grew by 38% year over year.

COMPENSATION AND BENEFITS

Our people’s compensation and benefits scheme recognizes their effort and commitment to their jobs, along with their contribution to creating value for our company.

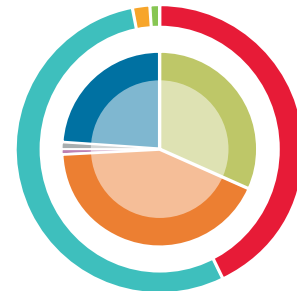
At all levels of our organization, we ensure that our employees’ remuneration is competitive and that their conditions are equal for both men and women. To ensure the competitiveness of our benefit packages in all of our operations, consistent with our talent acquisition and retention strategy, performance-based bonus practices for middle management were reviewed against the market in countries without benefits. Moreover, to ensure our management team’s competitive compensation and to prevent a loss of talent in recovering economies, an analysis was developed together with Mercer, a world leader in the health and benefits marketplace.

Moreover, we make sure that the salaries of direct employees in entry-level positions are on average 5.18 times higher than the corresponding minimum wage in each country. Additionally, based on studies performed by international consulting firms that enable us to make comparisons between countries, we can determine that 15.6% of our employees are receiving an integrated salary that is greater than or equal to the market average.

We comply with all labor rights and obligations stipulated by law, surpassing the conditions and benefits established in the laws of each of the countries where we operate. Our collective bargaining agreements cover approximately 58% of our workers. These labor contracts are reviewed and agreed on with all our union representatives, respecting the established validity times, as well as complying with all notification periods. As of December 31, 2018, we had 191 separate collective bargaining agreements with 105 workers’ unions. In general, we have good relations with the unions in all our operations; however, we operate in complex environments, such as Argentina and Nicaragua.



Training hours



PER LEVEL

- Administrative staff: **43%**
- Operations staff: **54%**
- Directors and managers: **2%**
- Third Parties: **1%**

PER TOPIC

- Health and safety: **32%**
- Technical expertise: **43%**
- Ethics and human rights: **1%**
- Languages : **1%**
- Others: **24%**

“Our people’s compensation and benefits scheme recognizes their effort and commitment to their jobs, along with their contribution to creating value for our company.”

INCLUSION AND DIVERSITY

At Coca-Cola FEMSA, we are committed to fostering a culture of inclusion and diversity—promoting mutual respect across our organization. We recognize that our differences make us stronger, more competitive, and better able to adapt to an ever-changing global environment. Together, we create an inclusive, diverse, safe work experience for all of our people.

Inclusion & Diversity Strategy

We listen to our people on issues of disability, gender equality, sexual orientation, culture, and generational diversity. With their insights in mind, we established our comprehensive Inclusion & Diversity Strategy, based on three pillars:

1. Encourage inclusive leadership behavior throughout our organization

Promote access to opportunities, eliminate unconscious prejudices, and develop leaders who understand the importance of an inclusive organization.

2. Build an inclusive and diverse portfolio of talent

Develop a diverse portfolio of talent for succession planning and future key talent positions, as well as an inclusive talent acquisition and retention strategy that respects the complexity of our business and our markets.

3. Generate an inclusive and flexible work environment

Continue to create an inclusive workplace environment that recognizes and respects our people’s differences and reinforces and captures our employees’ commitment.



HRC Equidad MX Certification

For the first time, we achieved Equidad MX certification from the Human Rights Campaign (HRC) Foundation. After last year’s official launch of HRC Equidad MX, we were selected for their list of top-rated employers and earned “Best Place to Work for LGBT Inclusion” certification.



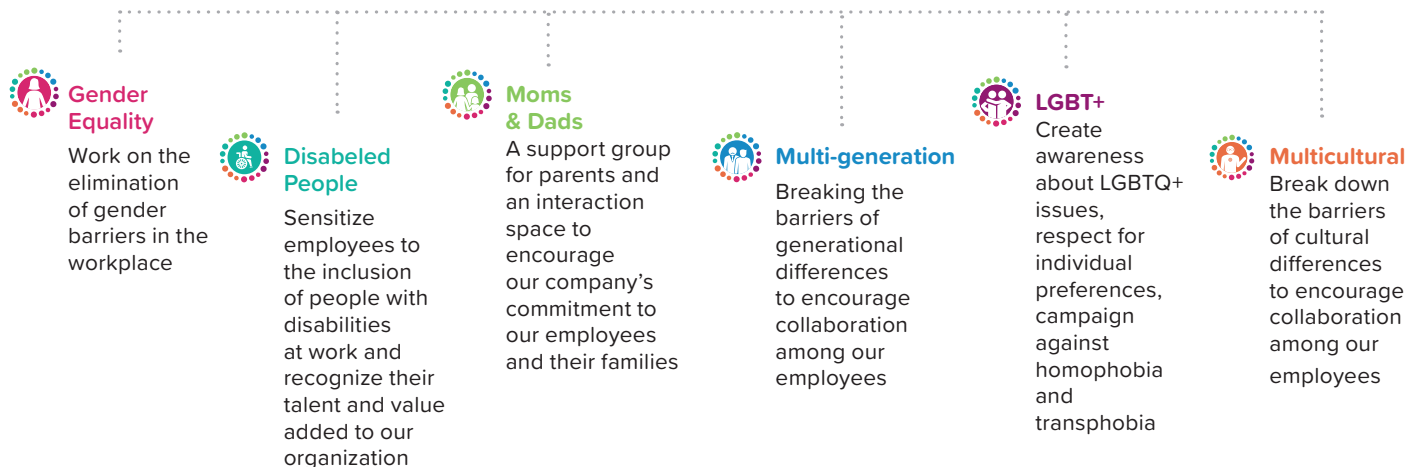
Bloomberg gender-equality index

Coca-Cola FEMSA is proud to be a member of the Bloomberg 2019 Gender-Equality Index (GEI). A twofold achievement, the GEI recognizes companies around the world for their commitment to both workplace equality and transparency.



Inclusion & Diversity Networks

Consistent with our strategy, our six Inclusion and Diversity Networks design and deploy campaigns, programs, and activities that promote a culture of respect across our organization.



Flexible Schedules & Benefits

We take care to encourage a good work/life balance for our employees. To this end, we promote the use of flexible benefits, including:

- Extended maternity leave
- Paternity leave
- Flexible schedules
- Personal days
- Permission for family losses, marriages, and birthday celebrations
- Home office
- Casual dress codes

SOCIAL DEVELOPMENT

We promote the development and quality of life of our employees through a model of integral well-being, that positively influences their environment.

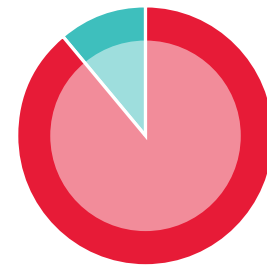
Social Development Strategy

To this end, during 2018, we refocused our Social Development Strategy, concentrating on five dimensions:

- **Health:** We promote healthy physical and bio-psychosocial lifestyles for our employees.
- **Social Relationships:** We encourage satisfactory relationships in harmony with the environment and community through employee volunteering activities.
- **Economy:** We work to build and protect our employees' family assets and promote a culture of savings.
- **Educational:** We look to improve our employees' school levels, increase their knowledge and skills, and foster their cultural, creative, and technological development.
- **Labor:** We are committed to our employees' excellence on the job and within their organizational environment while developing a sense of belonging.

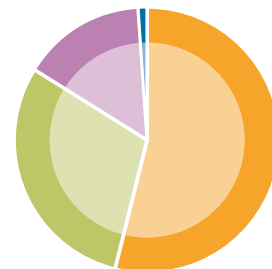


Personnel per gender



- Male: **90%**
- Female: **10%**

Personnel per age range



- 18 - 34: **54%**
- 35 - 44: **30%**
- 45 - 59: **15%**
- 60+: **1%**

Promoting social development

In 2018, we invested US\$3.7 million in programs promoting the proper balance between work and family, improving our employees' wellbeing and quality of life.

“At Coca-Cola FEMSA, we are committed to fostering a culture of inclusion and diversity—promoting mutual respect across our organization.”

KOF Volunteers Program

We encourage the development of our employees and their families as responsible citizens, committed to their community, society, and environment. Through the KOF Volunteers program, we promote initiatives that enable us to beneficially impact the quality of life and wellbeing of the communities where we operate, strengthening our relationships with them, while positively affecting our corporate position and reputation.

In 2018, we had 91,143 participants, including our employees and their families, who devoted 395,773 hours to approximately 1,400 volunteer initiatives, supported by an investment of more than US\$255,000. By year-end 2018, we made 39.5% progress toward our 2020 goal of 1 million hours of volunteer work.

Our overall volunteer activity is committed to six different causes:



Community Development



Environment



Natural Disasters



Health



Education



Human Rights

OUR 2020 GOAL



To generate 1 million hours of volunteer work

OCCUPATIONAL HEALTH

At Coca-Cola FEMSA, we look to promote an improved quality of work life for all of our employees across our organization.

“In 2018, we had 91,143 participants, including our employees and their families, who devoted 395,773 hours to approximately 1,400 volunteer initiatives.”

Occupational Health Management System

Our Occupational Health Management System establishes the vision, strategy, objectives, elements, and activities through which we improve the quality of work life for our employees across our company’s work centers and strategic business units. Complying with our legal, ethical, scientific, and organizational framework, this system encompasses our health processes and programs that we apply according to applicable risk matrices, local legislation, and operational needs.

OUR 2020 GOAL



Zero fatalities from work-related diseases

Reduce by 20% our general illness absentee rate compared to 2020

Health & Wellbeing Policies

At Coca-Cola FEMSA, our Corporate Occupational Health area is responsible for proposing relevant revisions and updates to our three Health and Wellbeing Policies:

- Occupational Health
- Personnel with Healthy Habits
- Healthy Culture

As well as this annual corporate review, which is sent for approval to our Director of Social and Labor Development and Global Director of Human Resources, our company's internal audit area will later review these policies for dissemination and implementation across our operations.

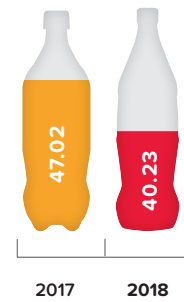


Employee Support Program

In 2018, we launched our Employee Support Program. This emotional containment service is designed to assist our employees and their families to resolve situations that may generate emotional disturbances such as stress, anxiety, and depression, among others, which may affect their development in either their daily life or their work environment.

This program is part of our Comprehensive Welfare Strategy to reduce psychosocial risk factors inside and outside of work through the attention and advice of psychologists and other health professionals according to the different situations that affect our employees.

General Illness Index per 100 associates



Lost days due to General Illness Index per 100 associates



14.5%
reduction of our
General Illness Index





Interview

with our former

CFO

After more than 25 years as our Chief Financial Officer and a distinguished career of more than 37 years at FEMSA, Héctor Treviño Gutiérrez decided to retire effective December 31, 2018. Over the years, Héctor led our company's profitable growth through his strategic vision, unwavering financial discipline, and unmatched work ethic.

Looking back on our company's 25th anniversary, Héctor reflects on our achievements and opportunities. He also discusses our operating highlights, the sale of our majority stake in Coca-Cola FEMSA Philippines, our M&A strategy, and our steps to strengthen our capital structure and financial flexibility, while maximizing shareholder return.

Q Hi, Héctor. 2018 marks the 25th anniversary of Coca-Cola FEMSA. As its CFO over the course of these 25 years, could you summarize the company's achievements?

A For me and for our company, this marks a very impressive 25-year journey. Beginning in 1993, two landmark events took place when FEMSA and The Coca-Cola Company incorporated Coca-Cola FEMSA and, subsequently, began trading the new company's shares on the New York Stock Exchange (NYSE) and the Mexican Bolsa (BMV). At the time of its IPO, Coca-Cola FEMSA was valued at US\$1 billion.

We took our first step abroad with the acquisition of Coca-Cola's bottling franchise in Buenos Aires, Argentina, in 1994. Our initial entry into South America offered an important opportunity to rebuild our entire business model, while developing Right Execution Daily (RED) and segmented execution to maximize our operations' potential.

In 2003, we seized a leadership position in the beverage industry with our watershed acquisition of Panamco. This acquisition enabled us to become the world's second largest Coca-Cola bottler, expanding our presence to serve 174 million consumers across nine of Latin America's most important markets—multiplying our volume six times.

From 2008 through 2016, we strengthened our company's leadership position in Brazil with our acquisition and integration of four significant franchises: REMIL, Fluminense, Spaipa, and Vonpar. These transactions underscored the long-term strategic importance of the Brazilian market, increasing our presence to more than 50% of the Coca-Cola system countrywide.

Correspondingly, we bolstered our foremost footprint in Mexico through our merger of four important family-owned bottling franchises—Grupo Tampico, FOQUE, CIMSA, and YOLI—from 2011 through 2013. Moreover, through our joint venture with The Coca-Cola Company, we operated in the Philippines from 2013 to 2018. As a result of our turnaround strategy, we transformed the Philippine market and the operation's infrastructure to achieve unmatched results.

We remained at the forefront of the industry's evolution, transforming into a multi-category beverage company with a series of joint ventures with The Coca-Cola Company. First, in 2007, our joint acquisition of Jugos Del Valle unlocked the potential of a powerful brand of fruit juices and beverages. Second, we established a joint partnership with Matte Leão, a Brazilian infusion and tea brand. Third, we embraced the value-added dairy category through our joint ventures with Estrella Azul in Panama, Santa Clara in Mexico, and Verde Campo in Brazil. Recently, we entered a new plant-based beverage category with our joint acquisition of AdeS in 2017.

Throughout this journey, we sustained our company's strong capital structure and financial flexibility, maintaining our disciplined approach to capital allocation while capitalizing on our operational excellence to smoothly integrate new territories and beverage categories into our company. Consequently, we are now the largest non-alcoholic beverage company in Latin America—creating value for our shareholders by multiplying the original value of Coca-Cola FEMSA by 13 times.

❓ Can you walk through the highlights of the company's operations in Mexico, Central America, and South America for the year?

A Guided by our clear strategic framework, we delivered solid results in a complex consumer, macroeconomic, and raw material environment. For the year, our reported sales volume remained flat at 3.3 billion unit cases, with transactions growing 0.7% to 19.7 billion. Total revenues decreased 0.5% to Ps. 182.3 billion. Operating income declined 1.3% to Ps. 24.7 billion. Operating cash flow declined 2.3% to Ps. 35.4 billion. Our net controlling interest income reached Ps. 13.9 billion, resulting in earnings per share of Ps. 6.62 (Ps. 66.21 per ADS), and net controlling interest income from continued operations reached Ps. 10.9 billion, resulting in earnings per share of Ps. 5.21 (Ps. 52.05 per ADS).

Mexico, our largest operation, delivered positive results in the face of a tough macroeconomic environment, exchange rate volatility, and election year uncertainty. By leveraging our pricing, currency hedging, productivity, and digital initiatives, we continued to increase our pricing ahead of inflation, driving our top-line growth while mitigating raw material cost and currency volatility.

Overall, our Central America operations' positive performance was backed by our affordability strategy, coupled with the newly acquired ABASA and Los Volcanes territories in Guatemala. We significantly improved our profitability with the implementation of our pre-sale system in Guatemala. We also continued our turnaround in Costa Rica, while improving our profitability in Panama and confronting a challenging sociopolitical environment in Nicaragua.

Our second largest operation—Brazil—delivered consistent volume growth throughout the year, capitalizing on our affordability strategy. Our Brazilian operation also generated improved profitability thanks to our point-of-sale execution, digital commercial and distribution capabilities, and favorable sugar prices. Our diversified portfolio is well positioned to address the country's gradually recovering consumer and macroeconomic environment.

In Colombia, our operation continued to gain traction in a challenging competitive environment. We achieved modest volume growth most of the year thanks to our affordability strategy, achieving notable growth in our returnable colas portfolio.

Finally, in Argentina, we faced a very challenging macroeconomic environment marked by hyperinflation, substantial currency devaluation, and a deteriorating consumer environment. Nonetheless, our operation's management of the variables within its control—from our affordable portfolio to our pricing and currency hedging initiatives and cost and expense controls—prepare us better than ever to confront these challenges and protect our profitability.

According to International Reporting Standards, we adopted hyperinflationary accounting for our Argentina operation as of July 1, 2018. Consequently, we began to report our results for any given month in real terms to the end of the actual reporting period. We are also required to use the exchange rate at the end of the actual reporting period to translate the reported results of our Argentina operation to Mexican pesos.

Notably, the adoption of hyperinflationary accounting means that our company's reported results for our Argentina operation are not comparable to previous years. Therefore, to provide our investors with a more useful representation of our company's performance, we provide "comparable" results that exclude the results of hyperinflationary subsidiaries, among other effects.

Q Could you briefly discuss the company's decision to exercise its put option and sell its majority stake in Coca-Cola FEMSA Philippines, Inc.? Also, how does the company plan to use the resources from the sale of that asset?

A We enjoyed the opportunity to operate in the Philippines for over five years, leading an efficient turnaround of that operation. As part of our acquisition of a 51% stake in Coca-Cola FEMSA Philippines, Inc., on January 25, 2013, our company obtained a put option to sell back to The Coca-Cola Company no less than all of our shares at a price determined according to an agreed formula, which could not exceed the aggregate enterprise value of the original purchase.

Given the change of conditions for the Philippines' business outlook—marked by the introduction of an excise tax that considerably disrupted the market—and our disciplined approach to capital allocation—focused on driving shareholder returns—our Board of Directors concluded that exercising our put option represented the best course of action for our shareholders.

On December 13, 2018, we closed the transaction to sell our company's 51% stake in Coca-Cola FEMSA Philippines, Inc., for an aggregate amount of US\$715 million. Our company plans to use the proceeds from this transaction for debt repayment and general corporate purposes.

Q Could you update us on the company's recent acquisitions of ABASA and Los Volcanes in Guatemala and MONRESA in Uruguay?

A Our company's recent acquisitions of ABASA, Los Volcanes, and MONRESA are a testament to our positive relationship with The Coca-Cola Company. Previously operated by The Coca-Cola Company, these three important franchise territories expand our company's geographic footprint to 10 countries across Latin America. Consolidated on May 1, 2018, ABASA serves the northwest region of Guatemala, while Los Volcanes serves the country's southwest region, enabling us to develop this market through portfolio standardization and cost savings initiatives. Consolidated on July 1, 2018, MONRESA serves all of the territory of Uruguay; its proximity to our Argentina operation will allow us to capture important synergies.

Q Could you also talk a bit about the steps the company took to improve the profitability of its portfolio?

A Among our strategic portfolio initiatives, we continued to reduce the sugar content of our sparkling beverages to satisfy our consumers' lifestyles while improving the productivity and profitability of our winning product portfolio. We also satisfied our cost-conscious consumers' growing demand through our portfolio of affordable, returnable packaging alternatives at the right price points. For example, our affordable, returnable presentations enabled us to increase our consumer base and achieve

important volume growth—particularly within our cola portfolio—across our Colombian, Guatemalan, and Costa Rican markets. Moreover, consistent with our efficient resource management and packaging optimization, we continued to deploy a wide-ranging light-weighting strategy for our operations' PET presentations and caps. We further integrated a greater percentage of recycled material into our PET packages.

Q Could you further update us on the steps taken to strengthen the company's capital structure and financial flexibility, while maximizing shareholder return?

A As I noted earlier, consistent with our mandate to deleverage our company's balance sheet, we plan to primarily use the proceeds from the sale of our company's 51% stake in Coca-Cola FEMSA Philippines to repay debt and further strengthen our company's financial position. Moreover, consistent with our commitment to minimize our exposure to foreign currency denominated debt, our net debt holds zero exposure to U.S. dollars.

Through our actions, we bolstered our balance sheet, improved our debt maturity profile, and enhanced our financial flexibility. Thanks to our commitment to operating efficiency, leverage metrics, and disciplined risk management, both Moody's and Standard and Poor's ("S&P") affirmed their credit ratings on our company and revised their outlook from negative to stable, reflecting our strong liquidity and satisfactory credit metrics.

Furthermore, we made two dividend payments for a total amount of over Ps. 7.0 billion (or Ps. 3.35 per share), underscoring our company's commitment to shareholder return.

CFO Transition

Effective January 1, 2019, the Board of Directors elected Constantino Spas to serve as CFO for Coca-Cola FEMSA. Before joining the company as Strategic Planning Officer on January 1, 2018, Constantino accumulated more than 25 years of experience in the food and beverage sector, with a demonstrated track record in companies such as Grupo Mavesa and Empresas Polar in Venezuela; Kraft Foods, SABMiller in Latin America; and Bacardi in Mexico and Latin America.





Interview

with our

CAO

José Ramón Martínez, Corporate Affairs Officer, discusses our integrated sustainability strategy. Among other topics, he talks about our main sustainability achievements, sustainable sourcing, environmental stewardship, promotion of healthy habits, and strengthening our local communities.

Q What would you say were Coca-Cola FEMSA's main sustainability achievements during 2018?

A During 2018, we made good progress on our sustainability strategy aligned with Coca-Cola FEMSA's strategic framework. As you may know, our 2020 goal is to supply 85% of our Mexican manufacturing operations' energy requirements with clean energy. For the year, we achieved significant progress towards this goal, using clean energy to cover 51.5% of our Mexican manufacturing plants' energy needs. Moreover, we increased our use of clean energy for our bottling plants in Panama, Colombia, Brazil, and Argentina, accomplishing 50% coverage of our total manufacturing operations' power needs through clean sources of energy.

Importantly, thanks to the collaboration of all of our operations, we surpassed our 2020 goal of benefiting 5 million people through our healthy habits and nutrition programs. Among our noteworthy initiatives, I would like to highlight the contribution of the Latin American Commitment for a Healthy Future regional initiative, together with local initiatives such as Ponte al 100 in Mexico, Praça da Cidadania in Brazil, La hora de Moverse in Central America, and Vive Bailando in Colombia, among others.

This year, we also joined The Coca-Cola Company's commitment to create a "World Without Waste," a comprehensive global strategy designed to manage waste in more efficient way by improving the design of our packaging, increasing post-consumption collection, and promoting a culture of recycling in our communities. Aligned with this effort, we signed The New Plastics Economy Global Commitment, led by the Ellen MacArthur Foundation in collaboration with United Nations Environment.

❓ How would you describe Coca-Cola FEMSA's integration of its sustainability strategy into its business priorities?

A At Coca-Cola FEMSA, we integrate sustainability into our day-to-day operations as a key driver of our business decisions. This enables us to guarantee our company's long-term development and continuity, foster the wellbeing of our communities, and take care of the environment, fulfilling our mission to simultaneously generate economic, social, and environmental value for all of our stakeholders. Aligned with our integrated sustainability strategy, our strategic framework calls for building a Winning Portfolio that provides consumers choices to satisfy their changing tastes and lifestyles, focuses on moderation, provides clear nutritional information, and advocates responsible marketing. Through our Operating Model Transformation, we recognize and proactively address the impacts of our operations by means of our comprehensive water management, energy efficiency, waste and recycling, sustainable mobility, safety, community development, and sustainable sourcing strategies. Consistent with our Cultural Evolution, we focus on creating a culture that empowers our people to face upcoming challenges, protect human and labor rights, promote inclusion and diversity, and manage and develop tomorrow's leaders today.

❓ Could you please elaborate on Coca-Cola FEMSA's commitment to empower consumers to make informed decisions through responsible marketing?

A Essential to our company's DNA, we obsessively focus on providing excellent service to our consumers and clients. Accordingly, transparency, fact-based information, and a high sense of responsibility form the guiding principles for our marketing practices. Given our company's position in 10 countries, our nutritional labeling strategy recognizes that each population is different, with its own needs and habits; therefore, we fully endorse and comply with each of our countries' existing legal framework, as long as this framework clearly provides science-based information to our consumers. When regulatory changes arise, we are always willing to take part in such changes, providing our expertise as a system in order to ensure that our consumers are provided with high-quality information. Additionally, our production processes fulfill the highest standards, and our ingredients comply with each of our operations' local regulations and with the standards of other regulatory agencies.

❓ Could you please elaborate on how Coca-Cola FEMSA supports The Coca-Cola Company's "World Without Waste" global initiative?

A Since 2002, we have collaborated with other food and beverage companies through ECOCE, a Mexican Civil Association that promotes the collection of waste, the creation of a national market for recycling, and the development of recycling programs. We are leaders in PET bottle-to-bottle recycling in Latin America. In 2005, we joined efforts in Mexico to operate the first Food Grade PET Recycling Plant in Latin America, called IMER (or the Mexican Recycling Industry in English). Through these ongoing efforts—together with our leadership in the use of recycled resin in our packages and our focus on recyclable packaging—we are pleased to join forces with The Coca-Cola Company through the "World Without Waste" initiative to multiply our impacts across the territories we enjoy the privilege to serve in Latin America for the benefit of our communities and to fulfill our 2030 vision.

❓ What is Coca-Cola FEMSA's strategic approach to water resource management?

Water is a key resource for our communities and our operations; therefore, we are committed to the efficient use of this natural resource in our bottling operations—returning to the environment and our communities the same amount of water used in our beverages. From 2010 through 2018, we significantly improved our water use ratio by 19% to reach 1.59 liters of water per liter of beverage produced, representing savings of more than 7.25 billion liters. Importantly, we currently give back to the environment more than 100% of the water we use in the production of our beverages in Brazil, Colombia, Mexico, and Central America.

Consistent with our commitment to water replenishment and conservation, in collaboration with the FEMSA Foundation, we carry out projects designed to improve communities' quality of life by helping to provide them with safe water, improved sanitation, and hygiene education. We further work to strengthen water funds and conserve water basins through sustainable initiatives involving partnerships with several stakeholders. Through the Latin American Water Funds Alliance—comprised of the Nature Conservancy, the FEMSA Foundation, the Inter-American Development Bank (IDB), and the Global Environmental Fund—we jointly seek to offer hydrological safety in the region, ensuring sustainable access to a sufficient quantity and quality of water to sustain human life and socioeconomic development.

“Thanks to the collaboration of all of our operations, we surpassed our 2020 goal of benefiting 5 million people through our healthy habits and nutrition programs.”



❓ Since strong communities make for strong businesses, what is Coca-Cola FEMSA's take on community engagement and development?

To create a community relations vision that we can put it into practice in a standardized and systematic manner, we developed a management model that includes five sequential steps, which are the foundation of our Model for Addressing Risks and Relations with the Community (MARRCO). Based on MARRCO, our work centers are designing a community engagement plan to immediately implement a series of measures, including mitigation activities to reduce our operational footprint and community programs aligned with local needs and risks. In turn, this will help us to not only ensure our positive coexistence and our business' permanence at those locations, but also reaffirm our social license to operate.

“We are leaders in PET bottle-to-bottle recycling in Latin America. Together with our leadership in the use of recycled resin in our packages and focus on recyclability, we are pleased to join forces with The Coca-Cola Company to multiply our impacts.”

❓ How would you say Coca-Cola FEMSA addressed a challenging, complex social and economic environment this year?

2018 presented complex social and economic challenges in Latin America, triggered by factors such as presidential elections in our Mexican, Brazilian, Colombian, and Costa Rican markets and hyperinflation in Argentina and Venezuela. At Coca-Cola FEMSA, we have full confidence in the region in which we have grown for more than 25 years. Underscoring our commitment to the region, we invested over US\$420 million to acquire The Coca-Cola Company's ABASA and Los Volcanes franchises in Guatemala and MONRESA franchise in Uruguay.

We are firmly committed to serve our markets with excellence and to grow our operations. We are prepared better than ever to face these challenging environments powered by our drive to innovate, winning product portfolio, superior point-of-sale execution, unparalleled distribution network, unmatched cold drink equipment placement, and demand-driven KOFmmercial Digital Platform built on advanced analytics.



Financial Summary

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

	U.S. ¹	2018 ^{4,5,6}	2017 ^{2,3,4}	2016 ¹	2015	2014
INCOME STATEMENT						
Total revenues	9,287	182,342	183,256	177,718	152,360	147,298
Cost of goods solds	5,012	98,404	99,748	98,056	80,330	78,916
Gross profit	4,275	83,938	83,508	79,662	72,030	68,382
Operative expenses	2,950	57,924	58,044	55,462	48,284	46,850
Other expenses, net	96	1,881	31,357	3,812	1,748	158
Comprehensive financing result	354	6,943	5,362	6,080	7,273	6,422
Income before income taxes and share of the profit or of associates and joint ventures accounted for using the equity method	875	17,190	(11,255)	14,308	14,725	14,952
Income taxes	268	5,260	4,184	3,928	4,551	3,861
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	(12)	(226)	60	147	155	(125)
Net income (loss) after tax from discontinued operations	171	3,366	3,725	—	—	—
Consolidated net income	766	15,070	(11,654)	10,527	10,329	10,966
Equity holders of the parent for continuing operations	557	10,936	(16,058)	10,070	10,235	10,542
Equity holders of the parent for discontinued operations	152	2,975	3,256	—	—	—
Non-controlling interest net income for continuing operations	39	768	679	457	94	424
Non-controlling interest net income for discontinued operations	20	391	469	—	—	—
RATIOS TO REVENUES (%)						
Gross margin	46.0	46.0	45.6	44.8	47.3	46.4
Net income margin	8.3	8.3	(6.4)	5.9	6.8	7.4
CASH FLOW						
Operative cash flow	1,806	35,456	36,292	32,446	23,202	24,406
Capital expenditures ⁷	564	11,069	12,917	12,391	11,484	11,313
Total cash, cash equivalents	1,208	23,727	18,767	10,476	15,989	12,958
BALANCE SHEET						
Current assets	2,928	57,490	55,657	45,453	42,232	38,128
Investment in shares	536	10,518	12,540	22,357	17,873	17,326
Property, plant and equipment, net	3,155	61,942	75,827	65,288	50,532	50,527
Intangible assets, net	5,949	116,804	124,243	123,964	90,754	97,024
Deferred charges and other assets, net	866	17,033	17,410	22,194	8,858	9,361
Total Assets	13,435	263,787	285,677	279,256	210,249	212,366
Liabilities						
Short-term bank loans and notes payable	591	11,604	12,171	3,052	3,470	1,206
Interest payable	25	497	487	520	411	371
Other current liabilities	1,702	33,423	42,936	36,296	26,599	26,826
Long-term bank loans and notes payable	3,575	70,201	71,189	85,857	63,260	64,821
Other long-term liabilities	832	16,312	18,184	24,298	7,774	9,024
Total Liabilities	6,725	132,037	144,967	150,023	101,514	102,248
Equity	6,710	131,750	140,710	129,233	108,735	110,118
Non-controlling interest in consolidated subsidiaries	347	6,807	18,141	7,096	3,986	4,401
Equity attributable to equity holders of the parent	6,363	124,943	122,569	122,137	104,749	105,717
FINANCIAL RATIOS (%)						
Current	1.26	1.26	1.00	1.14	1.39	1.34
Leverage	1.00	1.00	1.03	1.16	0.93	0.93
Capitalization	0.41	0.41	0.39	0.41	0.39	0.38
Coverage	5.41	5.40	4.54	4.80	3.92	4.72
DATA PER SHARE						
Book Value ⁸	3.029	59.473	58.343	58.920	50.532	50.999
Loss (income) attributable to the holders of the parent ⁹	0.265	5.206	(7.678)	4.858	4.937	5.086
Dividends paid ¹⁰	0.173	3.350	3.350	3.350	3.090	2.900
Headcount ¹¹	87,958	87,958	85,116	85,140	83,712	83,371

¹ Information considers full-year of KOF's territories and one month of Vonpar Refrescos, S.A. ("Vonpar").

² Income statement information considers full-year of KOF's territories and full-year of Coca Cola FEMSA Venezuela.

³ Balance sheet information does not include Coca-Cola FEMSA Venezuela's balance due to deconsolidation as of December 31, 2017. Venezuela balance is included as investment in shares as of December 31, 2017.

⁴ KOF Philippines has been classified as a discontinued operation in our profit and loss statement for the years ended December 31, 2017 and 2018.

⁵ Income statement information includes 8 months of the financial results for Abasa and Los Volcanes in Guatemala.

⁶ Income statement information includes six months in the financial results for Uruguay.

⁷ Includes investments in property, plant and equipment, refrigeration equipment and returnable bottles and cases, net of disposals of property, plant and equipment.

⁸ Based on 2,100.83 million ordinary shares as of December 31, 2018 and 2017, and 2,072.92 million ordinary shares as of December 31, 2016, 2015 and 2014.

⁹ Computed based on the weighted average number of shares outstanding during the periods presented: 2,100.83 million for 2018, 2,091.35 million on 2017 and 2,072.92 million on 2016, 2015 and 2014.

¹⁰ Dividends paid during the year based on the prior year's net income, using 2,100.83 millions outstanding ordinary shares for 2018 and 2,072.92 million outstanding ordinary shares for paid on 2017, 2016, 2015 and 2014.

¹¹ Includes third-party and for 2017 excludes 16,566 employees for our discontinued operation in Philippines.

¹² Exchange rate as of December 31st, 2018, Ps 19.64 per U.S. dollar, solely for the convenience of the reader according to the federal USA reserve.

To consult the annual report of the audit committee together with Independent auditors' report and the detail of our Financial Statements and Notes please visit the online version of the report at www.coca-colafemsa.com

Management's

Discussion and Analysis

Results from our operations for the year ended December 31, 2018 compared to the year ended December 31, 2017.

Coca-Cola FEMSA's underlying financial and operating performance in 2018 as compared to 2017 was affected by the following factors: (1) the ongoing integration of mergers, acquisitions, and divestitures: acquisitions made in Guatemala and Uruguay as of May and July 2018, respectively; (2) translation effects from fluctuations in exchange rates; (3) our results in territories that are considered hyperinflationary economies (as of December 31, 2018, Argentina and Venezuela are considered hyperinflationary economies); (4) the deconsolidation of Venezuela, as of December 31, 2017 and (5) the presentation of Coca-Cola FEMSA Philippines, Inc. as a discontinued operation as of January 1, 2018 and the re-presentation of the financial statements as if said operation was discontinued from February 2017. To translate the full year 2018 reported results of Argentina, we used the exchange rate of 37.70 Argentine Pesos, per U.S. dollar. In addition, the average depreciation of currencies used in our main operations during 2018, as compared to 2017, was: Brazilian Real 14.5%, Colombian Peso 0.2%, Mexican Peso 1.6% and Uruguayan Peso 7.2%.

Consolidated Results

Total Revenues

Our reported consolidated total revenues decreased 0.5% to Ps. 182,342 million in 2018, including the results of our acquisitions in Guatemala and Uruguay. Total revenues were also driven by price increases aligned with or above inflation in key territories, despite the depreciation of the Argentine Peso, the Brazilian Real, and the Colombian Peso, all as compared to the Mexican Peso; the deconsolidation of Coca-Cola FEMSA de Venezuela as of December 31, 2017 and the reporting of Argentina as a hyperinflationary subsidiary. On a comparable¹ basis, total revenues would have grown 5.9%, driven by growth in our average price per unit case in most of our operations, volume growth in Brazil, Central America and Colombia and flat volume performance in Mexico.

Total reported sales volume remained flat at 3,321.8 million unit cases in 2018 as compared to 2017. On a comparable basis total volume would have increased 1.3% in 2018 as compared to 2017. On the same basis our sparkling beverage portfolio's volume increased 1.0%, driven by growth across all of our operations. Our brand Coca-Cola portfolio's volume increased 2.8%, while our flavors portfolio declined 5.6%. Our still beverage category's comparable volume increased 5.8%; driven by growth in Brazil, Central America, and Mexico partially offset by a contraction in Colombia. Our personal water portfolio's comparable volume increased 7.2%, driven by growth in Brazil, Colombia, and Mexico, partially offset by a contraction in Central America. Our bulk water portfolio's volume, on a comparable basis declined 2.6%; growth in Brazil, Central America, and Colombia was offset by a decline in Mexico.

Our reported number of transactions increased 0.7% to 19,725.7 million in 2018 as compared to 2017. On a comparable basis, our number of transactions would have increased 1.4% in 2018 as compared to 2017. On the same basis, our sparkling beverage portfolio's transactions remained flat, driven by a contraction in Mexico, partially offset by flat performance in Colombia and growth in Brazil and Central America. On a comparable basis, our brand Coca-Cola portfolio's transactions increased 1.9%; growth in Brazil, Central America and Colombia, was partially offset by a decline in Mexico. Our flavors portfolio's comparable transactions declined 5.3%, driven by contractions across our operations. Our still beverage category's comparable transactions increased 4.0%; growth in Brazil, and Mexico was partially offset by a decline in Central America and in Colombia. Our water transactions in a comparable basis, including bulk water, increased 8.2%, driven by growth in Brazil, Colombia, and Mexico, partially offset by a decline in Central America.

Gross Profit

Our reported gross profit increased 0.5% to Ps. 83,938 million in 2018, with a gross margin expansion of 40 basis points to 46.0%. On a comparable basis gross profit would have grown 5.5%. Our pricing initiatives, coupled with lower sweetener prices in most of our operations, were offset by higher PET costs across most of our operations, higher concentrate costs in Mexico, and the depreciation in the average exchange rate of all our operating currencies as applied to our U.S. dollar-denominated raw material costs.

¹ Excluding the effects of: mergers, acquisitions, and divestitures; exchange rate movements; and hyperinflationary economies such as Argentina and Venezuela; and presenting Coca-Cola FEMSA Philippines, Inc., as a discontinued operation as of January 1, 2018, and the consolidated income statements presented are re-presented as if the Philippines had been discontinued from February 2017, date of the consolidation of said operation. As a result, the Asia Division is no longer reported.

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

Administrative and Selling Expenses

Administrative and selling expenses in absolute terms remained flat in 2018 as compared to 2017. As a percentage of total revenues, these expenses increased 10 basis points to 31.8% in 2018 as compared to 2017, due mainly to an increase in labor costs and freight, among other expenses, partially offset by an operative foreign exchange gain. In 2018, we continued investing across our territories to support marketplace execution, increase our cooler coverage, and bolster our returnable presentation base.

During 2018, the other expenses, net, recorded an expense of Ps. 1,881 million, due mainly to provisions related to contingencies in Brazil and Colombia, coupled with an impairment to the investment in our dairy joint venture Estrella Azul, in Panama. This is compared to an expense of Ps. 31,357 during 2017, driven mainly by a one-time non-cash charge related to the deconsolidation of Venezuela.

The reported share of the profits of associates and joint ventures line recorded a loss of Ps. 226 million in 2018, compared to a gain of Ps. 60 million recorded in 2017. This is due to a loss in our dairy joint venture in Panama and a loss in our joint venture of Jugos del Valle partially offset by gains in our joint ventures in Brazil.

Comprehensive Financing Result

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

Our reported comprehensive financing result in 2018 recorded an expense of Ps. 6,943 million compared to an expense of Ps. 5,362 million in 2017.

During 2018, we recorded an interest expense, net, of Ps. 6,564 million compared to Ps. 7,987 million in 2017. This decrease was driven by the decline of short-term interest rates in Brazil; the average exchange rate depreciation of the Brazilian Real compared to the Mexican Peso as applied to existing Brazilian Real-denominated interest expense; and the reduction of debt in Argentina, Brazil, and Colombia. However, these factors were partially offset by: (i) financing of Ps. 10,100 million for the acquisition of our new territories in Guatemala and Uruguay; and (ii) an interest rate increase in Mexico.

In addition, in 2018, we recorded a foreign exchange loss of Ps. 277 million as compared to a gain of Ps. 788 million in 2017, which resulted from the depreciation of the Mexican Peso as applied to our U.S. dollar-denominated cash position that included the income of US\$ 715 million related to the sale of our stake in Coca-Cola FEMSA Philippines, Inc.

Due to the deconsolidation of Coca-Cola FEMSA de Venezuela, no monetary position in hyperinflationary subsidiaries was recorded in the first six months of 2018. Nevertheless, with the reporting of Argentina as of July 1, 2018, a gain of Ps. 212 million was recorded in monetary position in hyperinflationary subsidiaries for the second semester of 2018, compared to a gain of Ps. 1,591 million related to Venezuela in the full year 2017.

Market value on financial instruments recorded a loss of Ps. 314 million, compared to a gain of Ps. 246 million in 2017, due to the decrease in long-term interest rates in Brazil as applied to our fixed rate cross-currency swaps, during the period.

Income Taxes

During 2018, reported income tax as a percentage of income before taxes was 31.0%.

Controlling Interest Net Income

We reported a net controlling interest income of Ps. 13,910 million in 2018 as compared to net loss of Ps. 12,802 million in 2017, which included a one-time non-cash charge related to the deconsolidation of Venezuela. Our net controlling interest income from continued operations was Ps. 10,936 million in 2018.

Consolidated Results from Operations by Reporting Segment

Mexico and Central America

Total Revenues

Total revenues from our Mexico and Central America division increased 8.1% to Ps. 100,162 million in 2018. On a comparable basis¹, total revenues from our Mexico & Central

America division would have increased 5.2%, driven by flat volume performance in the division and average price increases in Mexico.

Total sales volume increased 2.3% to 2,065.0 million unit cases in 2018 as compared to 2017. On a comparable basis sales volumes increased 0.5%. On the same basis, our sparkling beverage category's volume increased 0.5%, driven by growth in brand Coca-Cola and its extensions, partially offset by a decline in flavors. Our performance in brand Coca-Cola and its extensions was driven mainly by flat performance in Mexico, while our negative performance in flavors was driven by Central America. Our still beverage category's volume grew 6.9%, driven by growth in Mexico and Central America. Our personal water portfolio's volume increased 3.9%, driven by positive performance in Mexico. Our bulk water portfolio's volume declined 3.5% driven by Mexico.

Total transactions in the division increased 2.5% to 11,507.5 million in 2018 as compared to 2017. On a comparable basis transactions remained flat for the division. On the same basis, our sparkling beverage portfolio's transactions contracted 1.1%, driven by a 0.8% decline in brand Coca-Cola and its extensions and a 2.0% decline in flavors. Our still beverage category's transactions increased 3.2% for the division, driven by growth in Mexico, offset by a decline in Central America. Our water transactions, including bulk water, increased 3.1% for the division.

Gross Profit

Our reported gross profit increased 6.8% to Ps. 48,162 million in 2018 as compared to 2017. On a comparable basis, gross profit would have grown 4.0% in 2018. Our pricing initiatives, a favorable currency hedging position and declining sweetener costs were offset by higher PET prices, higher concentrate costs in Mexico, and the depreciation of the average exchange rates of the Mexican Peso, the Guatemalan Quetzal, the Costa Rican Colon, and the Nicaraguan Cordoba as applied to U.S. dollar-denominated raw material costs.

Administrative and Selling Expenses

Reported administrative and selling expenses as a percentage of total revenues increased 50 basis points to 33.7% in 2018 as compared with the same period in 2017, driven mainly by higher freight and labor costs in Mexico.

South America

Total Revenues

Total revenues from our South America division, decreased 9.3% to Ps. 82,180 million in 2018 as compared to 2017, driven mainly by negative translation effects due to the depreciation of the Argentine Peso, the Brazilian Real and the Colombian Peso as referenced to the Mexican Peso, and the deconsolidation of Venezuela. These effects were partially offset by volume growth in Brazil and Colombia coupled with average price per unit case growth across our

territories and the consolidation of our new acquisition in Uruguay. Revenues of beer accounted for Ps. 13,849 million. On a comparable basis, total revenues would have increased 6.9%, driven by volume growth and average price per unit case increases in local currencies across our territories.

Reported total sales volume in our South America division, decreased 3.3% to 1,256.8 million unit cases in 2018 as compared to 2017, resulting from growth in Brazil and Colombia and the consolidation of our acquisition in Uruguay, offset by volume contraction in Argentina and the deconsolidation of Venezuela. On a comparable basis, sales volume increased 2.8% in 2018 as compared to 2017, resulting from volume growth in Brazil and Colombia. On the same basis, our sparkling beverage category's volume increased 1.9%, driven by 6.3% growth in brand Coca-Cola and its extensions partially offset by a 12.0% decline in flavors. Brand Coca-Cola and its extensions grew in Brazil and Colombia. On the same basis, our still beverage category's volume increased 3.4%, with expansion in Brazil partially offset by Colombia. Our personal water category's comparable volume increased 12.8%, with growth in Brazil and Colombia. Our bulk water's comparable volume increased 8.3%, driven by growth in Brazil and Colombia.

The reported total number of transactions for the South America division decreased 1.8% to 8,218.2 million. On a comparable basis, total transactions increased 4.1%. On the same basis, our sparkling beverage portfolio's transactions increased 2.7%, driven by 6.5% growth in brand Coca-Cola and its extensions partially offset by a decline in flavors. Our performance in brand Coca-Cola was driven by growth in Brazil and Colombia. On the same basis, our still beverage category's transactions increased 5.4%; driven mainly by growth in Brazil. Our water comparable transactions, including bulk water, increased 14.3%, driven by an expansion in the division.

Gross Profit

Reported gross profit reached Ps. 35,775 million, a decrease of 6.8% in 2018 as compared to 2017, with a 110 basis point margin expansion to 43.5%, including the consolidation of Uruguay. On a comparable basis, gross profit would have grown 8.0% during the year. This figure is explained by lower sweetener prices, a favorable currency hedging position in the division, and our pricing initiatives. These factors were partially offset by higher PET prices, an unfavorable raw material hedging position in Brazil, and the depreciation of the average exchange rate of the Brazilian Real and the Colombian Peso as applied to our U.S. dollar-denominated raw material costs.

Administrative and Selling Expenses

Reported administrative and selling expenses, as a percentage of total revenues decreased 60 basis points to 29.5% in 2018 as compared to 2017, driven mainly by operating expense efficiencies in Brazil.

Corporate Governance

Board Practices

Finance and Planning Committee

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

Audit Committee

The Audit Committee is responsible for reviewing the accuracy and integrity of quarterly and annual financial statements in accordance with accounting, internal control and auditing requirements. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the independent auditor, who reports directly to the Audit Committee, such appointment and compensation being subject to the approval of our Board of Directors; the internal auditing function also reports to the Audit Committee. The Audit Committee has implemented procedures for receiving, retaining and addressing complaints regarding accounting, internal control and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing matters. To carry out its duties, the Audit Committee may hire independent counsel and other advisors. As necessary, we compensate the independent auditor and any outside advisor hired by the Audit Committee and provide funding for ordinary administrative expenses incurred by the Audit Committee in the course of its duties. José Manuel Canal Hernando is the chairman and financial expert of the Audit Committee. Pursuant to the Mexican Securities Market

Law, the chairman of the Audit Committee is elected at our shareholders meeting. The other members are: Alfonso González Migoya, Charles H. McTier, Francisco Zambrano Rodríguez, Víctor Alberto Tiburcio Celario and Ernesto Cruz Velázquez de León. Each member of the Audit Committee is an independent director, as required by the Mexican Securities Market Law and applicable New York Stock Exchange listing standards. The secretary non-member of the Audit Committee is José González Ornelas, vice-president of FEMSA's internal corporate control department.

Corporate Practices Committee

The Corporate Practices Committee, which consists exclusively of independent directors, is responsible for preventing or reducing the risk of performing operations that could damage the value of our company or that benefit a particular group of shareholders. The committee may call a shareholders meeting and include matters on the agenda for that meeting that it deems appropriate, approve policies on related party transactions, approve the compensation plan of the chief executive officer and relevant officers, and support our board of directors in the elaboration of related reports. The chairman of the Corporate Practices Committee is Daniel Servitje Montull. Pursuant to the Mexican Securities Market Law, the chairman of the Corporate Practices Committee is elected at our shareholders meeting. The other members include: Jaime A. El Koury, Luis Rubio Freidberg and Luis A. Nicolau Gutiérrez. The secretary non-member of the Corporate Practices Committee is Karina Awad Pérez.

Advisory Board

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

EXECUTIVE OFFICERS

John Santa Maria Otazua**Chief Executive Officer**

23 years as an Officer
Supervise and ensure that the Strategic Sustainability Framework is implemented in Coca-Cola FEMSA, aligning business priorities to fulfill the purpose of creating economic, social, and environmental value.

Héctor Treviño Gutiérrez***Chief Financial and Administrative Officer**

25 year as an Officer
Responsible for Finance, Legal, and Sustainable Sourcing.

Tanya Cecilia Avellan Pinoargote**Information Technology and Commercial Officer**

7 years as an Officer
Responsible for integrating the Strategic Sustainability Framework in the Business Strategy.

Karina Paola Awad Pérez**Human Resources Officer**

1 year as an Officer
Responsible for the Our People Pillar.

José Ramón Martínez Alonso**Corporate Affairs Officer**

5 years as an Officer
Responsible for the Strategic Sustainability Framework and the Our Community Pillar.

Rafael Ramos Casas**Supply Chain and Engineering Officer**

1 years as an Officer
Responsible for the Our Planet Pillar.

Constantino Spas Montesinos**Strategic Planning & New Business Officer**

1 years as an Officer
Responsible for integrating the Strategic Sustainability Framework in the Business Strategy.

Eduardo Guillermo Hernández Peña**Chief Operating Officer - LATAM**

4 years as an Officer
Supervise and ensure that the Strategic Sustainability Framework is implemented in the region.

Ian Marcel Craig Garcia**Chief Operating Officer - Brazil**

8 years as an Officer
Supervise and ensure that the Strategic Sustainability Framework is implemented in the country.

Xiemar Zarazua López****Chief Operating Officer - Mexico**

2 years as an Officer
Supervise and ensure that the Strategic Sustainability Framework is implemented in the country.

Washington Fabricio Ponce García****Chief Operating Officer – Philippines**

3 years as an Officer
Supervise and ensure that the Strategic Sustainability Framework is implemented in the country.

Rafael Alberto Suárez Olaguibel**Operational Integration Officer**

24 years as an Officer
Responsible for integrating the Strategic Sustainability Framework in the Business Strategy.

DIRECTORS

Directors Appointed by Series A Shareholders**José Antonio Fernández Carbajal**
Executive Chairman of the Board of Directors of FEMSA and Chairman of the Board of Directors of Coca-Cola FEMSA

26 years as a Board Member
Alternate: Eva María Garza Lagüera Gonda

Eduardo Padilla Silva**Chief Executive Officer of FEMSA**

3 years as a Board Member
Alternate: Francisco José Calderón Rojas

Javier Astaburuaga Sanjines**Vice-President of Corporate Development of FEMSA**

12 years as a Board Member
Alternate: Mariana Garza Lagüera Gonda

Federico Reyes García**Independent Consultant**

26 years as a Board Member
Alternate: Alejandro Bailleres Gual

John Santa Maria Otazua**Chief Executive Officer of Coca-Cola FEMSA**

5 years as a Board Member
Alternate: Héctor Treviño Gutiérrez

Paulina Garza Lagüera Gonda**Private Investor**

10 years as a Board Member
Alternate: Alfonso Garza Garza

Ricardo Guajardo Touché**Chairman of the Board of Directors, SOLFI, S.A. de C.V.**

26 years as a Board Member
Alternate: Daniel Rodríguez Cofré

Alfonso González Migoya¹**Chairman of the Board of Directors of Controladora Vuela Compañía de Aviación, S.A.B. de C.V. (Volaris), and Managing Partner of Acumen Empresarial, S.A. de C.V.**

13 years as a Board Member
Alternate: Ernesto Cruz Velázquez de León

Enrique F. Senior Hernández¹**Managing Director of Allen & Company, LLC.**

15 years as a Board Member
Alternate: Herbert Allen III

Luis Rubio Freidberg¹**President of the Organization México Evalúa**

5 years as a Board Member
Alternate: Jaime El Koury

Daniel Servitje Montull¹**Chief Executive Officer and Chairman of the Board of Directors of Bimbo**

21 years as a Board Member
Alternate: Victor Alberto Tiburcio Celorio

José Luis Cutrale**Chairman of the Board of Directors of Sucocitríco Cutrale, Ltda.**

15 years as a Board Member
Alternate: José Luis Cutrale Jr.

¹ Independent

*Constantino Spas Montesinos was appointed as Chief Financial and Administrative Officer succeeding Héctor Treviño Gutierrez, effective January 1, 2019. We recognize and thank Mr. Treviño for his valuable contributions to the company for more than 25 years.

**Effective January 1, 2019, Washington Fabricio Ponce García has been appointed Chief Operating Officer for Mexico. On the same date, Xiemar Zarazua López has been appointed Strategic Planning & New Business Officer.

Luis Nicolau Gutiérrez¹**Partner At Ritch, Mueller, Heather y Nicolau, S.C., Law Firm; Member of the Firm's Executive Committee.**

1 years as a Board Member

Directors Appointed by Series D Shareholders**José Octavio Reyes Lagunes****Retired**

3 year as a Board Member
Alternate: T. Robin Rodgers Moore

John Murphy**Senior Vice President and Chief Financial Officer of The Coca-Cola Company**

Recently appointed as a Board Member
Alternate: Franz Alscher

Charles H. McTier¹**Retired**

21 years as a Board Member

Brian Smith**President of The Coca-Cola Company Europe, Middle East and Africa Group.**

2 years as a Board Member
Alternate: Marie D. Quintero-Johnson

Bárbara Garza Lagüera Gonda**Private Investor**

20 years as a Board Member
Alternate: Maximino José Michel González

Directors Appointed by Series L Shareholders**Robert Alan Fleishman Cahn¹****Chief Executive Officer of Grupo Tampico, S.A.P.I. de C.V.**

7 years as a Board Member
Alternate: Herman Harris Fleishman Cahn

José Manuel Canal Hernando¹**Independent Consultant**

16 years as a Board Member

Francisco Zambrano Rodríguez¹**Managing Partner of FORTE Estate Planning S.C.**

16 years as a Board Member
Alternate: Sergio Deschamps Ebergenyi

Secretary**Carlos Eduardo Aldrete Ancira****General Counsel of FEMSA**

26 years as Secretary
Alternate: Carlos Luis Díaz Sáenz

INTEGRAL ETHICAL SYSTEM

Through our ethical culture, we manage under schemes that must be adopted as a way of life that inspires the acts and actions of all those who are part of the organization through the establishment of an Ethical System.

Our ethical management is based on:

- Prevent illicit behaviors that may affect our human capital and our heritage.
- Detect improper acts through open communication channels.
- Respond and provide feedback to our organization to build trust.

Therefore, our system is comprised of three fundamental elements: the Code of Ethics, an Ethics Committee and the whistleblowing system known as “DILO”.

Our Code of Ethics

It is the basis of our organizational culture, communicates our values, contemplates our main behaviors, promotes good behavior inside and outside our organization and guides our correct decision-making based on ethical principles. Our Code, recently updated, includes important topics such as Human Rights, Inclusion and Diversity, Discrimination, Violence and Harassment, Conflicts of interests, Misuse of information and Anti-corruption.

Our Ethics Committee

It is the oversight and control body, which guarantees compliance with the Code of Ethics and attends to the most relevant ethical situations of the company. In each of our territories, there is an Ethics Committee and each Committee reports to the Corporate Ethics Committee.

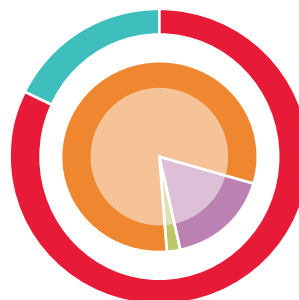
Our “DILO” whistleblowing system

Complaints about noncompliance with the Code of Ethics are received through the “DILO” complaint system, which is managed by an external company. Employees, customers, suppliers, third parties or anyone who enjoys a relationship with Coca-Cola FEMSA can use the system and their complaints can be anonymous.

A group of investigators analyzes the complaints impartially and confidentially and, if a violation of the Code is found, corrective measures are applied.

In 2018, we received 1,038 complaints, 84% closed at the end of 2018. Of these complaints, none were related to child labor, forced labor or freedom of association.

To strengthen our culture, every two years, our workers sign a Letter of Compliance to our Code of Ethics. Its purpose is to ensure that our employees are aware of the Code of Ethics, understand the main acts or omissions that may be incurred and can put at risk to our organization and that they must report any violation of the Code that they know.



PER STATUS

- Closed: **84%**
- Open: **16%**

PER TOPIC

- Human Resources: **81%**
- Operations: **17%**
- Financial Information: **2%**



Shareholders

and analyst information

Investor Relations

María Dyla Castro Varela
 Jorge Alejandro Collazo Pereda
 María Fernanda García Cruz
 kofmxinves@kof.com.mx

Sustainability & Corporate Communication

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

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Legal Counsel of the Company

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 Mario Pani N° 100
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Independent Accountants

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

Stock Exchange Information

Coca-Cola FEMSA's common stock is traded on the Bolsa Mexicana de Valores, (the Mexican Stock Exchange) under the symbol **KOF L** and on the New York Stock Exchange, Inc. (NYSE) under the symbol **KOF**

Transfer Agent and Registrar

Bank of New York
 101 Barclay Street 22W
 New York, New York 10286, U.S.A

KOF

New York Stock Exchange

Quarterly Stock Information

U.S. Dollars per ADS			2018
Quarter Ended	\$ High	\$ Low	\$ Close
Dec-31	64.59	56.99	60.84
Sep-28	63.54	54.98	61.24
Jun-29	69.25	54.72	56.43
Mar-30	78.97	64.79	66.43

U.S. Dollars per ADS			2017
Quarter Ended	\$ High	\$ Low	\$ Close
Dec-29	77.46	67.05	69.62
Sep-29	90.90	75.85	77.13
Jun-30	85.16	71.73	84.67
Mar-31	73.39	59.91	62.02

KOF L

Mexican Stock Exchange

Quarterly Stock Information

Mexican pesos per share			2018
Quarter Ended	\$ High	\$ Low	\$ Close
Dec-31	128.25	114.60	119.15
Sep-28	118.62	109.94	114.26
Jun-29	125.21	111.49	112.46
Mar-30	146.21	118.92	120.23

Mexican pesos per share			2017
Quarter Ended	\$ High	\$ Low	\$ Close
Dec-29	141.07	127.22	136.95
Sep-29	159.67	137.88	140.71
Jun-30	154.81	134.53	153.77
Mar-31	139.84	128.33	134.48

About our Integrated Report

From our headquarters in Mexico City, we present our Integrated Report 2018 edition. Developed by the guidelines of the International Integrated Reporting Council (IIRC) and in accordance with the GRI (Global Reporting Initiative) Standards: Core option. Furthermore, this Report complements our Communications on Progress (COP) to the United Nations Global Compact included by FEMSA in its 2018 report.

The information contained corresponds to the period from January 1st to December 31st, 2018. It includes data from all the countries where Coca-Cola FEMSA, S.A.B. of C.V. has operations or a majority stake. Its operations encompass franchise territories in Mexico, Brazil, Guatemala, Colombia, and Argentina, and, nationwide, in Costa Rica, Nicaragua, Panama, Uruguay, and Venezuela.

Former Chief Financial and Administrative Officer
Héctor Treviño Gutiérrez

Incoming Chief Financial and Administrative Officer
Constantino Spas Montesinos

Corporate Affairs Officer
José Ramón Martínez Alonso





Stock listing information: Mexican Stock Exchange, Ticker: KOFL | NYSE (ADR), Ticker: KOF | Ratio of KOF L to KOF = 10:1

Coca-Cola FEMSA, S.A.B. de C.V. is the largest Coca-Cola franchise bottler in the world by sales volume. The company produces and distributes trademark beverages of The Coca-Cola Company, offering a wide portfolio of 131 brands close to 290 million consumers daily. With over 87 thousand employees, the company markets and sells approximately 3.3 billion unit cases through 2 million points of sale a year. Operating 48 manufacturing plants and 297 distribution centers, Coca-Cola FEMSA is committed to generating economic, social, and environmental value for all of its stakeholders across the value chain. The company is a member of the Dow Jones Sustainability Emerging Markets Index, Dow Jones Sustainability MILA Pacific Alliance Index, FTSE4Good Emerging Index, and the Mexican Stock Exchange's IPC and Social Responsibility and Sustainability Indices, among others. Its operations encompass franchise territories in Mexico, Brazil, Guatemala, Colombia, and Argentina, and, nationwide, in Costa Rica, Nicaragua, Panama, Uruguay, and Venezuela. For further information, please visit: www.coca-colafemsa.com

**COCA-COLA
FEMSA**

**INTEGRATED REPORT
2018**

www.coca-colafemsa.com