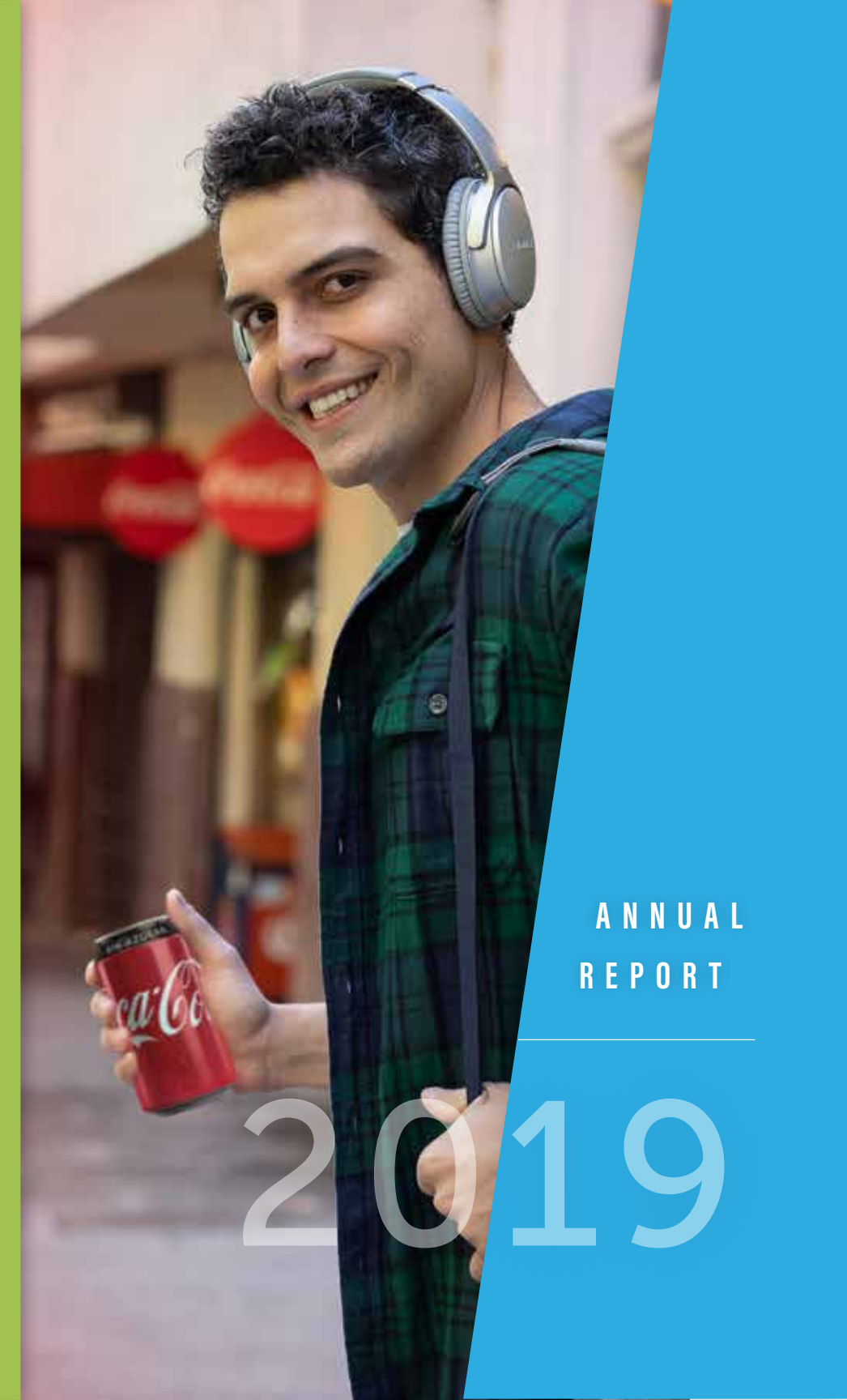


FEMISA



ANNUAL
REPORT

2019

Fomento Económico Mexicano, S.A.B. de C.V., or FEMSA, is a company that creates economic and social value through companies and institutions and strives to be the best employer and neighbor to the communities in which it operates. It participates in the following businesses:

In the retail industry, through **FEMSA Comercio**, comprising:

Proximity Division, which operates the OXXO small-format store chain;
Health Division, which includes drugstores and related activities; and
Fuel Division, which operates the OXXO GAS chain of retail service stations.

In the beverage industry, through **Coca-Cola FEMSA**, the largest franchise bottler of Coca-Cola products in the world by volume; and in the beer industry, as a shareholder of Heineken, one of the world's leading brewers with operations in over 70 countries.

In other ancillary businesses, through **FEMSA Strategic Businesses** (FEMSA Negocios Estratégicos), including logistics, point-of-sale refrigeration solutions, and plastics solutions for FEMSA's business units and third-party clients.

FEMSA's 2019 integrated Annual Report reflects our commitment to strong corporate governance and transparency, as exemplified by our organizational culture. Our financial and sustainability results are for the twelve months ended December 31, 2019 compared to the twelve months ended December 31, 2018. For more information, please see our 2019 Sustainability Content.

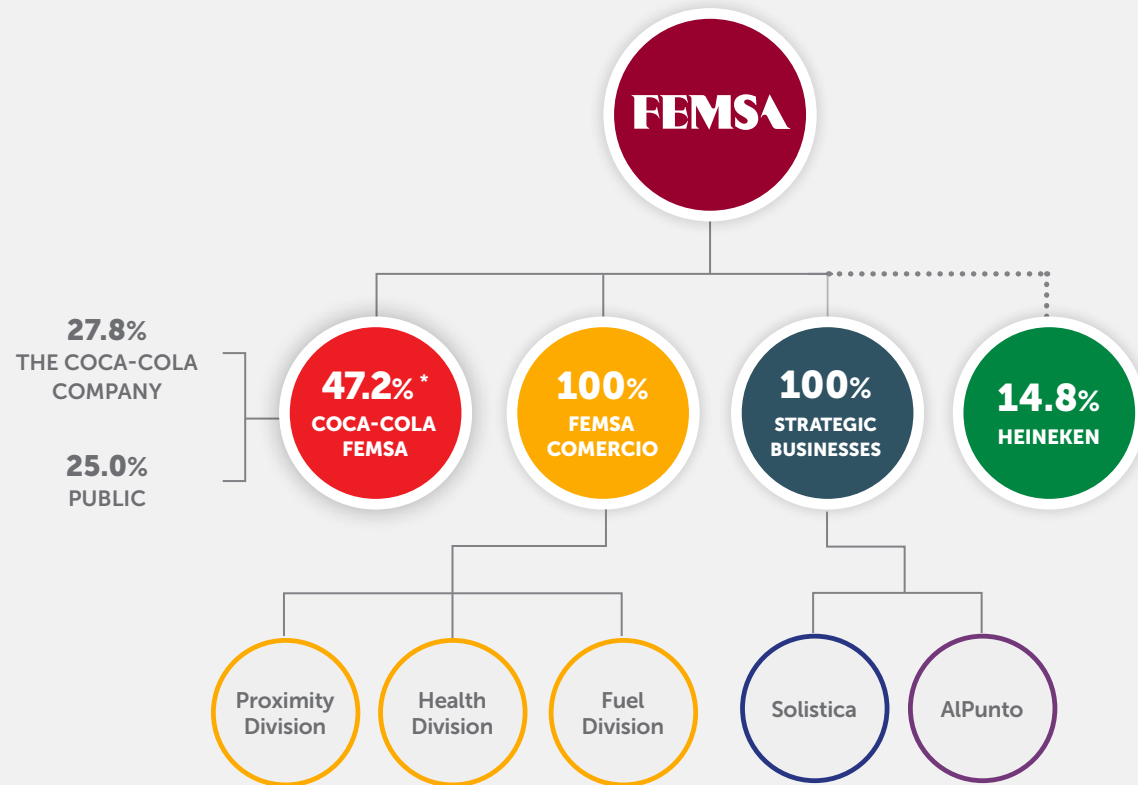
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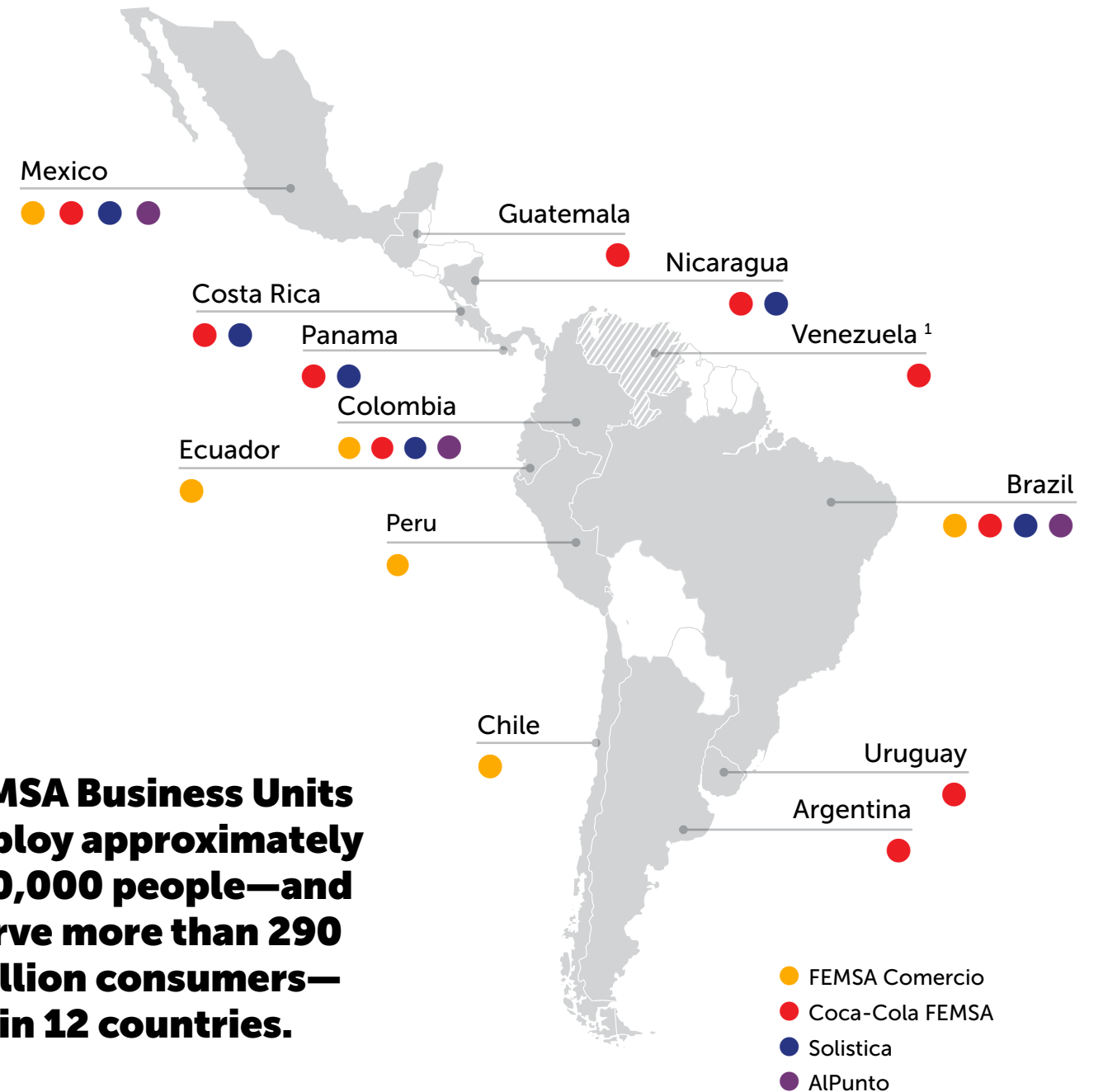


FEMSA AT A GLANCE

Corporate Structure
Equity Stakes and Business Units



FEMSA Business Units employ approximately 300,000 people—and serve more than 290 million consumers—in 12 countries.



* Represents 63% of voting rights.

¹ As of December 31, 2017, as a non-consolidated operation, Venezuela is reported as an investment in shares.

VALUE CREATION HIGHLIGHTS

Economic value

Millions of pesos	2019 ¹	2019 ²	2018 ⁸	%Change	2017 ⁹	%Change
Total revenues	26,867	506,711	469,744	7.9%	439,932	6.8%
Income from operations ³	2,500	47,152	41,576	13.4%	40,261	3.3%
Operating margin		9.3%	8.9%		9.2%	
Consolidated net income	1,487	28,048	33,079	-15.2%	37,206	-11.1%
Controlling interest net income ⁴	1,098	20,699	23,990	-13.7%	42,408	-43.4%
Controlling interest earnings per BD unit ⁵	0.3	5.8	6.7	-13.4%	11.9	-43.7%
Controlling interest earnings per ADS ⁶	3.1	57.8	67.0	-13.7%	118.5	-43.5%
EBITDA	4,000	75,440	60,458	24.8%	58,165	3.9%
EBITDA margin		14.9%	12.9%		13.2%	
Total assets	33,804	637,541	576,381	10.6%	588,541	-2.1%
Total liabilities	16,532	311,790	240,839	29.5%	251,629	-4.3%
Total equity	17,272	325,751	335,542	-2.9%	336,912	-0.4%
Capital expenditures	1,356	25,579	24,266	5.4%	23,486	3.3%
Total cash and cash equivalents ⁷	3,476	65,562	62,047	5.7%	96,944	-36.0%
Short-term debt	859	16,204	13,674	18.5%	13,590	0.6%
Long-term debt	5,395	101,747	114,990	-11.5%	117,758	-2.4%
Headcount ⁸		314,656	297,073	5.9%	295,027	0.7%

¹ U.S. dollar figures are converted from Mexican pesos using the noon-buying rate published by U.S. Federal Reserve Board, which was Ps. 18.8600 per US\$ 1.00 as of December 31, 2019.

² Starting on January 1st 2019, the Company adopted IFRS16 "Leases" accounting rule using the modified retrospective method under which the comparative information was not restated.

³ Company's key performance indicator.

⁴ Represents the net income that is assigned to the controlling shareholders of the entity.

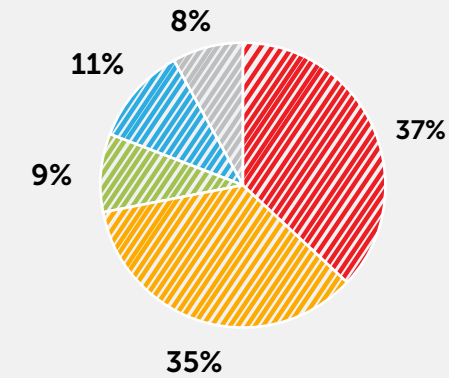
⁵ "BD" units each of which represents one series "B" share, two series "D-B" shares and two series "D-L" shares. Data based on outstanding 2,161,177,770 BD units and 1,417,048,500 B units.

⁶ American Depositary Shares, a U.S. dollar-denominated equity share of a foreign-based company available for purchase on an American stock exchange.

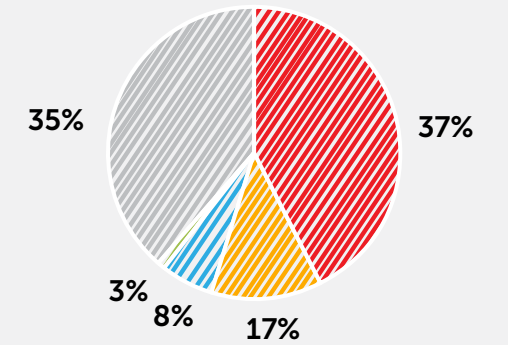
⁷ Cash consists of non-interest bearing bank deposits and cash equivalents consist principally of short-term bank deposits and fixed rate investments.

⁸ Includes headcount from Coca-Cola FEMSA, FEMSA Comercio and FEMSA Strategic Businesses.

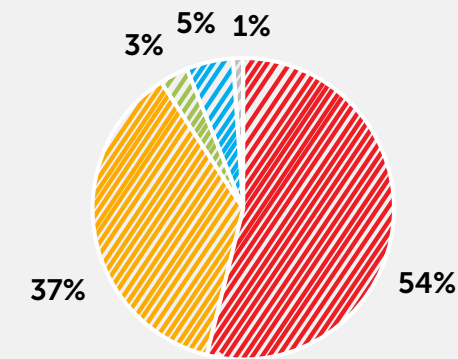
⁹ The consolidated income statement of 2017 was revised to reflect the discontinued operations of Coca-Cola FEMSA Philippines.



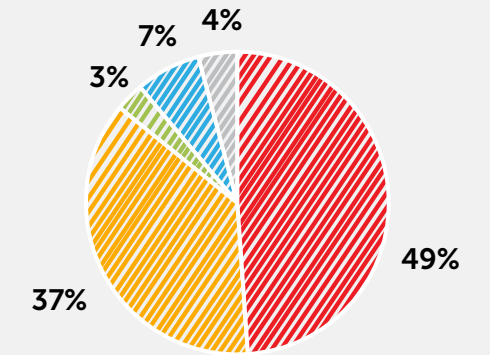
TOTAL REVENUES BY BUSINESS UNIT
millions of Mexican pesos
Ps. 506,711



TOTAL ASSETS BY BUSINESS UNIT
millions of Mexican pesos
Ps. 637,541



INCOME FROM OPERATIONS BY BUSINESS UNIT¹
millions of Mexican pesos
Ps. 47,152



EBITDA BY BUSINESS UNIT²
millions of Mexican pesos
Ps. 75,440

● Coca-Cola FEMSA

FEMSA Comercio: ● Proximity Division ● Health Division ● Fuel Division ● Others*

* Includes FEMSA Strategic Businesses.

¹ Company's key performance indicator.

² EBITDA equals to Income from operations plus depreciation, amortization and other non-cash items.

Social and Environmental Value

FEMSA contributes to the development of the communities and regions where we have a presence by fulfilling our mission: to generate economic and social value through companies and institutions.

Our business model focuses not only on maximizing financial value for our shareholders, but also operating in a sustainable way that makes a positive contribution to society and the environment. In fact, sustainable development continues to be a key element in our business model.

Our business units adhere to ethical business practices aligned with our organizational values. This includes implementing inclusive labor practices, optimizing the use of natural resources, strengthening local supply chains, supporting and developing suppliers, positively transforming communities, and connecting effectively with customers.

In this 2019 integrated Annual Report, we share the ways in which our business simultaneously generates economic and social value, including examples of how sustainability is integrated into our daily operations.



FEMSA's Strategic Sustainability Framework



FEMSA's Strategic Sustainability Framework focuses on nine areas of action, which are based on the most relevant issues for our business and our stakeholders.

➤ For more information, please see our 2019 Sustainability Content.

Making our Clean Energy Goal a Reality

By expanding FEMSA's use of renewable energy, we are contributing to the climate change solution by replacing carbon-intensive energy sources and significantly reducing greenhouse gas (GHG) emissions. With this strategy, we are contributing to the conservation of natural resources and supporting the development of stronger communities.

In 2019, FEMSA made significant progress toward achieving **our corporate goal to source 85% of the total electric energy demand of our operations in Mexico from renewable energy by 2020.**



73%
of our electricity needs in Mexico came from clean sources at year-end 2019

Powering more than **14,000 sites** with renewable energy

- FEMSA Comercio
 **13,437 OXXO stores**
-  **13 OXXO distribution centers**
-  **622 pharmacies**

- Coca-Cola FEMSA
 **20 manufacturing plants**
-  **58 distribution centers**
- FEMSA Strategic Businesses
 **2 Imbera plants**
-  **1 PTM plant**



The use of these renewable energy sources contributes to the avoidance of **623,808 tons of CO₂e** emissions per year, which is equivalent to:

-  **Planting 15,969,481 trees,**
-  **powering 651,434 households in Mexico**
-  **avoid consuming 1,434,758 barrels of oil**

In addition to creating new labor opportunities, renewable energy systems require minimal water to operate and thus do not pollute water resources.

We continued to work toward our corporate goal of achieving Zero Waste to Landfill (ZWL) status for all FEMSA operations and facility processes by 2030.*



Shaping the Circular Economy

At FEMSA, we are working to find solutions designed to promote sustainable consumption and production practices, that is, doing more with less resources. We are adopting and promoting the principles of the Circular Economy in FEMSA's business units by redesigning, reducing, reusing, repairing and recycling.

In 2019, we continued to work toward our corporate goal of achieving Zero Waste to Landfill (ZWL) status for all FEMSA operations and facility processes by 2030. This goal does not include post-consumer waste associated with FEMSA products and services. A few examples of our efforts to support the Circular Economy:



OXXO

Store employee uniforms are manufactured with 50% recycled PET fiber. At the end of their useful life, the uniforms are recycled and used as raw material for other products.



AlPunto

A new recycling facility has the capacity to recover up to 60,000 end-of-life refrigerators per year and either repair and reuse them, or recycle up to 90% of refrigerator components.



Coca-Cola FEMSA

We are redesigning PET bottles to make them lighter, 100% recyclable, and made with higher percentages of recycled material. We are also setting the standard and global benchmark for our high rates of PET collection in Mexico.

* This goal does not include post-consumer waste associated with FEMSA products and services that are disposed of outside the boundaries of FEMSA's control and facilities.

Our Social Contributions

At FEMSA, we contribute to the positive transformation of the communities in the regions where we live and work. Through dialogue and collaboration, we aim to maximize the impact of the people, community partners, and organizations with whom we work. This includes supporting programs and engagement opportunities related to education, entrepreneurship, science and technology, social leadership, culture, and citizen participation. In this way, we multiply the benefits and positive impacts we can make in the community. For example:

OXXO Customer Ticket Round-Up (Programa Redondeo Clientes OXXO):

Our store cashiers invite OXXO and YZA customers to donate the cents needed to “round-up” the total value of their purchase to the next integer amount. The collected amounts are donated to local charitable institutions on behalf of customers.

Corporate Volunteering: FEMSA offers time off for employees to participate in community projects during business hours. FEMSA also promotes and enables volunteer opportunities for employees, their family, and friends to contribute their time and talents on weekends.

With the integration of FEMSA’s sustainability strategy as part of our business model, we contribute to the United Nations Sustainable Development Goals, an ambitious plan to achieve a more inclusive, prosperous, sustainable, and resilient world. Joining the efforts of the 2030 Global Agenda means that we are working to make a positive impact towards the improvement of the quality of life and well-being of people, as well as to the sustainable use of natural resources.



SUSTAINABLE DEVELOPMENT GOALS



Through dialogue and collaboration, we aim to maximize the impact of the people, community partners, and organizations with whom we work.

Our business model focuses on operating in a sustainable way that makes a positive contribution to society and the environment.



Sustainable Development Key Performance Indicators

	2019	2018	2017
Total hours of training	8,657,577	8,957,257	10,006,244
Accident index ¹	2.48	2.50	2.10
Professional diseases rate ¹	0.069	0.017	0.03
Organizational climate result ²	81.00	81.00	80.80
Energy intensity (Gigajoules / Total Revenues in Ps. million)	34.40	39.95	37.27
Greenhouse gas emissions intensity (Tons of equivalent CO ₂ / Total Revenues in Ps. million)	1.77	3.38	3.27
Water efficiency (liters of water used per liter of beverage produced)	1.52	1.59	1.65
Corporate volunteering hours	461,020	593,300	367,796
Percentage of procurement budget on local suppliers ³	87%	82%	87%
Direct beneficiaries of FEMSA Foundation programs ⁴	1,657,786	1,423,985	1,248,123

¹ Number of incidents per 100 employees, based on the number of FEMSA direct employees reported to the Occupational Health and Safety Administration System. Includes information on all countries.

² According to FEMSA's Organizational Climate Diagnostic.

³ Local suppliers are defined as suppliers from the country where the purchase is made.

⁴ The number of direct beneficiaries is accumulated.

Dear Shareholders:

In 2019, FEMSA continued to progress in its evolution as an organization that generates economic and social value through companies and institutions. We are convinced that long-term success depends on the balanced execution of meeting our customers' daily needs, as well as supporting the well-being of our employees and communities. FEMSA's 2019 integrated Annual Report seeks to illustrate how we are working to grow strategically and operationally, while also strengthening our organizational culture and sustainability strategy.

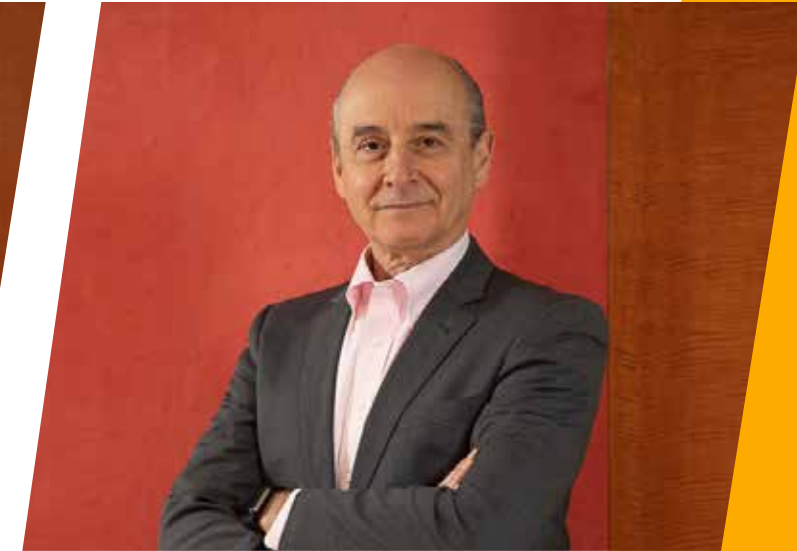
The year was one of great activity in deploying capital to high growth, high return assets that align with our experience and capability set.

For example:

- We announced the entry of FEMSA Comercio's Proximity Division into Brazil through a joint venture with Raízen Conveniências, which has more than one thousand franchised or licensed Shell Select convenience stores within its wide network of Raízen gas stations. The transaction allows us to expand into a new territory with a strong local partner while retaining the flexibility to be able to develop the right value propositions for the Brazilian consumer.



José Antonio Fernández Carbajal
Executive Chairman of the Board



Miguel Eduardo Padilla Silva
Chief Executive Officer

- In FEMSA Comercio's Health Division, we now own 100% of our health platforms in Mexico and South America. Specifically, we became the sole shareholder of Grupo Socofar in South America by completing the acquisition of the 40% interest that was not previously owned. Socofar also expanded to Ecuador with the acquisition of Corporación GPF, a leading drugstore operator in the region. And in Mexico, we also became the sole shareholder of our drugstore platform following the purchase of its minority interest.
- Solistica secured another important building block in its growth strategy through the acquisition of AGV in Brazil, a leader in value-added warehousing and distribution. The transaction makes Solistica the first fully integrated third-party logistics solution provider in the Brazilian market, building a key differentiating factor among the leading players in the industry.

The year was one of great activity in deploying capital to high growth, high return assets that align with our experience and capability set.



- We acquired a minority stake in Jetro Restaurant Depot, a leader in the wholesale business-to-business cash and carry retail foodservice segment in the United States with more than 130 stores. The transaction allowed us to deploy capital into a unique opportunity while presenting a compelling potential new growth avenue for the development of a cash and carry platform in Mexico and Latin America.

We saw strong consolidated operational and financial performance across FEMSA business units in 2019.

Total revenues increased 7.9% over the previous year to Ps. 506.7 billion (US\$ 26.9 billion), and income from operations increased 13.4% to Ps. 47.1 billion (US\$ 2.5 billion), while net consolidated income decreased 15.2% to Ps. 28.0 billion (US\$ 1.5 billion). Net majority income per BD Unit was Ps. 5.8 in 2019 (US\$ 3.1 per ADS).

FEMSA Comercio continued to see strong growth in 2019. The Proximity Division opened 1,331 net new OXXO stores; the Health Division opened 180 net new stores and added 620 stores as part of

the acquisition of Corporación GPF; and the Fuel Division opened six net new stations. Together, FEMSA Comercio surpassed 24,690 units across formats and markets. FEMSA Comercio deployed more than Ps. 12,800.0 million (US\$ 679 million) in Capital Expenditures during the year, with more than 85% of that invested in Mexico, and created more than 21,000 new jobs. Operationally, the Proximity Division delivered solid results in Mexico as well as encouraging trends in its fast-growing international operations, particularly in Colombia and Chile. In the Health Division, we continued to make steady progress in Mexico; saw dynamic growth in Colombia, while Chile had a challenging year; and we began the integration of Corporación GPF in Ecuador. For its part, the Fuel Division increased its total revenues by 2.0% for the year as compared to 2018, even as we temporarily slowed down the pace of station growth.

Coca-Cola FEMSA also saw a resilient consumer environment in Mexico and solid growth in Brazil, conditions that combined to deliver positive operating performance and an outlook for continued growth. To capitalize on future opportunities, we moved forward in 2019 with unifying the organization under a single "One KOF" business strategy. This vision aims to ensure that all teams are working together as a cohesive unit and supported by the competitive advantages we can gain through digital strategies and sustainability commitments. In this way, Coca-Cola FEMSA is positioning itself as a resilient, disciplined, and committed business platform that will ensure the continued creation of stakeholder value.

We are actively working to build trust and create social value by living our mission, vision, and values every day.

Now more than ever, the business community is being called upon to take a leadership role in responding to increasingly urgent global policy challenges that are impacting societies and economies.



We saw strong consolidated operational and financial performance across FEMSA business units in 2019.

Guided by the principles of the United Nations (UN) Global Compact and the Sustainable Development Goals, we are focused on how we can responsibly create value in ways that preserve the planet, give back to communities, and support people. For example:

- We actively promote the use of renewable energy in our operations to reduce our environmental footprint and mitigate against climate change. FEMSA's corporate goal is to source at least 85% of the operational electricity demand in Mexico from renewable sources by 2020—a goal which we are on track to meet. As of year-end 2019, 73% of our total energy needs in Mexico came from wind.
- The FEMSA Foundation directly and indirectly impacts the lives of millions of people in communities across Latin America by focusing on the areas of sustainable development, early childhood development, and the arts. In this way, it is a primary vehicle through which FEMSA contributes social value in line with the corporate mission. Since its founding in 2008, more than

Pes. 848.7 million (US\$ 45.0 million) has been invested to impact nearly 2,500 communities in 12 countries. We are also developing plans to further increase our activity in the Foundation.

- With the largest independent Coca-Cola bottling group in the world and Mexico's largest proximity store chain, FEMSA was named the top Latin American employer in Latin Trade's Top 100 Employers of 2019 list. Approximately 300,000 employees with diverse backgrounds and abilities bring their talent to FEMSA every day. We are also proud to support our people and their families through the opportunities we offer, including competitive wages, comprehensive training and development, and a strong organizational culture.

For additional examples of how we are working to stay true to FEMSA's mission and vision, we invite you to explore this 2019 integrated Annual Report, where we share the progress made over the past year on our business strategy and financial performance, including environmental, social, and governance considerations. Through industry leadership, innovation in products and services, and responsible operations, we look forward to contributing to the ideas and solutions that will be so important to achieving sustainable growth and continued success in this new decade of the twenty-first century and beyond. On behalf of everyone at FEMSA, thank you for your continued support.

José Antonio Fernández Carbajal
Executive Chairman Of The Board

Miguel Eduardo Padilla Silva
Chief Executive Officer



We are actively working to build trust and create social value by living our mission, vision, and values every day.

The three divisions of FEMSA Comercio —Proximity, Health and Fuel— deliver strong economic and social value for all our stakeholders. Our brands include OXXO proximity stores; drugstores (under the brands YZA, Farmacon, Moderna, Cruz Verde, Fybeca, SanaSana, and Maicao beauty stores); and OXXO GAS service stations.



FEMSA COMERCIO

13 million
OXXO
customers
served daily

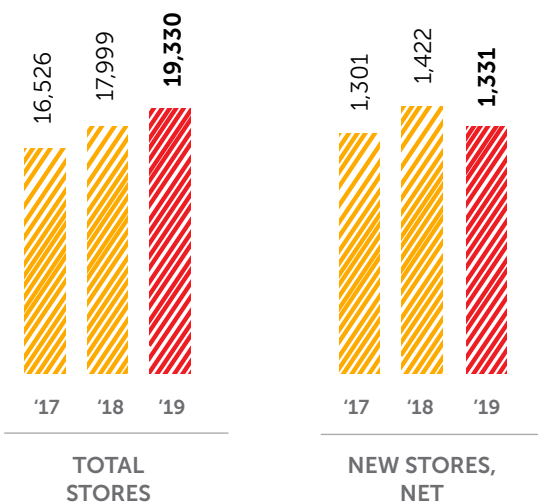
FEMSA Comercio
is present in
6 countries

In 2019,
FEMSA Comercio
created
21,000+
new jobs

FEMSA Comercio
employs
198,000+
people of which
57% are women

Proximity Division

FEMSA Comercio's Proximity Division operates the largest chain of small-format stores in the Americas and is the second largest retailer, in terms of revenues, in Mexico. Under the brand name, OXXO, our aim is to deliver convenience and simplify the lives of our customers. With an average of more than 3,200 SKUs per OXXO store, we employ a variety of strategies that strengthen our value proposition while driving same store sales and profitability.



FEMSA Comercio's Proximity Division operates the largest chain of small-format stores in the Americas and is the second largest retailer, in terms of revenues, in Mexico.



Focusing on Sustainability

On an average day in Mexico, OXXO stores will sell more than 850,000 cups of coffee. OXXO is taking steps to ensure that we are serving those in the most efficient and sustainable ways we can. First, through the Internet of Things, we are automating and optimizing coffee sales. Self-serve machines in more than 1,000 OXXO stores are being equipped with digital sensors that alert employees when coffee quantities are low and need to be refilled. The devices also send real-time data about product usage and waste, which is improving productivity and ensuring the continuous availability of freshly brewed coffee. In the first test of this system in Hermosillo, Mexico in 2019, coffee sales grew by more than 10%. Second, we are replacing all single-use disposable polystyrene coffee cups with cardboard paper cups, a transition that is expected to be complete across all OXXO stores in 2020. These steps build on our broader sustainable packaging strategy at OXXO stores, which includes the use of biodegradable straws, wooden stir sticks, and the "Sin bolsa, gracias" ("No bag, thank you)" campaign that was first launched in 2016. As part of this campaign, we also launched the sale of reusable bags beginning in 2018. In 2019, we reduced the use of plastic bags in Mexico by 35% compared to the prior year.



Food and Beverage Convenience

Every day, approximately 13 million people make a purchase at an OXXO store in Mexico, Colombia, Chile, or Peru. One-stop shopping means responding to our customers' needs in a fast, simple way—from grabbing a cup of coffee or a snack to picking up some grocery essentials. We know our customers lead busy lives and increasingly require quick, on-the go alternatives to have a tasty meal.

In 2010, in Mexico, we began expanding our fast food variety, offering freshly prepared foods and complete meals.



We have continued to invest in this capability by developing our fast-growing prepared food brand, ¡O’Sabor! in Mexico which includes a variety of specialized items such as tacos, tortas, and fresh sandwiches. We have also refined the flavors and varieties of these choices based on the regional preferences of our customers. As of the end of 2019, 1,271 stores offered the ¡O’Sabor! concept and we expect to continue its expansion to more stores.

In addition to prepared food, OXXO stores offer a wide selection of beverages and refreshments. Historically, OXXO stores in Mexico have only carried beer brands produced and distributed by Heineken Mexico. Beginning in April 2019, following the start of a new commercial relationship with Grupo Modelo, the Proximity Division began adding their beer brands to our beer assortment in select regions of Mexico, further expanding the beverage selection we can offer our customers. These brands are expected to gradually become available at all OXXO stores around the country by the end of 2022.

Digital Proximity Services and Accessibility

In the Proximity Division, we continue to expand and diversify our value proposition. This constant innovation enables our customers to satisfy different needs in one single place close to their homes. One of the advantages OXXO stores have long offered customers is access to important services, such as utility bill payment, deposits into bank accounts held at our correspondent bank partners, remittances, prepayment of mobile phone fees, and other financial services. Currently, customers have the ability to pay for more than 5,000 services in an OXXO store, and we expect that offering to continue to grow. In fact, we know that facilitating access to a wide range of products and services is a fundamental part of our value proposition. For this reason, we are evolving our offerings and strengthening our digital strategy. For example, e-commerce transactions carried through OXXO PAY are able to facilitate cash payments to affiliated businesses with real-time application in exchange for their respective purchased digital goods at more than

19,000 stores in Mexico. In this way, in 2019, OXXO PAY increased the total number of services that a single OXXO store has to offer more than 700.

Expanding to New Markets

We continue to strengthen our position and leverage our scalable business platform in new markets. This includes utilizing our expertise in retail store formats, technology, and operational practices, which will allow us to continue growing efficiently and profitably.

In 2019, we announced our acquisition of 50% of Raízen Conveniências, which has more than one thousand franchised or licensed Shell Select convenience stores within the network of more than 6,000 Raízen gas stations. Through this joint venture with our partner, Raízen, we will follow a two-prong growth strategy that will include increasing the number of Shell Select brand convenience stores at Raízen gas stations, while also developing the right value proposition for stand-alone OXXO proximity stores that will best meet the needs of Brazilian consumers.

This transaction creates a powerful platform for the future growth of the OXXO brand. Raízen contributes its broad service station footprint, where current penetration of convenience stores is still low, and its vast experience operating in Brazil. FEMSA Comercio will bring to bear its considerable expertise as a developer and operator of small-format and proximity stores.



**As of the end
of 2019,
1,271 stores
offered the**



**concept and we
expect to continue
its expansion to
more stores.**



Sustainable Features

OXXO

Diversity and Inclusion



Career development

- 8 employment and training centers
- 2,817 senior citizens employed
- 858 disabled people employed

Circular economy



Redesign, reduce, reuse, repair, recover and recycle

- Reduce-reuse
 - OXXO uniforms; contain 50% recycled PET fiber
 - Bags; oxy-biodegradable bags containing 20% recycled material
- Redesign, recover and recycle
 - 8,570 stores with waste separation bins
- Recover
 - 844 metric tons of retail and office furniture

Jobs

A good source of jobs



- More than 160,000 employees



Energy



Efficient use and renewable sources

- 13,437 stores supplied with renewable electrical energy
- 15,487 stores with smart energy systems
- 33% energy consumption reduction per store compared to year 2009

Good Neighbor



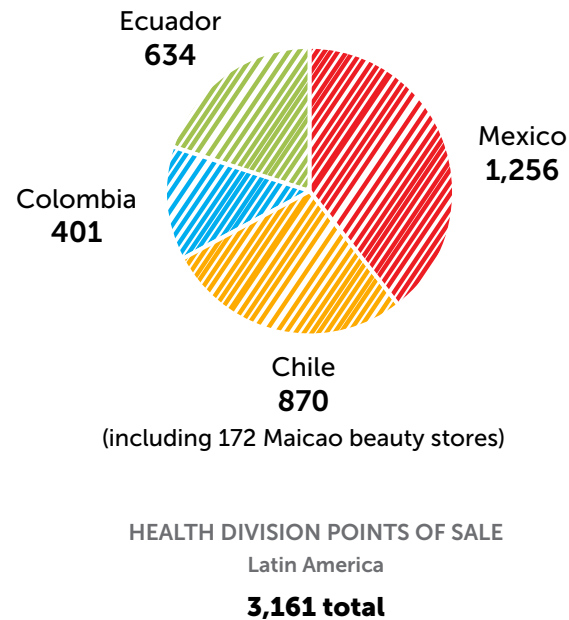
Building sustainable communities

- OXXO Customer Ticket Round-Up
 - 250 local charitable institutions
 - Ps. 79.0 million (US\$ 4.2 million) collected on behalf of customers
- Community actions and volunteer work
 - 836 community actions
 - 25,921 volunteers
 - 77,763 hours of volunteer time
- Food bank
 - Ps. 70.0 million (US\$ 3.7 million) worth of food donated
- Urban Tree Planting
 - 22,063 trees planted and conserved in OXXO stores

Health Division

FEMSA Comercio’s Health Division responds to the healthcare needs of the communities where it operates. Through a growing network of drugstores and related operations, we distribute and sell patented and generic pharmaceutical drugs, beauty products, medical supplies, and wellness and personal care products, among other categories. In 2019, we continued to expand our presence in Latin America and consolidate a fragmented industry. As we standardize our business model across regional brands, we are building a solid platform for regional growth.

FEMSA Comercio started to build its Health Division in 2012 and, as of December 31, 2019, the brands that make up the Division already represent the second largest pharmacy chain in Latin America, operating a total of 3,161 points of sale.



Strengthening and Scaling Up the Organization

2019 saw several strategic developments for FEMSA Comercio’s Health Division that have resulted in our ownership of 100% of our health platforms in Mexico and South America. In Mexico, we became the sole shareholder of our drugstore platform through the purchase of its minority interest. In Ecuador, we successfully completed the acquisition of Corporación GPF, a leading drugstore operator with attractive growth prospects, operating 634 points of sale nationwide under the Fybeka and SanaSana banners. And just before the end of 2019, we became the sole shareholder of our South American drugstore and distribution platform, Socofar, by acquiring the 40% stake that we did not own from our minority partner.

These important developments represent another successful milestone in our long-term effort to continue gaining relevant scale and brand recognition by building a leading regional drugstore platform. We believe this will create more opportunities for our operations in Mexico and South America to collaborate and generate value together.

* Includes the acquisition of Corporación GPF in Ecuador.



FEMSA Comercio started to build its Health Division in 2012 and, as of December 31, 2019, the brands that make up the Division already represent the second largest pharmacy chain in Latin America.

We use loyalty program data insights to digitally deliver customized promotions to our customers, thereby making it easier and more affordable for them to follow their healthcare treatments.



We also know these advancements will not be possible without a strong team of diverse employees. Supported by our inclusive hiring policy, there are currently more than 7,000 employees within the Health Division in Mexico, of which more than 75% are women. In addition, our workforce includes 42 senior citizens.

As we grow our business, we are also committed to powering our operations responsibly. In line with FEMSA's corporate commitment to source 85% of the total electric energy demand of our operations in Mexico from renewable energy by 2020, the Health Division currently has 622 stores in Mexico that are powered by wind energy.

Enhancing our Customer Value Proposition

Delivering a consistent level of service across our brands to all customers in the markets where we operate. In 2019, we did this in several important ways:

- **Building community trust:** We pride ourselves on being trusted by the communities we serve. For cases where healthcare costs are often out-of-pocket and doctor visits may be unaffordable, visiting the local pharmacy for over-the-counter medicines and healthcare advice can be invaluable, and we take this responsibility very seriously. 100% of our store team leaders and pharmacists across all markets and brands are fully trained on an ongoing basis to assist our customers. We also ensure a consistent standard of care across markets and brands, which allows us to efficiently staff pharmacists wherever talent is needed in the community.
- **Loyalty program:** With nearly 5 million members in Chile and a growing membership in Mexico, our two independent loyalty programs not only reward customers with significant product discounts that support health and wellness needs, but also inform our product sourcing and geographic distribution decisions. For example, in Chile, more than 80% of all sales are

processed through the loyalty program, which helps us offer a broader assortment, better options and increased availability of medicines, personal care, beauty, and health and wellness products and services.

- **Digital strategy:** We are developing a digital strategy based on our customer knowledge and omnichannel marketing insights. With the use of technological tools, we can anticipate the needs of our customers so that we can add significant value to their check-out process. This information becomes very useful for customers, particularly for patients with chronic ailments. We can also strategically allocate the distribution of personal care products by understanding patterns of consumption, or adapt the value proposition of our pharmacies to the needs of our customers. Although pharmacies are not the typical retail environment, we don't believe they are exempt from the service expectations that customers have for other types of stores. For this reason, we offer several customer service conveniences,



including a “click-and-collect” service (in which customers click on the products they need via our website or app, and collect their products at a convenient location); a last mile delivery service; and full visibility into our prescription inventories. These advantages not only save our customers time, but allow us to better serve them by efficiently distributing and transferring needed inventory between stores.



Supporting our Communities

Another important part of our business strategy is to contribute to opportunities that make medicines more accessible for lower-income and underserved populations. One of the key ways we did this in 2019 was by increasing the number of affordable generics in our stores. We also produce our own private label medicines and generics in Chile, and we’re in the process of bringing these products to other markets pending regulatory approvals. Having greater control of the production process in Chile allows us to deliver high quality products at lower prices, since we can work directly with the laboratories. More than 30% of the generic units sold in the Chilean market in 2019 were produced by our facility.

We are also committed to giving back to our communities in other ways. In 2019, Farmacias YZA in Mexico donated more than Ps. 455,000 (approximately US\$ 24,000) to four local non-profit foundations that provide important health-related support services to community members in need.

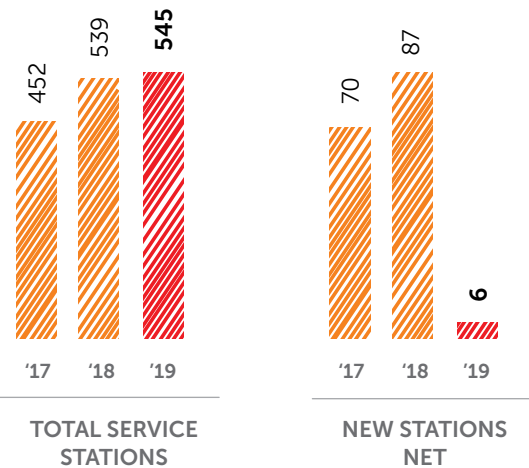
**More than 30%
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our facility.**



Fuel Division

FEMSA Comercio’s Fuel Division operates the OXXO GAS brand of retail service stations across 17 states in Mexico, offering superior customer service and selling quality fuels (gasoline and diesel) and lubes. We continue to participate in the evolution of Mexico’s oil and gas industry, to a competitive open-market model in recent years. As of the end of 2019, OXXO GAS remained the largest participant in the fragmented retail service station market in Mexico, operating 545 service stations out of a total of approximately 12,500 stations across the country.

Although challenges throughout the year prompted a slower pace of service stations growth in 2019, the addition of six new OXXO GAS brand service stations contributed to favorable financial results and strong margins overall, including an increase in total revenues of 2.0% for the full year as compared to 2018.



Competitive Differentiation

In 2019, new players continued to enter the market, bringing the total of brands operating in Mexico to more than 75. This resulted in evolving competitive dynamics and in the Mexican customer being exposed to new value propositions. To adapt to this increasingly competitive environment, OXXO GAS remained clearly focused on adeptly navigating changes to the industry supply chain while providing superior customer service.

First, we continued our ongoing effort to re-brand our service stations with the OXXO GAS trademark image, which is supporting the easier identification of our service stations in the market. Next, we focused on improving our customers’ OXXO GAS station experience as a cornerstone of our value proposition.



FEMSA Comercio’s Fuel Division operates the OXXO GAS brand of retail service stations across 17 states in Mexico, offering superior customer service and selling quality fuels and lubes.



We focused on improving our customers' OXXO GAS station experience as a cornerstone of our value proposition.

At OXXO GAS, we differentiate ourselves in several important ways:

- **Reinforcing customer trust** by keeping extremely reliable processes for the maintenance and calibration of our gas pumps, in order to consistently achieve higher accuracy standards than those required by PROFECO (Procuraduría Federal del Consumidor), Mexico's consumer protection agency. Due to this, our customers can be assured they are receiving complete liters while achieving better fuel efficiency.
- **Improving the customer experience** by focusing in understanding their needs and aligning our value proposition to better meet them, while leveraging our technological infrastructure to improve our offering. We also began to implement cross-promotional strategies with those OXXO Proximity stores that come about to be located with OXXO GAS stations. For example, in 2019, to reward customer loyalty while generating additional sales, we offered discounts up to 50% on select OXXO products when refueling at OXXO GAS.



- To further highlight our customer service commitment, in 2019 we launched a new brand positioning campaign, "Vamos Juntos" ("Let's Go Together"), which emphasizes the distinctiveness of the OXXO GAS brand through a series of engaging commercial spots —including this video set to music—that have been further amplified through our social media channels.

Delivering Efficiency

We focus on customer service and sustainability by designating green rest areas at 400 service stations and investing in efficient technologies. Our gas stations have LED illumination systems and waterless urinals in restrooms.



Supporting our Employees

In Mexico, all gas service stations are full service, so we focus to differentiate OXXO GAS by delivering the industry's most courteous, reliable, and efficient service. To ensure that our employees are aptly trained and fully equipped with the tools they need to succeed, we implement a variety of programs that support their personal and professional growth. Through targeted training and coaching programs—along with above-industry wages and compensation structures—we support employee development and reduce turnover.

We also have a strong commitment to labor inclusion, hiring employees regardless their gender, age or disability. OXXO GAS has 7,862 employees, of which more than 1,700 (24%) are women, 197 are over the age of 65; and 32 have a disability. In 2019, OXXO GAS won the Labor Inclusion award from ONEXPO (Organización Nacional de Expendedores de Petróleo), based on our employee benefits programs and our policies of inclusion and labor diversity.



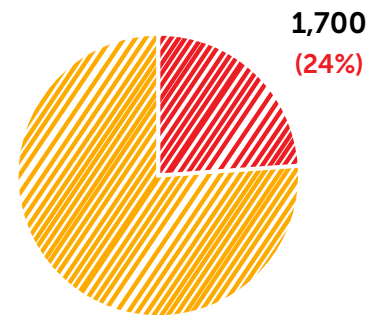
Supporting Education

In 2019, OXXO GAS delivered school supplies to 4,200 children of employees, reaching 2,500 families. We also awarded 236 high school scholarships and 30 college scholarships to the children of employees.



We focus to differentiate OXXO GAS by delivering the industry's most courteous, reliable, and efficient service.

Looking ahead, we are focused on maintaining our status as a leading brand in the fuel industry in Mexico and to make our value proposition available to more customers. We aim to grow our footprint in Mexican states where we already have presence, consolidating our leading role in the fuel industry while continuing to create value for all our stakeholders.



WOMEN EMPLOYEES

Total: 7,862 employees



With 129 leading brands produced in 49 bottling plants, Coca-Cola FEMSA is the largest franchise bottler of Coca-Cola products in the world by volume.

COCA-COLA FEMSA

+261 million
people served in
9 countries

1.9 million
points of sale
through **268**
distribution centers

37.2%
of the brands in our
portfolio are
low-or no-sugar
beverages

Covering
70.7%
of manufacturing
energy requirements
from clean sources

In 2019, Coca-Cola FEMSA continued to consolidate a leading total beverage portfolio with options for every consumer taste and lifestyle. We succeeded in deploying diverse strategies to create value and produce positive results. More importantly, we took significant steps forward on our ongoing transformation into a stronger and more resilient business.

Amidst dynamic macroeconomic conditions in Latin America, we continue to successfully adapt to ever-changing landscapes. Coca-Cola FEMSA has a clear objective to continue growing profitably and sustainably by capturing opportunities to create value for our stakeholders.

We took significant steps forward on our ongoing transformation into a stronger and more resilient business.

We launched a set of new initiatives in 2019 to increase agility and efficiency across our organization—always with a central focus on putting the needs of our customers and consumers first. By leveraging our portfolio and affordability initiatives, we saw strong top-line performance in the markets where we operate, as a result of our continuous progress, positive momentum, and encouraging market trends throughout the year.

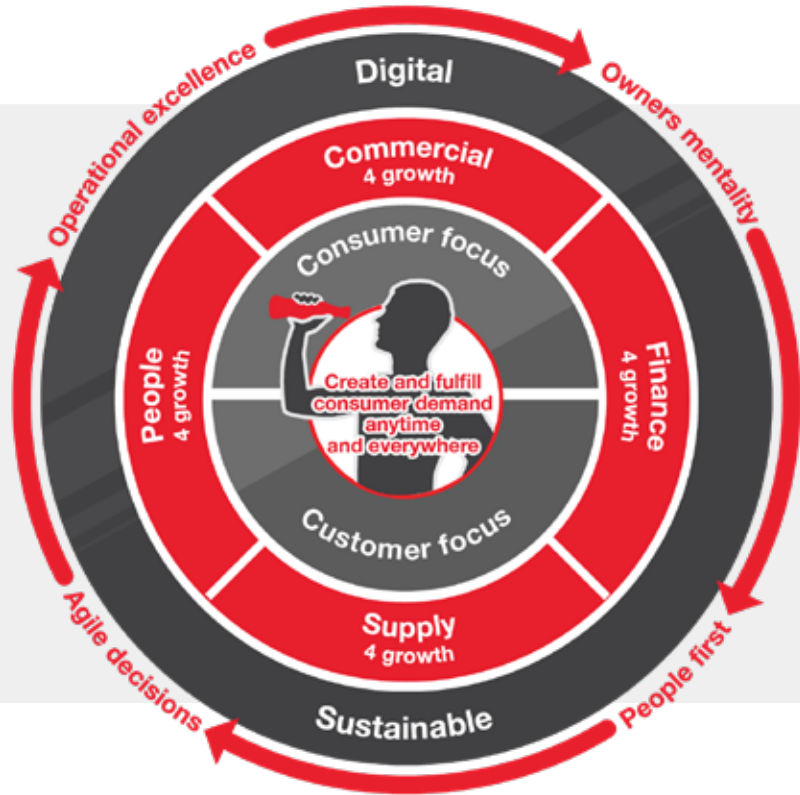
Further underscoring our ability to navigate challenging environments, in 2019 our volume grew 1.4% to 3.4 billion, transactions growing 2.5% to 20.2 billion, total revenues grew 6.7% to Ps. 194.5 billion (US\$ 10.3 billion) and operating income grew 3.0% to Ps. 25.4 billion (US\$ 1.3 billion).



Sustainability Leadership

In 2019, Coca-Cola FEMSA was one of a select group of companies recognized for sustainability leadership by the Dow Jones Sustainability Emerging Markets Index for the seventh consecutive year, and by the Dow Jones Sustainability MILA (Mercado Integrado Latinoamericano) Pacific Alliance Index for the third consecutive year.





One Vision, One Platform, One Future

Our efforts are guided by the affirmation of the strategic mindset that we are one unified company. The “One KOF” strategy that guides our business approach is made up of four elements.

1. First and foremost, we will maximize value creation for our consumers and customers by pushing new boundaries.
2. We will fuel growth opportunities through efficiency, productivity and best-in-class capabilities.
3. We will deploy digital tools and adhere to sustainable practices to transform the organization.
4. The attributes of our organizational culture will be reflected in everything we do.

We are constantly reinforcing our motivation for success, growth, and profitability.

Consumer focus

Driven by an obsessive consumer focus within our business strategy, we are constantly reinforcing our motivation for success, growth, and profitability. With this relentless emphasis on maximizing value for our customers, we are always thinking about new and unexpected ways to fulfill their beverage needs. In 2019, we achieved this in multiple categories through affordability initiatives and portfolio innovation.

AFFORDABILITY

We continued to roll out affordability initiatives in our markets and territories by expanding our single-serve returnable portfolio strategy and refining the lineup of our offerings. In Mexico, we



Through launches like Coca-Cola Con Café, Coca-Cola Energy and Coca-Cola Sin Azúcar, we are innovating and complementing the Coca-Cola brand portfolio while expanding it to more consumption occasions.



connected with consumers who are economically resilient but looking for increased affordability. To meet their needs, we identified opportunities to widen the availability of both smaller and larger returnable presentations. To target primarily on-premise consumption, we launched a 235 ml single serve returnable glass bottle for Ps. 5. We also increased coverage of the 3-liter returnable bottle. In addition to adjusting size, we introduced sparkling flavors in Mexico at more affordable prices, including 400 ml presentations of Sprite, Fanta and Sidral Mundet for Ps. 7.

We also successfully applied the affordability strategy elsewhere in Latin America. For example, in Argentina, we rapidly adapted our portfolio to remain close to our consumers. Additionally, our Brazilian operation continued its impressive turnaround despite slow economic growth, which has led to market share gains across our key beverage categories.

PORTFOLIO INNOVATION

To support continued diversification of our portfolio through consumer-oriented carbonated and non-carbonated innovations, we consider consumption occasions across three tiers of price accessibility: affordable, mainstream, and premium. We also continue to satisfy our consumers with low-and no-sugar beverages. We reinforced these focus areas through several key product launches.

- **In Mexico**, we launched Coca-Cola Con Café and Coca-Cola Energy to target distinct consumption occasions.
- **In Brazil**, we expanded several affordable and premium sparkling beverages, including Del Valle Fresh, an affordable fruit-based sparkling beverage, and YAS, a premium sparkling beverage with natural sweeteners and flavors. We also launched additional

Magic Price Points

Our Magic Price Points strategy draws us closer to consumers by offering them an easy transaction. Affordable single-serve beverages are conveniently priced at the value of a single common coin or bill.



premium offerings by leveraging the Schweppes brand of sparkling waters, club sodas, and tonic waters.

- **In Brazil and other markets**, we expanded our premium water offerings to include enhanced attributes and flavors, including the purified, electrolyte-enhanced Smartwater, and Crystal, available as either a mineral still water or carbonated option.





Fuel 4 Growth

As part of our commitment to strengthen our organization, eliminate redundancies, and free up resources to support our growth, in 2019 we embarked on our Fuel 4 Growth program—a set of initiatives to create a leaner and more agile organization that is fully focused on its consumers. Through four target areas of transformation—People, Commercial, Finance, and Supply—we are fueling new growth opportunities across our business.



People 4 Growth: We are redesigning the organizational structure of our company to become leaner and more capable of navigating dynamic environments. To further emphasize the importance of operating as “One KOF”, we focused on a series of functionalization initiatives for key departments, intended to better align regional strategies and more easily share best practices. For example, the Finance Directors in each country

no longer report directly to their Country Managers, but rather to the Chief Financial Officer of Coca-Cola FEMSA. Changes like this will allow us to leverage the scale of our entire organization so that we can better identify inefficiencies and redundancies, standardize the way we work across territories, and become more aligned as a single platform.



Commercial 4 Growth: Our vision is to develop digitally driven capabilities and operating models to deliver better value for our customers and consumers. To achieve this, we aim to develop eight core commercial capabilities: market segmentation; revenue growth management; demand planning; commercial execution; route to market; customer service and engagement; commercial analytics and data management; and digital technology. One of the highlights of these transformations was the deployment of a new machine learning prescriptive analytical engine that has considerably improved the accuracy of our demand forecasting. Additionally, we fully deployed our Dynamic Initiative Management tool across Mexico, Brazil, Colombia, and Argentina, which has allowed us to identify, prioritize, and communicate specific customer initiatives to our sales force.



Finance 4 Growth: A third priority for fueling our growth strategy relates to empowering the Finance function to be the enabler of the organization’s commercial, manufacturing, and distribution capabilities. This includes the digitization of processes and the deployment of our shared service strategies to unlock further value potential. These initiatives will strengthen our organization, eliminate redundancies, streamline our cost base, and free up resources to support our future business growth.

We embarked on our Fuel 4 Growth program—a set of initiatives to create a leaner and more agile organization that is fully focused on its consumers.





Supply 4 Growth: As part of our company’s transformation, we functionalized our key supply chain area to advance, optimize, and standardize our operating models, systems, and processes.

We identified operations with the best practices and decentralized our distribution and manufacturing centers of excellence to Brazil and Mexico operations, respectively. Consistent with our vision, we launched our Supply Chain Reinvention initiative to collaboratively and systemically share, adopt, and devise best practices. This is serving to bolster our talent pool and capture new productivity opportunities across the company’s supply chain and throughout our 9 operational centers.

Digital and sustainable

An essential part of the Fuel 4 Growth program is an ongoing strategic focus on our digital capabilities and sustainability commitments.

KOFmercial Digital Platform: To strengthen our performance and boost our competitive advantage, we continue to focus on developing and deploying next-generation business capabilities through the KOFmercial Digital Platform (KDP). Backed by



advanced predictive analytics and digital distribution capabilities, the KDP supports the development of effective operating models and seamlessly manages dynamic strategic initiatives. This allows us to adapt our business toward technology-driven commerce for our main sales channels and further support consumer and customer engagement. In 2019, we reached 7,600 pre-sale routes in nine countries, including Uruguay and Guatemala for the first time.



Sustainability

We continue to strengthen our key performance indicators for sustainability leadership. In 2019, we:

- **Improved** our water-use ratio per liter of beverage produced, from 1.58 liters in 2018 to 1.52 liters. We also continued to return to the environment 100% of the water we use to produce beverages in Brazil, Central America, Colombia, Argentina, and Mexico.
- **Increased** our use of recycled PET from 21% in 2018 to 23.7% in 2019.
- **Expanded** the use of clean energy in our manufacturing facilities from 50.0% in 2018 to 70.7%.



These achievements have allowed us to surpass or be on track to reaching our 2020 sustainability goals that we outlined in 2015.

As a leading bottler, we are committed to “World Without Waste”, a global initiative led by The Coca-Cola Company, which includes 2030 targets for collecting and recycling the equivalent of 100% of the packaging we sell, as well as integrating 50% of recycled PET resin into our bottles.

We continue to focus on developing and deploying next-generation business capabilities through the KOFmercial Digital Platform.



KOF DNA

Finally, ubiquitous to our strategy and mindset (as depicted by the outer-most circle surrounding our “One KOF” strategy diagram, page 26), are the values and culture of our organization that are vital for our success: Operational excellence, Owners mentality, People first, and Agile decisions. Internally referred to as our “KOF DNA”, this model guides our people with the tools and capabilities they need to succeed. Recognizing that our people co-create our culture

and share responsibility for our company’s transformation, our KOF DNA is helping us to achieve our strategic vision of becoming an undisputed total beverage leader with sustainable and profitable long-term growth.

For more information, please visit:

➔ **Coca-Cola FEMSA’s 2019 Annual Report.**



Ubiquitous to our strategy and mindset are the values and culture of our organization that are vital for our success: Operational excellence, Owners mentality, People first, and Agile decisions.



Sustainable Features Coca-Cola FEMSA

People

Comprehensive development

- Ps. 416.8 million (US\$ 22.1 million) invested in our people

Water management

Care, efficiency and replenishment

- 1.52 liters of water per liter of beverage
- We return 100% of the water used to make our drinks in Mexico, Brazil, Central America, Colombia and Argentina

Circular economy

Redesign, reduce, reuse, repair, recover and recycle

- Redesign
 - 23.7% recycled resin in PET bottles
- Reduce
 - 22 manufacturing plants in Mexico with zero waste certification
 - 95.7% waste recycled in manufacturing plants



Value chain

Integration

- Sustainability evaluation
 - 531 supplier evaluations
- 266 suppliers participated in our SME development program in the past 4 years.

Healthy habits

We encourage and promote

- Since 2015, we have benefited 7.2 million people with our healthy habits and nutrition program

Community

Building sustainable communities

- 81.6% of our plants with MARRCO community management processes
- More than 6,600 activities with the community

Energy

Efficient use and renewable sources

- 70.7% of manufacturing electric energy sourced from renewable energy
- We increased our energy efficiency rate by 46% from 2010 to 2019



In addition to our core business segments, FEMSA operates several strategic businesses that amplify our competitive advantage. Providing logistics, transportation, cooling systems, and foodservice solutions to FEMSA's core businesses and other companies, these businesses include:
Solistica and AlPunto.

FEMSA STRATEGIC BUSINESSES

6,000+
vehicles owned

160,000+
delivery points
per week

800,000+
square meters
of warehousing
capacity

4,000+
clients in seven
countries

* Solistica's data

As the largest company within the FEMSA Strategic Businesses by revenue, Solistica is a third-party logistics (3PL) provider that serves more than 4,000 clients in seven countries. Since our founding in 1998, we have grown and evolved, and today, our more than 23,000 Solistica employees offer personalized and comprehensive solutions in Transportation, Warehouse, and other Value-added Services.

Solistica's current client portfolio is primarily comprised of Fortune 500 companies across the following key industries: pharmaceuticals, automotive, technology, and consumer goods, among others. In addition, approximately 30% of our business is made up of the broad range of logistics and vehicle maintenance services we deliver to fellow FEMSA-affiliated companies. This includes managing primary distribution for Coca-Cola FEMSA and Heineken (that is, transferring beverages from bottling and brewing plants to distribution centers) and secondary distribution for FEMSA Comercio's Proximity Division (that is, delivering products from OXXO distribution centers to OXXO stores). Solistica is proud to leverage our world-class logistics expertise and optimization strengths to be a trusted component of FEMSA's supply chain.

Our vision is to continue strengthening our regional focus to become the leading logistics provider for Latin America.



Solistica is a third-party logistics (3PL) provider that serves more than 4,000 clients in seven countries.



Commitment to Safety

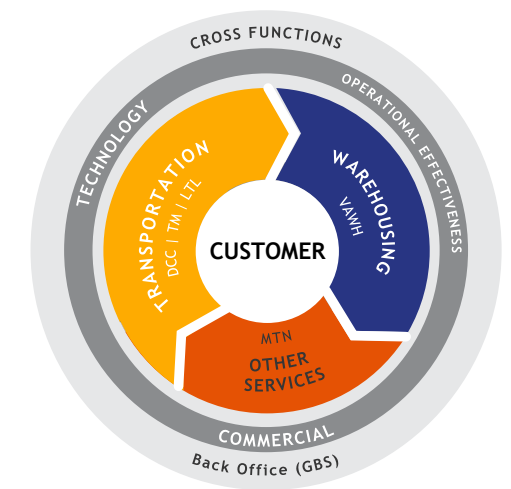
At Solistica, we are committed to ensuring the safety of all our employees and everyone connected to the supply chains that we support. By fostering a culture of safety across the organization, we strive to eliminate dangerous working conditions, accidents, and injuries. In addition to taking steps such as ensuring vehicles are equipped with advanced collision avoidance technology, we also implement a variety of management best practices. This includes regularly scheduled "safety briefings" to discuss safety issues with employees and "safety walks" to inspect site surroundings. To continuously improve performance and monitor safety, we also provide ongoing employee trainings and regularly conduct site audits.



Consolidating our Capabilities

In 2019, we took bold steps to enhance our customer value proposition.

- In recognition of the importance of putting our clients at the center of everything we do, we developed a comprehensive Business Model structured by our three product areas (Transportation, Warehousing, and Other Services) which serves to standardize our offerings across regions. Supported by three transversal enablers—technology, operational efficiency, and commercial efficiency—the model guarantees an integrated and standardized operation across our regions. It also helps to ensure the efficiency of resources through our Global Business Service (GBS) and business partners.



Solistica's Business Model ensures cross-functional collaboration and alignment to deliver a more unified sales effort as a single team.

In 2019 we focused on operational excellence and created a new role that oversees safety, quality, performance management, and continuous improvement.



- As part of our Global Commercial Model—which aims to move the company towards a unified sales effort focused on clients so we can work as a single team—we implemented a Customer Relationship Management system to enhance team collaboration and better manage sales leads. We also deployed a commercial methodology called “COMMET” that focuses on speeding up the sales cycle to close more high-quality opportunities.
- We integrated new technological tools to operationalize our Global Commercial Model and strengthen our competitive advantage.
- We focused on operational excellence and created a new role that oversees four key operational areas: safety, quality, performance management and continuous improvement. Through this role, we aim to create a differentiating competitive advantage for Solistica.
- We completed the acquisition of AGV, a leader in value-added warehousing and distribution in Brazil, which increases our warehousing capability by more than 300,000 square meters in 15 Brazilian states. Combined with our existing

less-than-truckload logistics platform, the AGV acquisition makes Solistica the first fully integrated 3PL solution provider in the Brazilian market. Regionally, the transaction represents a vital building block in our overall strategy of being a competitive industry player with both distribution and warehousing capabilities. AGV will generate new synergies, complement the existing platform, and significantly enhance Solistica’s customer value proposition in Brazil and the region.

Sustainable Mobility

As a logistics company, we are highly aware of the environmental impacts of our operations, including the greenhouse gas (GHG) emissions that result from the fuel combustion in our vehicles. Through our Sustainable Mobility program, we strive to reduce our reliance on fossil fuels by utilizing alternative fuels and optimizing our transportation routes.

We also optimize our routes using a transportation management system that automates business processes and integrates all planning into a single application. With real-time tracking, mapping, and planning capabilities, we identify inefficiencies and opportunities to save time, costs, resources, and GHG emissions.

Transporte Limpio

In 2019, for the ninth consecutive year, Solistica was recognized by Mexico’s Ministry of Environment and Natural Resources (SEMARNAT) and the Ministry of Communications and Transportation (SCT) with the “Transporte Limpio” (“Clean Transport”) award for achievements to lower industry fuel consumption and GHG emissions.

Solistica was recognized for its efficient distribution practices in 2017-2018 to FEMSA-affiliated customers: Coca-Cola FEMSA, HEINEKEN México, and OXXO. Through its Sustainable Mobility program, it avoided the issuance of 281,975 tons of CO₂ and avoided fuel consumption equivalent to 103,659,386 liters.





Sustainable Features Solistica

People

Career development

- Training and development: 517,470 hours of training
- More than 20,000 jobs

Sustainable services

Integrated logistical solutions

- Legal Compliance
 - Zero environmental fines
- Comprehensive safety system
 - 70,994 hours of training in occupational health and safety
- Certifications:
 - ISO 9001-2015 *
 - ISO 39001-2001 **
 - ISO 14001-2015 ***
 - Gold seal for good practices and commitment to safety of children on the road. ****

* Scope for some operations in Brazil, Colombia and Mexico.

** Scope for some operations in México.

*** Scope for some operations in Colombia and Brazil.

**** Scope for some operations in Colombia.



Circular economy

Redesign, reduce, reuse, repair, recover and recycle

- Reduce
 - Reduced waste generation by 9%
- Recycle
 - Recycled 44% of waste generated

Sustainable actions

Addressing solutions to global challenges

- Route optimization
 - 281,975 metric tons of CO₂ avoided
- Environmental impact of transportation
 - 9 consecutive years of Clean Transport Certification
- Water management
 - 1,874,993 liters of rainwater captured and reused for truck washing

In the Mexican state of Queretaro, FEMSA Strategic Businesses represent the second most important employer in the region.



Other Businesses

FEMSA Strategic Businesses also include operations related to the food service industry, which drive significant economic and social value. For example, in the Mexican state of Queretaro, FEMSA Strategic Businesses represent the second most important employer in the region. Each company serves diverse customer bases and also supports other FEMSA business units.

AlPunto

A group of companies focused on providing equipment solutions, material handling and other comprehensive services at points of sale. In alignment with FEMSA's mission, AlPunto aims to create social and economic value in the communities in which it participates by delivering innovative products and services that guarantee the highest return on clients' assets. Four of the companies that make up AlPunto include:

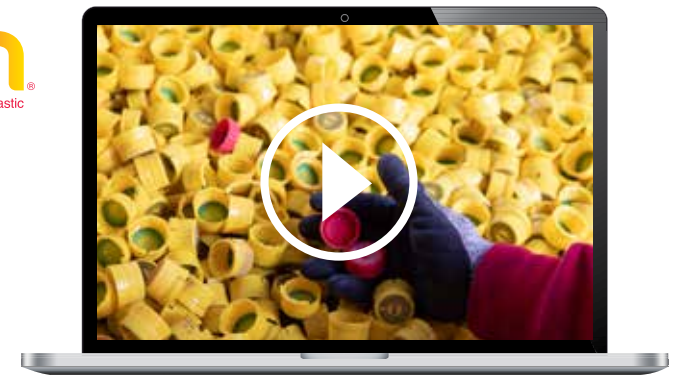
Imbera

As the world's largest commercial refrigeration manufacturer with facilities in Mexico, Colombia and Brazil, Imbera manufactures equipment for the soft drink, beer and food service industries, including coolers, food processing, storage and weighing equipment. As of the end of 2019, Imbera had an annual capacity of approximately 1 million units, 30% of which were delivered to Coca-Cola FEMSA, with the remainder being sold on the open market to customers in 56 countries. Because innovation and customer satisfaction are strategic priorities for Imbera, we are committed to developing efficient products that address global challenges. For example, over the last 10 years, Imbera has reduced the energy consumption of its coolers by more than 85%. In addition, Imbera's coolers use the eco-friendly R290 refrigerant, which has a low environmental impact.



PTM

Through its state-of-the-art design and manufacturing facilities, PTM designs, manufactures and recycles plastic products that support operational and marketing strategies for materials handling, automobiles and food and beverage production. In addition to serving diverse external customers across Latin America, PTM also supports FEMSA's core businesses.



➤ PTM operates a recycling line which can process 2,000 kilograms of material per hour. **Learn more in this video**



Torrey

Through an extensive distributor specialist network, Torrey delivers high-quality food processing, preservation and weighing equipment for butcheries, small retailers, supermarkets, convenience stores, hotels and restaurants in more than 50 countries worldwide.

Cooking Depot

For 50 years, Cooking Depot has been meeting the kitchen equipment and accessory needs of the market's points of sale and consumption centers through continuous innovation in service and by making hundreds of useful products available to its customers.



Accelerating the Transition to the Circular Economy

The circular economy promotes the responsible and cyclical use of resources. It is designed to encourage the reduction and reuse of its supplies and represents an opportunity to reinvent the way the business finds, uses and disposes the materials it requires to offer its products and services.

At FEMSA, we are developing innovative opportunities in our business model to progress towards a circular economy. Across the FEMSA Strategic Businesses division, we are rethinking our product design: recovering waste, increasing recycling and reducing packaging materials. The following are some of the results:

- **AlPunto** is committed to supporting measures for the responsible disposal of its equipment. In 2019, a new recycling plant was opened to collect end-of-life refrigerators and reuse or recycle up to 90% of its components. Once collected, the refrigerators are completely dismantled and all metals, plastics, electrical components and fuels are carefully separated. A comprehensive monitoring, tracking and verification program is then employed to ensure that all components are reused or recycled rather than sent to a landfill.
- **PTM** plays a key role in finding solutions to the global waste challenge by recovering more than 30,000 tons of plastic annually (equivalent to 66% of the plastic used in PTM's operations per year)—including bottle caps collected by Coca-Cola FEMSA that would otherwise be considered waste. In 2019, 90% of PTM's manufactured products—including pallets, ice chests, furniture, and plastic crates, among others—were made from recycled raw materials.

In 2019, a new recycling plant was opened to collect end-of-life refrigerators and reuse or recycle as much as 90% of their interior parts.

The FEMSA Foundation was created in 2008 on the premise that a sustainable company can only exist with sustainable communities.

FEMSA FOUNDATION

2,462*
communities
benefited through
social projects

US\$ 45.8+
million*
invested and
US\$ 208.1 million
leveraged

62+ million
people*
positively impacted
directly and indirectly

250 partners*
in 12 countries

12.3 million visitors
to FEMSA Collection
artwork since 2000

* Data from 2008 to 2019

FEMSA Foundation

FEMSA recognizes and embraces the opportunity to take a bold leadership position on issues for which we can use our platform to positively contribute to society. We have a long history of actively working to build trust with our stakeholders through our operations, policies, and community investments. As such, the FEMSA Foundation is an important vehicle through which we generate economic, social, and environmental value.

The FEMSA Foundation’s strategic agenda is organized into three pillars of impact: Sustainable Development, Early Childhood Development, and the Cultural Program. For each, we are facilitating successful models of project implementation, knowledge exchange, and opportunities to present best practices from subject matter experts.



FEMSA recognizes and embraces the opportunity to take a bold leadership position on issues for which we can use our platform to positively contribute to society.



Partnerships for Green Growth

In September 2019 during the UN Climate Action Summit, The Latin American Water Funds Partnership received the State-of-the-Art Partnership Award in the Clean Water and Sanitation category, for its exemplary alignment with Sustainable Development Goal #6. The award was presented by Partnering for Green Growth and the Global Goals 2030 (P4G), a network of global leaders and innovators from government, business and international organizations working to drive green growth and impactful climate action.

[Learn more here](#)



Sustainable Development

Over the last 11 years, the FEMSA Foundation has supported environmental value creation by investing in projects that ensure the sustainable management of water in the communities where we operate. In 2019, we continued to foster collective action through strategic partnerships to create greater impact. For example:

- **Water Funds:** First launched in 2011, FEMSA Foundation is part of the Latin American Water Funds Partnership (LAWFP), an agreement to contribute to water security in Latin America and the Caribbean through the creation and expansion of Water Funds—or organizations that promote sustainable watershed management through stakeholder engagement, informed decision-making, and responsible governance. To date, 25 Water Funds have been launched in eight Latin American countries, with 15 more in development. The LAWFP has also created a methodology and is testing a new system for the development and acceleration of Water Funds throughout the region.

In 2019, the LAWFP began to identify strategic ways to collaboratively multiply its impact at three levels of engagement: locally, nationally, and regionally. For example, in Colombia, a recently formed coalition—made up of all nine Water Funds in the country, along with private sector partners and academia—are working directly with the national government in support of a national water security plan. Regional action plans include collective action by all Water Funds. These and other important initiatives were discussed at the fourth Water Funds Summit in July 2019, which was attended by more than 300 relevant stakeholders to promote knowledge exchange and multiply collaborative impact. [➤ Learn more here](#)

- **Lazos de Agua:** Originally launched in 2013 to improve sanitation and access to safe water across Latin America, Lazos de Agua is now in its second phase with a focus on promoting behavior change through social art. In 2019, the program benefited people in five Latin American countries through close work with our strategic partners—including the Inter-American Development Bank (IDB), The Coca-Cola Foundation, and One Drop—to continue improving our community engagement approach and ensure on-the-ground understanding of pressing issues and concerns.
- **IDB-FEMSA Award:** Under the premise that the biggest challenges produce the most innovative solutions, the IDB-FEMSA Award recognizes entrepreneurs and start-ups that are tackling tough societal problems related to water, sanitation, and solid waste. On its 10th anniversary in 2019, winners presented solutions that filter drinking water through a kitchen faucet attachment; capture and reuse the cold water normally wasted while waiting for a hot shower; and extract water from humidity in the air to use for cooking and drinking.

[➤ Learn more here](#)



Over the years, the FEMSA Foundation’s environmental programming has grown from water conservation and access, to water security and innovation. Recently, we have begun to explore how to further evolve our platform by focusing not only on water issues, but more broadly on sustainable development. During 2020, we will examine the most effective ways that we can further apply FEMSA Foundation’s successful models of collective action and knowledge sharing to these topics, including food and plastic waste, as well as the water-energy-food nexus.



In February 2019, FEMSA Foundation—along with more than 300 private sector and academic participants—engaged in a collaborative dialogue with experts in natural resources management and sustainable development at the Tecnológico de Monterrey. The sessions focused on identifying the strategies that will be needed to address the water-energy-food nexus challenges of the 21st century.

[➤ Learn more here](#)



The fourth Water Funds Summit in July 2019 was attended by more than 300 relevant stakeholders to promote knowledge exchange and multiply collaborative impact.



FEMSA Foundation has long believed that when children have the means to harness their full potential, communities can be transformed.

Early Childhood Development

FEMSA Foundation has long believed that when children have the means to harness their full potential, communities can be transformed. Our strategy to nurture early childhood development is focused in three key areas:

- **Building resilient communities:** to support a child’s opportunity to become a productive, secure, and economically strong member of society, we participate in projects across Latin America that seek to improve the cognitive, linguistic, motor, and socio-emotional abilities of children in vulnerable communities. For example, ¡Listos a Jugar! is a cross-platform educational program—created by Sesame Workshop, with the support of FEMSA Foundation—which promotes the development of healthy habits in preschool children related to eating, playing, and personal care. The program uses technology to bring useful content to caregivers and educators through episodes and songs starring Sesame characters, as well as a microsite and an application for mobile phones and tablets. In 2019, a community outreach strategy was developed to extend classroom learning to the home through accompanying activities that reinforce classroom lessons. In 2019, we benefited

more than 360 educators and nearly 4,440 children in 25 childcare centers in Mexico. In Brazil, we reached nearly 134 educators and more than 3,400 children in 14 childcare centers. With the distribution of the facilitator’s guide, we reached more than 10,700 children in Colombia, more than 670 children in Guatemala, and more than 230 children in Panama.

- **Helping employers support working parents:** in collaboration with the Mexican Institute for Competitiveness (IMCO by its Spanish acronym), we supported a first-of-its-kind research project in Latin America in 2019 to better understand the state of “family-friendly” policies available to employees of Latin American companies, such as parental leave benefits, childcare support, and access to educational information. Our findings indicate that companies who are investing in human capital by offering parental benefits not only secure higher rates of employee satisfaction and retention, but are also making important contributions to society by helping parents raise children who will grow up to succeed in a 21st century workforce. We hosted an event in October 2019 to further discuss these issues with representatives from more than 40 companies. [▶ Learn more here](#)



Supporting Medical Advancements

Since 2008, the FEMSA Foundation has invested more than Ps. 145.2 million (US\$ 7.7 million) to promote applied health research for the early detection and prevention of diseases through the FEMSA Biotechnology Center at the Tecnológico de Monterrey. In 2019, the Center developed a groundbreaking treatment for severe skin wounds, including diabetic ulcers, vascular damage, surgical wounds, and burns. The medicated cream is succeeding in healing the skin and preventing amputations that might otherwise be necessary. In collaboration with FEMSA Comercio’s Farmacias YZA and the state government, Oaxaca became the first state in Mexico to receive this technology through an initial donation of 620 doses. We are proud to help strengthen the links between research institutions, the private sector, and governments in support of positive public health outcomes.

[▶ Learn more here](#)



Cultural Program

An important part of how FEMSA generates social value rests on the development of projects that engage communities through encounters with the arts. For more than 40 years, the FEMSA Collection has showcased more than 1,200 works of Modern and Contemporary Latin American art through a series of exhibitions and a loan program. In 2019, the FEMSA Collection organized twelve exhibitions, which took place in multiple cities in Mexico and drew more than 100,000 visitors to the museum for various activities, including 21 workshops and dialogues related to exhibit programming. We also maintain a large art loan program, which loaned works in 2019 from our Collection to international institutions such as Di Donna Galleries in New York City, and the Museum of Contemporary Art in North Miami, Florida.

- Expanding public policy awareness:** in 2019, we continued our participation—along with more than 440 other organizations in Mexico—in the Pact for Early Childhood, an advocacy initiative calling on the government to enact policies that support early childhood development. As part of this effort, for the second year in a row, we gathered more than 45 public officials and decision-makers for the seminar, “Policies for the future: Well-being from early childhood”, with the goal of creating increased awareness about the importance of supporting early childhood as a pillar of success for families in Mexico. Together with the Tecnológico de Monterrey School of Government and Public Transformation, LEGO Foundation, the Inter-American Development Bank, and Harvard University’s Center on the Developing Child, the September 2019 meeting fostered the creation of a community of leaders who will be better prepared to strengthen programs and public policies for the future of all. [Learn more here](#)



In October 2019, we opened an exhibition at the Museum of Contemporary Art of Monterrey (MARCO, by its Spanish acronym), which featured 67 pieces from the FEMSA Collection by 58 artists. The exhibit showcased the evolution, plurality, and richness of the FEMSA Collection through the artistic manifestations of Latin American art during the twentieth and twenty-first centuries. [Learn more here](#)



For more than 40 years, the FEMSA Collection has showcased more than 1,200 works of Modern and Contemporary Latin American art through a series of exhibitions and a loan program.

For more than 25 years, the FEMSA Cultural Program has presented the FEMSA Biennial.



For more than 25 years, the FEMSA Cultural Program has also presented the FEMSA Biennial, a unique platform of collaborative events and exhibitions that recognize, strengthen, stimulate, and disseminate artistic creation across Mexico. During its latest run in Zacatecas from 2017 to 2019, the XIII edition of the FEMSA Biennial evolved from an artistic contest to a curatorial model that encouraged local artists to collaborate with national and international peers to produce art around a specific subject. Their work was then exhibited for four months, during which the host city celebrated art through exhibitions, performances, publications, conferences, workshops, and educational events that were open to the art community and the general public. Looking ahead to our next edition, we continue to build on our successful model of engaging with local artists and students, sponsoring artists from other regions, and offering community seminars and workshops. During 2019, we organized 26 art residencies, as well as five discussions with artists and members of the Curatorial Team in Morelia and Pátzcuaro.

Finally, from 2016 to 2019, the Cultural Program sponsored Estancia FEMSA – Casa Luis Barragán, an artistic center in Mexico City at

XIV bienal FEMSA

MORELIA /
PÁTZCUARO

The FEMSA Biennial continues to gain national and international recognition for its success as a vehicle for fostering artistic talent. The XIV edition—which runs from February 2020 to February 2021 in the state of Michoacán, Mexico—builds on the learnings of past events and will involve diverse artists from the local community. [Learn more here](#)

the former residence of Luis Barragán, one of the most influential Mexican architects of the twentieth century. After completing the projected cycle of artistic programming, Estancia FEMSA finalized its activities in December 2019. During the past three years, thousands of people have visited this UNESCO World Heritage Site to gain a better understanding of both art history and modern artistic disciplines.



CORPORATE GOVERNANCE

FEMSA seeks to generate profitable, consistent growth year on year while exhibiting the highest standards of corporate governance and ethical business principles. As such, we uphold rigorous practices of transparency, accountability and disclosure for all our stakeholders.

Our corporate practices comply with the laws of all countries where we operate. In Mexico and the United States, for example, we comply with all applicable standards, rules and regulations, including the Mexican Securities Law (Ley del Mercado de Valores) and the Sarbanes-Oxley Act. Additionally, we observe the recommendations of the Mexican Code of Best Practices, issued by the Business Coordinating Council (Consejo Coordinador Empresarial).

Code of Ethics

Our **Code of Ethics** forms the basis of FEMSA's approach to corporate governance, characterized by a culture of respect, honesty and integrity. The Code establishes the fundamental principles and norms that guide us in our ethical behavior in relation to our shareholders, customers, suppliers, authorities, civil society organizations, the environment, community and everyone we interact with. It also indicates the mechanisms to report any breach, behavior or practice that does not adhere to our Code of Ethics and corporate policies. The Code, approved by the Board of Directors, applies to directors and collaborators in all countries where we operate.

Likewise, we ask our suppliers of goods and services to adhere to the **FEMSA Supplier Guiding Principles**, which describe our expectations as they relate to sustainability, including labor rights, the environment, community and ethics and values.



BOARD OF DIRECTORS

FEMSA's Board of Directors is responsible for determining the Company's corporate strategy; defining and supervising the implementation of its vision and values, and approving related operations, including those outside the ordinary course of business.

In 2019, the Board of Directors was made up of 20 directors, of which 83% were men and 17% were women, supported by one Secretary and one Alternate Secretary, neither of whom are members of the Board of Directors. In accordance with our bylaws and the Mexican Securities Law, at least 25% of the members of our Board of Directors are independent.

SERIES B DIRECTORS

José Antonio Fernández Carbajal ^C

Executive Chairman of the Board of Directors of FEMSA
Elected in 1984

Alternate: Federico Reyes García ^C

Javier Gerardo Astaburuaga Sanjines ^C

Vice-President of Corporate Development of FEMSA
Elected in 2006

Bárbara Garza Lagüera Gonda

Private investor and president of the acquisitions committee of the FEMSA Collection
Elected in 1998

Alternate: Mariana Garza Lagüera Gonda

Eva María Garza Lagüera Gonda

Private investor
Elected in 1999

Alternate: Othón Páez Garza

José Fernando Calderón Rojas

Chief Executive Officer and Chairman of the Board of Directors of Franca Servicios, S.A. de C.V., Servicios Administrativos de Monterrey, S.A. de C.V., Regio Franca, S.A. de C.V., and Franca Industrias, S.A. de C.V.
Elected in 1984

Alternate: Francisco José Calderón Rojas

Alfonso Garza Garza

Vice President of FEMSA Strategic Businesses
Elected in 2001

Alternate: Juan Carlos Garza Garza

Maximino José Michel González

Chief Executive Officer of 3H Capital Servicios Corporativos, S.A. de C.V.
Elected in 1996

Alternate: Bertha Paula Michel González

Francisco Javier Fernández Carbajal ^C

Chief Executive Officer of Servicios Administrativos Contry, S.A. de C.V.
Elected in 2004

Alberto Baillères González

Chairman of the Board of Directors of Industria Peñoles, S.A.B. de C.V., Grupo Nacional Provincial, S.A.B., Fresnillo Plc, Grupo Palacio de Hierro, S.A.B. de C.V., Grupo Profuturo, S.A.B. de C.V. and subsidiaries, Controladora Petrobal, S.A. de C.V., Energía BAL, S.A. de C.V., Energía Eléctrica BAL, S.A. de C.V., and Tane, S.A. de C.V.
Elected in 1989

Alternate: Alejandro Baillères Gual

Ricardo Guajardo Touché ^{B,C,I}

Chairman of the Board of Directors of Solfi, S.A. de C.V.
Elected in 1988

Alfonso González Migoya ^{A,I}

Chairman of the Board of Directors of Controladora Vuela Compañía de Aviación, S.A.B. de C.V. and managing partner of Acumen Empresarial, S.A. de C.V.

Elected in 2006

Paulina Garza Lagüera Gonda

Private investor
Elected in 2009

Ricardo Ernesto Saldívar Escajadillo ^{B,C,I}

Private investor
Elected in 2006

Alfonso de Angoitia Noriega ^I

Co-Chief Executive Officer of Grupo Televisa, S.A.B.
Elected in 2015

Miguel Eduardo Padilla Silva

Chief Executive Officer of Fomento Económico Mexicano, S.A.B. de C.V.
Elected in 2014

SERIES D DIRECTORS

Armando Garza Sada ^I

Chairman of the Board of Directors of Alfa, S.A.B. de C.V., Alpek, S.A.B. de C.V. and Nematik, S.A.B. de C.V.
Elected in 2003

Alternate: Enrique F. Senior Hernández ^{C,I}

Moisés Naím ^{B,I}

Honorary member of the Carnegie Endowment for International Peace; producer and host of Efecto Naím; author and journalist
Elected in 2011

Alternate: Francisco Zambrano Rodríguez ^{A,I}

Michael Larson ^{I,C}

Chief Investment Officer for William H. Gates III
Elected in 2010

Robert Edwin Denham ^{B,C,I}

Partner at Munger, Tolles & Olson LLP
Elected in 2001

Víctor Alberto Tiburcio Celorio ^{I,A}

Independent consultant
Elected in 2018

Non-Member Board of
Directors Positions

Carlos Eduardo Aldrete Ancira
Secretary of the Board of Directors

Alejandro Gil Ortiz
Alternate Secretary of the Board of Directors

Key:
Audit Committee **A**
Corporate Practices Committee **B**
Strategy and Finance Committee **C**
Independent Director **I**

Board Committees

The members of the following committees support the Board of Directors by analyzing strategic issues critical to the success of the business. They provide recommendations related to the focus areas shown below, including economic, social and environmental matters.

Audit Committee*

Responsible for:

- Receiving, preserving, and resolving the accuracy and integrity of quarterly and annual financial statements in accordance with accounting, internal control and auditing requirements, including the presentation of confidential and anonymous reports by employees regarding accounting practices or doubtful audits;
- Reviewing the appointment, compensation, retention, and oversight of the independent auditor, who reports directly to the Audit Committee; and
- Identifying and following-up on contingencies and legal proceedings.

Corporate Practices Committee*

Responsible for:

- Preventing or reducing the risk of operations carried out that could damage the value of the Company or benefit a particular group of shareholders;
- Approving policies related to the use of Company assets or transactions with related parties; approving the compensation scheme for the Chief Executive Officer and key executives; and
- Supporting the Board of Directors in the preparation of reports on accounting practices.

Strategy And Finance Committee

Responsible for:

- Evaluating the investment and financing policies of the Company;
- Assessing the risk factors to which the Company is exposed, as well as evaluating its management policies;
- Making recommendations on the Company dividend policy;
- Analyzing the Company's business units and strategic alternatives for growth; and
- Making recommendations to the Board of Directors on annual operation plans and strategic projects for the business units.

* All committee members are independent directors, as required by the Mexican Securities Law, applicable U.S. Securities Laws and applicable NYSE listing standards.

MANAGEMENT TEAM

Our management team drives business growth by creating economic, social, and environmental value for all our stakeholders. Each of our executive leaders has significant professional experience within the industries where our businesses operate.

José Antonio Fernández Carbajal
Executive Chairman of the Board of Directors of FEMSA

Mr. Fernández began his career at FEMSA in 1988, serving in various positions, including CEO of OXXO. He was appointed CEO of FEMSA in 1995 and Chairman of the Board in 2001, serving in both positions until January 2014. He is also Chairman of the Board of Coca-Cola FEMSA. In 2010, he was appointed Vice-President of Heineken Holding NV's Board of Directors and Chairman of Heineken's Americas Committee. Since 2012, Mr. Fernández has been Chairman of the Board of Tecnológico de Monterrey, where he has served as Vice Chairman since 1997. In 2017, he was elected as a full-term member of Massachusetts Institute of Technology (MIT) Corporation, where he contributes to the Dean for Student Life and Dean for Undergraduate Education committees. Currently, he also participates as a board member of Industrias Peñoles. He holds a degree in Industrial Engineering and Systems from Tecnológico de Monterrey, where he earned an MBA in 1978 and has been a professor for more than 20 years.

Miguel Eduardo Padilla Silva
Chief Executive Officer of FEMSA

Mr. Padilla joined FEMSA in 1997 and was named to his current position in January 2018. Previously he served as Chief Financial and Corporate Officer of FEMSA, CEO of FEMSA Comercio, CEO of FEMSA Strategic Businesses, and FEMSA's Planning and Control Officer. He earned a Bachelor's degree in Mechanical Engineering from ITESM and an MBA from Cornell University. He also completed executive management studies at IPADE Business School.

Javier Gerardo Astaburuaga Sanjines
Vice President of Corporate Development of FEMSA

Mr. Astaburuaga joined FEMSA in 1982. Among other positions in the Company, he has held the position of co-CEO of FEMSA Cerveza, Director of Sales for Northern Mexico, CFO of FEMSA Cerveza, and Chief Financial and Corporate Officer of FEMSA. He has held his current position since April 2015. He studied Public Accounting at ITESM.

Alfonso Garza Garza
Vice President of Strategic Businesses of FEMSA

Mr. Garza joined FEMSA in 1985 and held various positions including CEO of FEMSA Empaques. In 2009 he was appointed to his current position. He is President of the Monterrey Metropolitan Water Fund, Vice-Chairman of the executive commission of the National President of the Employers Confederation of Mexico (Coparmex). He is a member of the Board of Directors of FEMSA, ITESM, Grupo Nutec, S.A. De C.V. He is also an alternate member of the Board of Directors of Coca-Cola FEMSA. He graduated from ITESM in Industrial Engineering and completed postgraduate coursework at IPADE Business School.

Roberto Campa Cifrián
Vice President of Corporate Affairs of FEMSA

Mr. Campa joined FEMSA in 2019, after a long career in the public, private, and social sectors. He has served in the federal government of Mexico as Secretary of Labor and Social Welfare, Undersecretary of the Interior, and Head of the Federal Consumer

Protection Agency. He has also served as a representative in the Mexico City Legislative Assembly and as a federal congressional representative. He holds a law degree from Universidad Anáhuac, where he is also a professor of "Macroeconomic Theory" and President of the Federation of Student Societies.

José González Ornelas
Vice President of Administration and Corporate Control of FEMSA

Mr. González joined FEMSA in 1973 and assumed his current position in 2001. His previous roles have included CFO of FEMSA Cerveza, Director of Planning and Corporate Development of FEMSA, and CEO of FEMSA Logística. He serves as Secretary of the Audit Committee of both FEMSA's and Coca-Cola FEMSA's Boards of Directors, and is a member of the Board of Productora de Papel, S.A. He holds a Bachelor of Arts degree in accounting from Universidad Autónoma de Nuevo León, and he completed postgraduate studies in Business Administration at IPADE Business School.

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

Mr. Santa Maria was appointed to his current position in 2014. He joined Coca-Cola FEMSA in 1995 and served in several senior management positions since then, including COO of the Company's Mexico Division, and Strategic Planning and Commercial Development Officer. He earned a Bachelor's degree and an MBA with a major in Finance from Southern Methodist University.

Daniel Alberto Rodríguez Cofré
Chief Executive Officer of FEMSA Comercio

Mr. Rodríguez joined FEMSA in 2015 as Chief Financial and Corporate Officer, and was named to his current position in January 2016. Prior to joining the Company he was CFO and CEO of CENCOSUD (Centros Comerciales Sudamericanos, S.A.), among other senior finance and management positions in Latin America, Europe, and Africa. He is an alternate member of the Boards of Coca-Cola FEMSA and FEMSA. He holds a forest engineering degree from Austral University of Chile and an MBA from Adolfo Ibáñez University.

FINANCIAL SUMMARY

Amounts expressed in millions of Mexican pesos (Ps.) as of December 31, 2019.

INCOME STATEMENT	2019 ¹	2018	2017 ²	2016	2015
Net sales	Ps. 504,059	Ps. 468,894	Ps. 439,239	Ps. 398,622	Ps. 310,849
Total revenues	506,711	469,744	439,932	399,507	311,589
Cost of goods sold	315,230	294,574	277,842	251,303	188,410
Gross profit	191,481	175,170	162,090	148,204	123,179
Operating expenses	144,329	133,594	121,828	110,777	89,444
Income from operations ³	47,152	41,576	40,262	37,427	33,735
Other non-operating expenses (income), net	1,573	874	1,285	4,208	954
Financing expenses, net	13,492	7,380	3,302	4,619	7,618
Income before income taxes and share of the profit of equity accounted investees	32,087	33,322	35,674	28,600	25,163
Income taxes	10,476	10,169	10,213	7,888	7,932
Share of the profit of equity accounted investees, net of taxes	6,437	6,560	8,021	6,463	6,045
Net income from continuing operations	28,048	29,713	33,480	27,175	23,276
Net income from discontinuing operations ²	-	3,366	3,726	-	-
Consolidated net income	28,048	33,079	37,206	27,175	23,276
Controlling interest	20,699	23,990	42,408	21,140	17,683
Non-controlling Interest	7,349	9,089	(5,202)	6,035	5,593
Financial ratios (%)					
Gross margin	37.8%	37.3%	36.8%	37.1%	39.5%
Operating margin	9.3%	8.9%	9.2%	9.4%	10.8%
Consolidated net income	5.5%	6.3%	7.6%	6.8%	7.5%
Other information					
Depreciation	23,344	14,698	13,799	12,076	9,761
Amortization and other non cash charges to income from operations	4,944	4,184	4,104	5,484	3,130
Operative Cash Flow (EBITDA)	75,440	60,458	58,165	54,987	46,626
Capital expenditures ⁴	25,579	24,266	23,486	22,155	18,885

¹ Starting on January 1st 2019, the Company adopted IFRS16 "Leases" accounting rule using the modified retrospective method under which the comparative information was not restated.

² The consolidated income statement of 2017 was revised for the discontinued operations of Coca-Cola FEMSA.

³ Company's key performance indicator.

⁴ Includes investments in property, plant and equipment, as well as deferred charges and intangible assets.

Amounts expressed in millions of Mexican pesos (Ps.) as of December 31, 2019.

BALANCE SHEET	2019 ¹	2018	2017 ²	2016	2015
Assets					
Current assets	Ps. 172,579	Ps. 177,607	Ps. 181,188	Ps. 117,951	Ps. 86,723
Equity accounted investees	97,470	94,315	96,097	128,601	111,731
Property, plant and equipment, net ³	114,513	108,602	116,712	102,223	80,296
Intangible assets, net	146,562	145,610	154,093	153,268	108,341
Right-of-use assets	52,684	-	-	-	-
Other assets, net	53,733	50,247	40,451	43,580	22,241
Total assets	637,541	576,381	588,541	545,623	409,332
Liabilities					
Short-term bank loans and current portion of long-term bank loans and notes payable	16,204	13,674	13,590	7,281	5,895
Current maturities of long-term leases	7,387	-	-	-	-
Other current liabilities	112,943	87,790	91,432	79,008	59,451
Long-term bank loans and notes payable	101,747	114,990	117,758	131,967	85,969
Long-term lease liabilities	47,292	-	-	-	-
Employee benefits	6,347	4,699	5,373	4,447	4,229
Deferred tax liabilities	6,946	5,886	6,133	11,037	6,230
Other non-current liabilities	12,924	13,800	17,343	25,713	5,702
Total liabilities	311,790	240,839	251,629	259,453	167,476
Total equity	325,751	335,542	336,912	286,170	241,856
Controlling interest	251,989	257,053	250,291	211,904	181,524
Non-controlling interest	73,762	78,489	86,621	74,266	60,332
Financial ratios (%)					
Liquidity	1.336	1.750	1.725	1.367	1.327
Leverage	0.957	0.718	0.747	0.907	0.692
Capitalization	0.28	0.29	0.29	0.33	0.28
Data per share					
Controlling interest book value ⁴	14.085	14.368	13.990	11.844	10.146
Net controlling interest income ⁵	1.157	1.341	2.370	1.182	0.988
Dividends paid ⁶					
Series B shares	0.483	0.460	0.431	0.417	0.366
Series D shares	0.604	0.575	0.538	0.521	0.458
Number of employees ⁷	314,656	297,073	295,027	266,144	246,158
Number of outstanding shares ⁸	17,891.13	17,891.13	17,891.13	17,891.13	17,891.13

¹ Starting on January 1st 2019, the Company adopted IFRS16 "Leases" accounting rule using the modified retrospective method under which the comparative information was not restated.

² The consolidated income statement of 2017 was revised for the discontinued operations of Coca-Cola FEMSA.

³ Includes bottles and cases.

⁴ Controlling interest divided by the total number of shares outstanding at the end of each period.

⁵ Net controlling interest income divided by the total number of shares outstanding at the end of the each period.

⁶ Expressed in nominal pesos of each period.

⁷ Includes incremental employees resulting from mergers & acquisitions made during the period.

⁸ Total number of shares outstanding at the end of each period expressed in millions.

MANAGEMENT'S DISCUSSION & ANALYSIS

Audited Financial Results for the twelve months ended December 31, 2019. Compared to the twelve months ended December 31, 2018.

Fomento Económico Mexicano, S.A.B. de C.V. ("FEMSA") is a Mexican holding company. Set forth below is certain audited financial information for FEMSA and its subsidiaries (the "Company" or "FEMSA Consolidated") (NYSE: FMX; BMV: FEMSA UBD, FEMSA BD). The principal activities of the Company are grouped mainly under the following subholding companies (the "Subholding Companies"): Coca-Cola FEMSA, S.A.B de C.V. ("Coca-Cola FEMSA" or "KOF"), (NYSE: KOF, BMV: KOFL) which engages in the production, distribution and marketing of beverages, and FEMSA Comercio, S.A. de C.V. ("FEMSA Comercio"), including its Proximity Division operating OXXO, a small-format store chain, a Health Division, which includes all drugstores and related operations, and a Fuel Division, which operates the OXXO GAS chain of retail service stations. Additionally, through its Strategic Businesses unit, it provides logistics, point-of-sale refrigeration solutions and plastics solutions to FEMSA's business units and third-party clients. The consolidated financial information included in this annual report was prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Beginning on 2019, we adopted the International Financial Reporting Standard 16 – "Leases" ("IFRS 16") across all our business units.

The 2019 and 2018 results are stated in nominal Mexican pesos ("pesos" or "Ps."). Translations of pesos into US dollars ("US\$") are included solely for the convenience of the reader and are determined using the noon buying rate for pesos as published by the U.S. Federal Reserve Board in its H.10 Weekly Release of Foreign Exchange Rates as of December 31, 2019, which was 18.8600 pesos per US dollar. This report may contain certain forward-looking

statements concerning Company's future performance that should be considered good faith estimates made by the Company. These forward-looking statements reflect management expectations and are based upon currently available data. Actual results are subject to future events and uncertainties, which could materially impact the Company's actual performance.

FEMSA Consolidated

2019 amounts in millions of Mexican pesos

	Total Revenues	% Growth vs'18	Gross Profit	% Growth vs'18
FEMSA Consolidated	506,711	7.9%	191,481	9.2%
Coca-Cola FEMSA	194,471	6.7%	87,507	4.2%
FEMSA Comercio Proximity Division	184,810	10.4%	75,099	14.6%
FEMSA Comercio Health Division	58,922	13.9%	17,645	11.2%
FEMSA Comercio Fuel Division	47,852	2.0%	4,775	12.9%

FEMSA's consolidated total revenues increased 7.9% to Ps. 506,711 million in 2019 compared to Ps. 469,744 million in 2018. Coca-Cola FEMSA's total revenues increased 6.7% to Ps. 194,471 million, driven mainly by healthy pricing, revenue management initiatives across our territories, volume growth in Brazil, the consolidation of recently acquired territories in Guatemala and Uruguay, and a favorable mix effect driven by transactions outperforming volumes in Brazil, Argentina, and Uruguay and an extraordinary income related to an

entitlement to reclaim tax payments in Brazil, recognized in the third quarter. FEMSA Comercio – Proximity Division's revenues increased 10.4% to Ps. 184,810 million, driven by the opening of 1,331 net new OXXO stores combined with an average increase of 5.0% in same-store sales. FEMSA Comercio – Health Division's revenues increased 13.9% to Ps. 58,922 million, driven by the acquisition of Corporación GPF, and the addition of 800 net new stores, including the aforementioned acquisition, partially offset by an average decrease of 3.7% in same-store sales. FEMSA Comercio – Fuel Division revenues increased 2.0% to Ps. 47,852 million in 2019, driven by the addition of 6 total net new stations in the last twelve months, partially offset by a 4.2% decrease in same-station sales.

Consolidated gross profit increased 9.2% to Ps. 191,481 million in 2019 compared to Ps. 175,305 million in 2018. Gross margin increased 50 basis points to 37.8% of total revenues compared to 2018, reflecting gross margin expansion at FEMSA Comercio's Proximity and Fuel Divisions, partially offset by gross margin contractions at Coca-Cola FEMSA and FEMSA Comercio's Health Division.

Consolidated operating expenses increased 8.0% to Ps. 144,329 million in 2019 compared to Ps. 133,594 million in 2018. As a percentage of total revenues, consolidated operating expenses increased from 28.4% in 2018 to 28.5% in 2019.

Consolidated administrative expenses increased 15.1% to Ps. 19,930 million in 2019 compared to Ps. 17,313 million in 2018. As a percentage of total revenues, consolidated administrative expenses increased 20 basis points, from 3.7% in 2018, to 3.9% in 2019.

Consolidated selling expenses increased 6.4% to Ps. 121,871 million in 2019 as compared to Ps. 114,573 million in 2018. As a percentage of total revenues, selling expenses decreased 20 basis points, from 24.3% in 2018 to 24.1% in 2019.

Consolidated income from operations increased 13.4% to Ps. 47,152 million in 2019 as compared to Ps. 41,576 million in 2018. As a percentage of total revenues, operating margin increased 40 basis points, from 8.9% in 2018 to 9.3% in 2019 reflecting margin expansion at FEMSA Comercio's Proximity and Fuel Divisions, partially offset by an operating margin contraction at Coca-Cola FEMSA and FEMSA Comercio's Health Division.

Some of our subsidiaries pay management fees to us in consideration for corporate services we provide to them. These fees are recorded as administrative expenses in the respective business segments. Our subsidiaries' payments of management fees are eliminated in consolidation and, therefore, have no effect on our consolidated operating expenses.

Net financing expenses increased to Ps. 13,492 million from Ps. 7,380 million in 2018, reflecting the effects of the adoption of IFRS16 accounting rule across our businesses, coupled with a foreign exchange loss related to the effect of FEMSA's US Dollar-denominated cash position, as impacted by the appreciation of the Mexican peso during 2019, partially offset by an interest income increase of 11.9% to Ps. 3,168 million in 2019, compared to Ps. 2,832 million in 2018.

Income before income taxes and share of the profit in Heineken results decreased 3.7% to Ps. 32,087 million in 2019 compared with Ps. 33,322 million in 2018, reflecting an increase in our income from operations, which was more than offset by the increase in net financing expenses described above.

Our accounting provision for income taxes in 2019 was Ps. 10,476 million, as compared to Ps. 10,169 million in 2018, resulting in an effective tax rate of 32.6% in 2019, as compared to 30.2% in 2018, slightly above our expected medium-term range of 30%.

Consolidated net income was Ps. 28,048 million in 2019 compared to Ps. 33,079 million in 2018, reflecting a non-cash foreign exchange loss related to FEMSA's U.S. dollar-denominated cash position as impacted by the appreciation of the Mexican peso, coupled with a demanding comparison base in 2018, driven by the results of discontinued operations related to the sale of the operations of Coca-Cola FEMSA's in the Philippines. This was partially offset by growth in our income from operations.

Controlling interest amounted to Ps. 20,699 million in 2019 compared to Ps. 23,990 million in 2018. Controlling interest in 2019 per FEMSA Unit ¹ was Ps. 5.78 (US\$ 3.07 per ADS).

Coca-Cola FEMSA

Coca-Cola FEMSA total revenues increased 6.7% to Ps. 194,471 million in 2019, compared to Ps. 182,342 million in 2018. Total revenues were driven mainly by healthy pricing, revenue management initiatives across our territories, volume growth in Brazil, the consolidation of recently acquired territories in Guatemala and Uruguay, and a favorable mix effect driven by transactions outperforming volumes in Brazil, Argentina, and Uruguay. This figure includes extraordinary other operating income related to an entitlement to reclaim tax payments in Brazil recognized in the third quarter. These factors were partially offset by the negative translation effect resulting from the depreciation of most of our operating currencies as compared to the Mexican Peso, combined with volume declines in Argentina, Colombia, and Mexico. On an organic ² basis, total revenues would have increased 5.0%.

¹ FEMSA Units consist of FEMSA BD Units and FEMSA B Units. Each FEMSA BD Unit is comprised of one Series B Share, two Series D-B Shares and two Series D-L Shares. Each FEMSA B Unit is comprised of five Series B Shares. The number of FEMSA Units outstanding as of December 31, 2019 was 3,578,226,270, equivalent to the total number of FEMSA Shares outstanding as of the same date, divided by 5.

² Excludes the effects of significant mergers and acquisitions in the last twelve months.

Coca-Cola FEMSA's gross profit increased 4.3% to Ps. 87,507 million in 2019, compared to Ps. 83,938 million in 2018, with a gross margin contraction of 100 basis points. More stable sweetener and declining PET prices were offset by: i) the reduction of tax credits on concentrate purchased from the Manaus Free Trade Zone, coupled with our temporary decision to suspend such tax credits; ii) higher concentrate costs in Mexico; and iii) the depreciation in the average exchange rate of most of our operating currencies as applied to our U.S. dollar-denominated raw material costs. Gross margin reached 45.0% in 2019.

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

Operating expenses increased 4.8% to Ps. 62,085 million in 2019, compared to Ps. 59,265 million in 2018. Administrative expenses increased 5.4% to Ps. 8,427 million in 2019, compared to Ps. 7,999 million in 2018. Selling expenses increased 4.4% to Ps. 52,110 million in 2019 compared with Ps. 49,925 million in 2018.

Income from operations increased 3.0% to Ps. 25,423 million in 2019 compared to Ps. 24,673 million in 2018. On an organic basis, income from operations grew 2.0%.

FEMSA Comercio - Proximity Division

FEMSA Comercio – Proximity Division total revenues increased 10.4% to Ps. 184,810 million in 2019 compared to Ps. 167,458 million in 2018, primarily as a result of the opening of 1,331 net new OXXO stores during 2019, together with an average increase in same-store sales of 5.0%. As of December 31, 2019, there were a total of 19,330 OXXO stores. As referenced above, OXXO same-store sales increased an average of 5.0% compared to 2018, driven by a 6.1% increase in average customer ticket, partially offset by a 1.0% decrease in store traffic. On an organic ³ basis, total revenues grew 10.1%. Cost of goods sold increased 7.6% to Ps. 109,711 million in 2019, compared to Ps. 101,929 million in 2018. Gross margin increased 150 basis points to reach 40.6% of total revenues. This increase reflects; i) the sustained growth of the services category, including income from financial services; ii) healthy trends in our commercial income activity; iii) increased and more efficient promotional programs with our key supplier partners and iv) the consolidation of Caffenio, our sole coffee supplier in Mexico, which we now control with 50% share ownership. As a result, gross profit increased 14.6% to Ps. 75,099 million in 2019 compared with 2018.

Operating expenses increased 11.8% to Ps. 57,527 million in 2019 compared to Ps. 51,452 million in 2018. The increase in operating expenses was driven by: i) our continuing initiative to strengthen our compensation structure of key in-store personnel in a tight labor market, including the gradual shift from commission-based store teams to employee-based teams; ii) higher secure cash handling costs driven by increased volume and higher operational costs including fuel prices; iii) the consolidation of Caffenio; and iv) organic growth of OXXO's international operations that achieved healthy sales levels per store, but have yet to reach sufficient scale to better absorb overhead.

Administrative expenses increased 28.0% to Ps. 4,590 million in 2019, compared to Ps. 3,587 million in 2018; as a percentage of sales, they increased to 2.5% in 2019, from 2.1% in 2018.

Selling expenses increased 10.4% to Ps. 52,545 million in 2019 compared with Ps. 47,589 million in 2018; as a percentage of sales they reached 28.4%.

Income from operations increased 24.8% to Ps. 17,572 million in 2019 compared to Ps. 14,077 million in 2018, resulting in an operating margin expansion of 110 basis points to reach 9.5% as a percentage of total revenues for the year, compared with 8.4% in 2018. This increase reflects better operating leverage and the effect of the adoption of IFRS16 accounting rule, partially offset by higher operating expenses as described above. On an organic ³ basis, income from operations grew 24.1%.

FEMSA Comercio - Health Division

FEMSA Comercio – Health Division total revenues increased 13.9% to Ps. 58,922 million compared to Ps. 51,739 million in 2018, reflecting the consolidation of Corporación GPF and the addition of 800 net new stores during 2019. As of December 31, 2019, there were a total of 3,161 drugstores in Mexico, Chile, Colombia and Ecuador. This was partially offset by a same-store sales decrease of 3.7%, reflecting stable trends in Mexico and positive trends in Colombia, that were more than offset by soft trading and operational disruptions in Chile, coupled with a negative currency translation effect related to the appreciation of the Mexican peso compared to the Chilean and Colombian pesos in our operations in South America. On an organic ³ basis, total revenues grew 0.9%.

Cost of goods sold increased 15.1% to Ps. 41,277 million in 2019, compared with Ps. 35,874 million in 2018. Gross margin decreased 80 basis points to reach 29.9% of total revenues.

³ Excludes the effects of significant mergers and acquisitions in the last twelve months.

This was mainly driven by; i) new pricing regulations in Colombia; ii) increased promotional activity in Chile; and iii) the consolidation of Corporación GPF. These were partially offset by improved efficiency and more effective collaboration and execution with our key supplier partners in Mexico. Gross profit increased 11.2% to Ps. 17,645 million in 2019 compared with 2018.

Operating expenses increased 11.7% to Ps. 15,360 million in 2019 compared with Ps. 13,750 million in 2018. This increase was partially offset by cost efficiencies and tight expense control throughout our territories.

Administrative expenses increased 31.8% to Ps. 2,709 million in 2019, compared with Ps. 2,055 million in 2018; as a percentage of sales, they reached 4.6% in 2019. Selling expenses increased 7.8% to Ps. 12,462 million in 2018 compared with Ps. 11,557 million in 2018; as a percentage of sales, they reached 21.1% in 2019.

Income from operations increased 8.0% to Ps. 2,285 million in 2019 compared with Ps. 2,115 million in 2018 while operating margin contracted by 20 basis points to 3.9% as a percentage of total revenues for the year, compared with 4.1% in 2018, which reflects the effect of the adoption of IFRS16 accounting rule coupled with cost efficiencies and tight expense control across our legacy territories, being more than offset by: i) the loss of operating leverage driven by reduced sales in Chile; and ii) the consolidation of Corporación GPF, which has a relatively higher operating expense structure. On an organic ⁴ basis, income from operations increased 0.3%.

FEMSA Comercio - Fuel Division

FEMSA Comercio – Fuel Division total revenues increased 2.0% to Ps. 47,852 million in 2019 compared to Ps. 46,936 in 2018, primarily

as a result of the opening of 6 net new OXXO GAS service stations during 2019, partially offset with an average decrease in same-station sales of 4.2%. As of December 31, 2019, there were a total of 545 OXXO GAS service stations. As referenced above, same-station sales decreased an average of 4.2% compared to 2018, as the average price per liter increased by 6.0%, while the average volume decreased by 9.6% reflecting consumer reaction to the higher prices, and increased competition.

Cost of goods sold increased 0.9% to Ps. 43,077 million in 2019, compared with Ps. 42,705 million in 2018. Gross margin increased 100 basis points to reach 10.0% of total revenues. This increase reflects improved supply terms. As a result, gross profit increased 12.9% to Ps. 4,775 million in 2019 compared with 2018.

Operating expenses decreased 4.8% to Ps. 3,591 million in 2019 compared with Ps. 3,773 million in 2018. The decrease in operating expenses reflects an undemanding comparison base in 2018 driven by provisions related to certain unprofitable institutional clients, partially offset by: i) higher wages implemented to reduce turnover in a tight labor market and; ii) expenses related to the remodeling of our stations and the installation of new environmental controls.

Administrative expenses decreased 11.2% to Ps. 215 million in 2019, compared with Ps. 242 million in 2018; as a percentage of sales, they decreased 10 basis points to 0.4% in 2019. Selling expenses decreased 6.9% to Ps. 3,281 million in 2019 compared with Ps. 3,526 million in 2018; as a percentage of sales, they decreased 60 basis points to 6.9% in 2019.

Income from operations increased significantly to Ps. 1,184 million in 2019 compared with Ps. 458 million in 2018, resulting in an operating margin expansion of 150 basis points to 2.5% as a percentage of

⁴ Excludes the effects of significant mergers and acquisitions in the last twelve months.

total revenues for the year, compared with 1.0% in 2018. This increase reflects the effect of the adoption of IFRS16 accounting rule, coupled with better operating leverage that more than offset higher personnel, remodeling and expansion related expenses.

Key Events during 2019

The following text reproduce our press releases as they were published.

- **Coca-Cola FEMSA announces stock split and listing of shares in the form of units**

On January 31, 2019, Coca-Cola FEMSA announced that it held an Extraordinary General Shareholders' Meeting (the "Shareholders' Meeting") that resolved the following: (i) An eight-for-one stock split (the "Stock Split") of each series of shares of the Company; (ii) The issuance of Series B ordinary shares with full voting rights; (iii) The creation of units, comprised of 3 Series B shares and 5 Series L shares, to be listed for trading on the Mexican Stock Exchange ("BMV") and in the form of American depositary shares (ADSs) on the New York Stock Exchange ("NYSE"); and (iv) Amendments to the Company's bylaws mainly to give effect to the matters approved in paragraphs (i), (ii), and (iii), described above.

"As part of a thorough and disciplined long-term planning process, and aware that the existing capital structure of Coca-Cola FEMSA has limited capacity to issue Series L shares, we proposed to our shareholders a stock split and the issuance of Series B shares to be listed together with Series L shares in the form of units, to allow the Company to increase its capacity to issue new equity, which may be used as consideration in future share-based acquisitions, as well as for general corporate purposes", said John Santa Maria Otazua, Coca-Cola FEMSA's Chief Executive Officer. He added: "It's important to stress that these adjustments do not change the percentage of ownership currently held by the Company's

shareholders; in addition, the Series B shares comprised in the units will provide additional voting rights to minority shareholders. We will continue to leverage on a disciplined approach to capital allocation and we feel confident that the listing of Series L shares and Series B shares in the form of units will help unlock value for our shareholders and position Coca-Cola FEMSA for new growth opportunities."

- **OXXO and HEINEKEN Mexico extend their commercial relationship**

On February 26, 2019, FEMSA announced that its subsidiary Cadena Comercial OXXO, S.A. de C.V. ("OXXO") had signed an agreement with Cervezas Cuauhtémoc Moctezuma, S.A. de C.V. ("HEINEKEN Mexico"), and both companies had agreed to an extension of their existing commercial relationship, with certain important changes. The current successful commercial relationship between OXXO and HEINEKEN Mexico began in 2010 and has been conducted under a ten-year agreement, whereby the only beer brands sold by OXXO have been those of the HEINEKEN Mexico portfolio. This announcement represents an early renegotiation of the agreement with HEINEKEN Mexico.

Under the terms of this agreement, starting in April of 2019 and following a gradual process, OXXO started selling the beer brands of Grupo Modelo in certain regions of Mexico, and will cover the entire Mexican territory by the end of 2022. As an example, the markets where OXXO will start selling both brand portfolios simultaneously during 2019 include Guadalajara and Mexico City.

The new commercial agreement will increase the productivity of the beer category within OXXO stores and will contribute to the growth of the beer industry in Mexico. Furthermore, the agreement is consistent with OXXO's permanent efforts to evolve its value proposition, committed to its consumers and offering more and better solutions to their daily needs.

- **OXXO and Grupo Modelo agree on new commercial relationship**

On February 26, 2019, FEMSA announced that its subsidiary Cadena Comercial OXXO, S.A. de C.V. ("OXXO") has signed an agreement with Grupo Modelo containing the terms for a new commercial relationship to sell the beer brands of Grupo Modelo at OXXO stores.

Currently, OXXO sells only the beer brand portfolio of HEINEKEN Mexico. Under the terms of the agreement announced today, starting in April of 2019 and following a gradual process, OXXO will also start selling the beer brands of Grupo Modelo in certain regions of Mexico, and will cover the entire Mexican territory by the end of 2022. As an example, the markets where OXXO will start selling both brand portfolios simultaneously during 2019 include Guadalajara and Mexico City.

The new commercial agreement will increase the productivity of the beer category within OXXO stores and will contribute to the growth of the beer industry in Mexico. Furthermore, the agreement is consistent with OXXO's permanent efforts to evolve its value proposition, committed to its consumers and offering more and better solutions to their daily needs.

- **FEMSA Comercio completes acquisition of Corporación GPF in Ecuador**

On April 30, 2019, FEMSA announced that FEMSA Comercio through its majority-owned subsidiary Socofar, had successfully completed the acquisition of Corporación GPF ("GPF"). GPF is a leading drugstore operator based in Quito, Ecuador, with almost 90 years of solid trajectory, which operated more than 620 points of sale nationwide mainly under the Fybeka and SanaSana banners.

This transaction represents a new building block of FEMSA Comercio's drugstore strategy in South America, following its

successful acquisition of a controlling stake in the drugstore and distribution platform of Chile-based Socofar in 2015. This announcement marks another important step for FEMSA Comercio as it brings its considerable retail expertise and Socofar's deep industry knowledge to the Ecuadorian market and its more than 16 million consumers. GPF is a strong local operator with attractive growth prospects, and it will help Socofar as it continues to build a robust base from which to expand further in the region.

- **FEMSA Comercio enters Convenience sector in Brazil through Joint Venture with Raízen**

On August 6, 2019, FEMSA announced that it had reached an agreement to enter into a 50-50 Joint Venture with Raízen. Through this agreement, FEMSA Comercio acquired a 50% interest in Raízen Conveniências. The full Enterprise Value of Raízen Conveniências for the purpose of this transaction was R\$1,122 million, free of any debt or cash, and FEMSA Comercio's 50% interest was therefore valued at R\$561 million. Raízen itself is a 50-50 Joint Venture between Cosan and Shell. Raízen currently operates more than 6,200 Shell service stations in Brazil, and approximately one thousand of them have a Select brand convenience store today. The stores are franchised or licensed by Raízen to independent operators. This Joint Venture is limited to the convenience store business and excludes the fuel service station operations. The transaction will create a powerful platform for future growth. Raízen contributes its broad service station footprint, where current penetration of convenience stores is still low, and its vast experience operating in Brazil. FEMSA Comercio will bring to bear its considerable expertise as a developer and operator of small-format proximity and convenience stores. Potential growth avenues include increasing penetration of Select convenience stores at Raízen service stations, as well as developing successful value propositions for stand-alone stores under the OXXO brand.

Daniel Rodríguez Cofré, FEMSA Comercio's CEO, commented: "We have been looking at Brazil as a compelling market for small-format retail for a long time. The transaction announced today combines the right asset and the right partner for us, with the right structure and the right timing. We welcome the opportunity to join forces with a world-class company like Raízen, and we are excited by the potential and the challenge that this new venture represents for FEMSA Comercio."

This transaction was successfully closed on November 1, 2019.

- **FEMSA to invest in US cash and carry leader Jetro Restaurant Depot, creating a Joint Venture for Latin America**

On September 26, 2019, FEMSA announced that it had signed a non-binding Memorandum of Understanding ("MOU") to acquire a minority stake in privately-held Jetro Restaurant Depot ("JRD"). The MOU also contemplates that FEMSA and JRD will enter into a Joint Venture to take JRD's business model to Mexico and other Latin American markets. The amount of FEMSA's investment as per the MOU is US\$ 750 million.

Jetro Restaurant Depot

JRD is a leader in the wholesale business-to-business cash and carry retail foodservice segment in the United States. Founded in 1976, JRD today operates over 130 stores across the United States with two formats, Jetro Cash and Carry and Restaurant Depot, with revenues exceeding US\$ 10 Billion in 2018.

Transaction Rationale

We believe the transaction fits well with our strategic intent to invest in growth opportunities that can leverage our capability set across different markets, while providing the opportunity for attractive risk-adjusted returns. The transaction allows FEMSA to gain exposure

to the US wholesale cash and carry segment by investing with a formidable partner, and at the same time creates the platform for a new Joint Venture to develop and grow this business in FEMSA's core markets.

This transaction was successfully closed on November 8, 2019.

- **Coca-Cola FEMSA announces favorable resolution of arbitration on beer distribution in Brazil**

On October 31, 2019, Coca-Cola FEMSA announced that the arbitration tribunal in charge of the process to resolve disagreements between Cervejarias Kaiser Brasil, S.A. a subsidiary of Heineken, N.V. ("Kaiser"), and the Coca-Cola System in Brazil, in connection with the distribution of Kaiser's portfolio including Heineken beer, had issued an award confirming that their distribution agreement shall continue in full force and effect until and including March 19, 2022. We will continue distributing Kaiser's portfolio, performing and executing at our customary levels of excellence.

- **Solistica announces the acquisition of AGV, leader in value-added warehousing and distribution in Brazil**

On November 8, 2019, FEMSA announced that Solistica, FEMSA's logistics subsidiary, had reached an agreement to acquire AGV, a leader in value-added warehousing and distribution in Brazil with gross annual sales approaching R\$650 million.

About AGV

Founded in 1998, AGV operates a value-added warehousing and distribution platform with more than 300,000 m² of warehousing space located across 15 states in Brazil and over 2,600 employees. Within its broad platform, AGV has built a particularly strong position in Brazil's health and nutrition-related sector, as well as in fast-moving consumer goods, which fit well with Solistica's existing capabilities and customer focus.

Transaction Rationale

This transaction represents an important new building block for Solistica's strategy in Brazil. Solistica will now become the first fully integrated Third Party Logistics (3PL) solution provider in the Brazilian market, building a key differentiating factor among the leading players in the industry. Since the acquisitions of Expresso Jundiai and Atlas in 2013 and 2015, respectively, Solistica has developed its portfolio of services to become a major player in Less than Truckload (LTL) logistics in Brazil. AGV will generate synergies, complement the platform and significantly enhance Solistica's customer value proposition, allowing it to provide integrated logistics solutions to its clients in the key Brazilian market.

This transaction was successfully closed on December 27, 2019.

- **FEMSA Becomes Sole Shareholder of Grupo Socofar**

On December 23, 2019, FEMSA announced that its minority partner in Grupo Socofar ("Socofar") had notified to FEMSA Comercio the exercise of its put right to sell its remaining 40% interest in Socofar. Upon closing of this transaction, FEMSA, through its subsidiaries, would become the sole shareholder of Socofar. Per the terms of the put option, the valuation for Socofar was determined through a fair market procedure carried out by independent investment bankers, and the final price to be paid for the 40% interest is subject to local currency exchange adjustments to be made at closing.

This transaction was successfully completed on January 9, 2020, and it represents another successful milestone in FEMSA Comercio's long-term effort to build a leading regional drugstore platform, and it will create more opportunities for the operations in South America and Mexico to collaborate and generate value together.

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Stock Markets and Symbols

Fomento Económico Mexicano, S.A.B. de C.V. stock trades on the Bolsa Mexicana de Valores (BMV) in the form of units under the symbols FEMSA UBD and FEMSA UB. The FEMSA UBD units also trade on The New York Stock Exchange, Inc. (NYSE) in the form of ADRs under the symbol FMX.

We are members of the Dow Jones Sustainability MILA Pacific Alliance Index, the FTSE4Good Emerging Index and the Mexican Stock Exchange Sustainable IPC, among other indices that evaluate our performance in sustainability.



MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

For more extensive information, including the Audited Financial Statements, please visit us at:

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The FEMSA 2019 Annual Report may contain certain forward-looking statements concerning FEMSA and its subsidiaries' future performance and should be considered as good faith estimates of FEMSA and its subsidiaries. These forward-looking statements reflect management's expectations and are based upon currently available data. Actual results are subject to further events and uncertainties which could materially impact the Company's subsidiaries' actual performance.

