

# One

VISION  
PLATFORM  
FUTURE



# ONE Coca-Cola FEMSA

We are Coca-Cola FEMSA, and we believe in:

## **ONE VISION**

That unifies our organization to become an undisputed total beverage leader with sustainable and profitable growth, focused on creating and fulfilling consumer demand anytime, anywhere.

## **ONE PLATFORM**

That ensures our teams work together as a cohesive unit that strives to create sustainable value in collaboration with our stakeholders through our everyday decisions and actions.

## **ONE FUTURE**

That requires us to evolve together with our consumers and customers to match their ever-changing needs and generate social and environmental wellbeing as a shared purpose.



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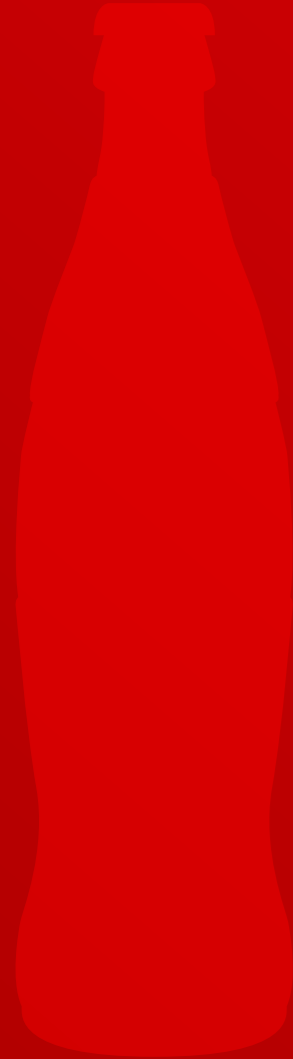
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DEAR  
FELLOW

# stakeholders

Underscoring a year of transformation and capability building, we continued capitalizing on our industry's potential to produce positive results while navigating dynamic environments.

Thanks to our ongoing transformation, we are developing the capabilities to win in a world marked by rapid changes. Thus, we embarked on our Fuel for Growth strategy to create an even leaner, more agile organization focused on our customers and consumers. This multi-year journey aims to strengthen our organization through new ways of working,

strive for efficiency with best-in-class capabilities enabled by digital technology, eliminate redundancy, and ensure our sustainable business growth.

As part of our strategy, we are unifying our organization under one vision to become an undisputed total beverage leader with sustainable, profitable growth; one platform to ensure our teams work as a cohesive unit to create sustainable value for our stakeholders; and one future to maintain our flexibility to evolve together with our consumers and customers.



José Antonio Fernández Carbajal

John Santa Maria Otazua

**+194**  
billion pesos in total revenue



**We collected more than 50% of the bottles that we put in Mexico and Brazil.**

## ONE CONSUMER-CENTRIC PLATFORM: STRATEGIC INITIATIVES

Guided by our obsessive consumer focus, we are consolidating a winning total beverage portfolio to satisfy evolving tastes and lifestyles. We are fostering sparkling beverage growth by leveraging portfolio innovation and affordability, while driving our low or no-sugar beverage portfolio ahead of consumer trends. Additionally, we are improving our competitive position in still beverages, and amplifying our water portfolio to establish consistent leadership across this growing category.

As part of our Fuel for Growth journey, we functionalized our finance, supply chain, and human resources operating models to create a leaner service organization that leverages our company's scale to drive our operations' sustainable, profitable business growth.

Underpinned by KOF DNA, we are building a collaborative customer and consumer-centric culture founded on operational excellence, agile decision-making, an owners' mentality, and always placing our people first.

Moreover, we are accelerating our digitally driven business transformation. After rolling out our KOFcommercial digital platform (KDP) across our traditional trade channel, we deployed KDP throughout Brazil and Mexico's modern trade channel. In Brazil, we further expanded our first mover advantage across food aggregators and digital channels, while successfully piloting our omnichannel entry capability.

Finally, we continue to make important progress on our sustainability goals. Notably, we collected more than 50% of the bottles that we put into the market, well positioned to achieve our 2030 commitment of collecting 100%. We used 23.7% of recycled materials in our PET packaging, on track to achieve our 2020 goal of 25%. We improved our water use ratio to 1.52 liters of water per liter of beverage produced, on track to achieve our 2020 goal of 1.5 liters. Impressively, 71% of our manufacturing operations' power comes from clean energy sources, up over seven times the past five years.

## ONE CONSUMER-CENTRIC PLATFORM: OPERATING HIGHLIGHTS

Guided by our holistic strategic framework, we navigated a challenging macroeconomic environment to deliver positive results for the year. Our total sales volume increased 1.4% to 3.37 billion unit cases, with transactions growing 2.5% to 20.2 billion. Total revenues grew 6.7% to Ps. 194.5 billion. Operating income grew 3.0% to Ps. 25.4 billion. Operating cash flow grew 4.8% to Ps. 37.1 billion. Importantly, controlling net income reached Ps. 12.1 billion for earnings per share of Ps. 0.72 and per unit of Ps. 5.76 (Ps. 57.60 per ADS).

Our resilient Mexico operation achieved strong top-line growth, despite uncertain macroeconomic conditions. Our portfolio innovation, affordability, and commercial initiatives enabled us to generate price-mix improvements and deliver 8.1% revenue growth, while our ability to drive cost and expense efficiencies resulted in margin expansion.

In Central America, we delivered solid top-line growth, driven mainly by the strong performance of our Guatemala and Costa Rica operations. Our ability to capture synergies from new territories, expanded distribution platform, and improved point-of-sale execution enabled us to achieve outstanding volume growth in Guatemala.

Despite slow macroeconomic growth, our Brazilian operation continued its impressive turnaround, generating strong volumes that built on two years of continuous growth. Importantly, this growth is leading to market share gains across our key beverage categories, driven by our relentless consumer focus, robust portfolio, and point-of-sale execution.

After a complicated start to the year, we're encouraged by our Colombian operation's turnaround over the second half of 2019, driven by our efficiency, coverage, and portfolio initiatives. In Argentina, we adapted our portfolio to remain close to our consumers, driven by our affordability strategy.



**Our total revenues grew 6.7%.**

**Our operating  
income grew 3.0% to  
Ps. 25.4 billion.**

We seamlessly consolidated our Uruguay operation. Beyond exceeding our estimated synergies, we improved our volumes and margins, driven by increased production efficiency and market share gains in the sparkling and still beverage categories.

Finally, consistent with our disciplined approach to capital allocation and commitment to generating shareholder value, our Board of Directors agreed to propose an ordinary dividend of Ps. 4.86 per unit to the Annual Shareholders Meeting. This proposal represents an increase of 37% versus the previous year, reflecting the strength

of our free cash flow generation and our confidence in Coca-Cola FEMSA's solid financial position.

Moving forward, our overarching strategic priority is to become the best option for our customers and consumers in all of our markets—creating and fulfilling their demand anytime, everywhere.

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

**JOSÉ ANTONIO FERNÁNDEZ CARBAJAL**

Chairman of the Board

**JOHN SANTA MARIA OTAZUA**

Chief Executive Officer





## CHIEF FINANCIAL OFFICER

*question & answer*

Constantino, 2019 marks your first year as Coca Cola FEMSA's CFO. How would you reflect on the company's performance for the year? What are your priorities?

A) 2019 was a very positive year. We successfully navigated a challenging overall macroeconomic environment, and most importantly, we continued taking significant strategic steps towards our long-term goals. Additionally, we laid important foundations and achieved important milestones in our finance function.

When I assumed the CFO position at the beginning of year, I set five key priorities:

- 1) **Maintain our solid financial foundation to improve our return on invested capital (ROIC)** – To this end, we took important steps to prioritize ROIC as a key performance indicator (KPI) across our organization and renewed our commitment to a disciplined approach to leverage, capital allocation, working capital optimization, and profitability insights.

**Constantino Spas reflects on his first year as our company's Chief Financial Officer. He discusses his five key priorities, our company's positive performance, Fuel for Growth strategy, operating highlights, disciplined capital allocation, and financial flexibility.**



- 2) **Continue evolving our finance function to drive top- and bottom-line results and maximize shareholder value** – Our finance function is increasingly evolving into a partner to our broader business in order to drive results. In this way, we support our operations by delivering valuable insights for better and faster decision-making to maximize shareholder value, while ensuring compliance and transactional efficiency.
- 3) **Guarantee that we will continue attracting and developing our talent base for our finance function** – Together with Human Resources and aligned with our DNA, we continue to attract and develop the right talent across diverse finance functions across our operations.
- 4) **Continue our approach of transparency, fair disclosure, and continuous communication with our stakeholders** – Building on this commitment, this year we took important steps to gain a deeper understanding of our shareholders' perception of the company; for us, it is key to gather feedback from the market and maintain this important two-way communication. Our shareholders' insights are fundamental as we continue to plan and execute our strategies.
- 5) Finally, in my role as CFO, I continue to take important steps to **support John and our senior leadership team on their journey of cultural transformation, reinforcing our DNA** by taking an active role in the design and implementation of our Fuel for Growth strategy that enables us to leverage new ways of working.

Could you walk through the factors that drove the company's positive performance for the year?

**A)** During 2019, we capitalized on our operational excellence, portfolio initiatives, digital transformation, and Fuel for Growth strategy. First, we enhanced our operational excellence led by our efforts across our operations to continue improving our point-of-sale execution and expanding our cooler coverage. Second, we carried on revamping our portfolio across categories, while rolling out affordability initiatives to not only accelerate growth, but also improve our competitiveness to gain market share across key markets and beverage categories. Third, we continued to take steps on our digital transformation, incorporating big data analytics and artificial intelligence and advancing our omnichannel commercial capabilities. Moreover, our digital distribution and supply chain initiatives enabled us to become more efficient while improving our service levels.

Finally, we started the rollout of our Fuel for Growth strategy—a set of ambitious productivity and efficiency initiatives designed to create an even leaner, more agile organization fully focused on our consumers. These initiatives focus on strengthening our organization through new ways of working, eliminating redundancies, and leveraging digital enablers to streamline our cost base, while generating funds to support our strategic initiatives and reinvest in our business.





Could you briefly review the highlights of the company's operations in Mexico, Central America, and South America for the year?

**A)** Mexico, our largest operation, achieved positive results in the face of a resilient, but challenging consumer environment. Despite market uncertainty, we delivered top-line growth, increasing our 2.5-liter and 3-liter returnable presentations' coverage, while launching our affordable 235-ml returnable glass bottle at 5 pesos to incentivize our single-serve mix. Importantly, a more stable raw material environment, coupled with our Mexico team's ability to generate significant savings, enabled us to stabilize and improve our profitability during the year.

Our Central America operations' positive performance was driven mainly by our Guatemala operation's high single-digit volume growth. In Guatemala, we expanded our portfolio. In Costa Rica, we took successful measures to reduce our cost to serve, while we worked to strengthen our retail relationships in Panama. Finally, in Nicaragua, we adapted to a challenging market environment by connecting with our consumers through our cola, affordability, and returnable strategies.

Moving onto South America, Brazil, our second largest operation, achieved high single-digit volume growth, while gaining share across beverage categories. Our Brazilian operation's volume growth was driven by our affordability initiatives, revamped portfolio, and strong point-of-sale execution. In the face of a challenging year, our Colombia operation delivered better-than-expected volumes. During

2019, we restructured our portfolio and our business to successfully turnaround our Colombia operation. In Argentina, we adapted our portfolio to navigate an exceptionally challenging environment, and thanks to our amazing teamwork, we achieved cost and expense controls in order to protect our profitability. Finally, we seamlessly and successfully integrated our promising Uruguay operation, capturing important synergies.

Could you update us on the company's integration of its acquisitions in Guatemala and in Uruguay? Synergies?

**A)** Our acquisitions in Uruguay and Guatemala are success stories. We smoothly and successfully integrated these territories, and we achieved better-than-expected synergies of more than US\$25 million for the year—from best practices to cost and expense efficiencies on both the supply chain and manufacturing fronts. Importantly, we successfully deployed our DNA, working seamlessly to integrate our culture while establishing management teams that combine talent from our new and existing operations. In Uruguay, we are significantly improving our competitive position across key categories, marked by market share gains in flavored sparkling beverages. Moreover, in Guatemala, we are standardizing our portfolio while improving our competitive position.

Could you briefly walk us through how the company is transforming its Finance Operating Model through Finance 4 Growth?

**A)** Through Finance 4 Growth, we are implementing a vision to support our front-line operations. Overall, our ambition is to serve as a business partner to our operations by delivering valuable insights for better and faster decision-making to maximize shareholder value, while ensuring compliance and transactional efficiency.

In order to enable our finance teams to partner with our broader organization to drive sustainable, profitable business growth, we are implementing a vision that will allow us to:

- Act as business advisor and integrator of our total business view
- Provide valuable insights, proactively and robustly manage challenges, and support our commercial decision-making
- Take ownership for and actively manage our company's financial value drivers.

With this in mind, our KOF Financial Services (KFS) team is in charge of applying new digital technologies and skills to continually improve our Finance Operating Model.

To follow up, could you briefly discuss the steps that the company's taking to maximize shareholder value through disciplined capital allocation, working capital optimization, and improved profitability?

**A)** This year, we completed an important financial milestone. We concluded an eight-for-one stock split, the issuance of new Series B shares with full voting rights, and the listing of Series B and Series L shares in the form of units. Each new unit is comprised of 3 Series B shares and 5 Series L shares. This action enables our 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. Moving forward, 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 our company for new growth opportunities.

Importantly, and underscoring our solid financial position, which allows us to return excess cash to our shareholders without compromising our flexibility to pursue future acquisition opportunities, our Board of Directors is proposing to our Annual Shareholders Meeting an ordinary dividend of Ps. 4.86 per unit, an increase of 37% versus the previous year dividend.





Could you further update us on the steps the company is taking to strengthen its capital structure and financial flexibility?

A) Consistent with our mandate to deleverage our company's balance sheet, we continued to repay debt to strengthen our company's financial position. Importantly, we set the foundations to take advantage of favorable market conditions in the U.S. dollar and Mexican peso debt markets. As a result, in January 2020, we successfully priced a historic public offering of US\$1.25 billion principal amount of senior notes due 2030. The notes priced at US Treasury + 100 basis points and a coupon of 2.750%—the lowest spread, yield, and coupon in history for a Latin American corporate debt offering.

In addition, on February 6, 2020, we successfully placed two tranches of Mexican peso-denominated bonds in the Mexican market for a total aggregate amount of Ps. 4,727 million. The first tranche is for an aggregate amount of Ps. 3,000 for 8 years bearing an annual fixed interest rate of 7.35%, and the second tranche is for an aggregate amount of Ps. 1,727 million for 5.5 years bearing a variable interest rate of TIEE + 0.08%. This transaction received broad participation from investment-grade investors, confirming our company's financial discipline and strong credit profile.

We used the net proceeds from our sale of the 2030 notes to fully redeem our company's 3.875% senior notes due 2023, and the remainder is intended to be used for general corporate purposes. This will enable us to increase the average life of our debt from 6.8 years to 8.3 years.

Finally, could you briefly discuss the factors that will drive the company's performance during 2020?

A) We are encouraged by the opportunities ahead. More than ever, we are one unified company, with our foundation for future success guided by one vision, one platform, and one future. To strengthen our P&L and maximize our ROIC, we look to take advantage of key levers to improve our business performance and profitability, including opportunities for sales growth and margin expansion, affordability initiatives, and strategic capital investments. Furthermore, we will continue executing our Fuel for Growth strategy to achieve efficiencies in our cost base, reinvent our supply chain, maximize our return on investment, and develop fit-for-purpose route-to-market models to improve our company's profitability.

## CORPORATE AFFAIRS OFFICER

*question & answer*

What would you say were Coca-Cola FEMSA's main sustainability achievements during 2019?

**A)** During 2019, we made good progress on our sustainability strategy aligned with Coca-Cola FEMSA's strategic framework. As you may know, our 2020 goal is to supply 85% of Mexico's manufacturing operations energy requirements with clean energy. For the year, we achieved significant progress towards this goal, using clean energy to cover 69% of those manufacturing plants' energy needs, and we are confident that we will achieve our goal by the end of 2020. Moreover, we increased the use of clean energy for our bottling plants in Panama, Colombia, Brazil, Argentina, Guatemala, and Costa Rica, accomplishing 70.7% coverage of our company's total manufacturing operations' power needs through clean sources of energy.

**José Ramón Martínez,  
Corporate Affairs  
Officer, discusses our  
integrated sustainability  
strategy. Among other  
topics, he talks about  
our main sustainability  
achievements,  
environmental  
stewardship, and  
strengthening our local  
communities.**



Continuing our long-term commitment to collectively address the challenge of waste management and aligned with The Coca-Cola Company's commitment to a "World Without Waste," we can proudly say that, in the main markets in which we operate, collection and recycling mechanisms account for more than 50% of the PET bottles that we sell, putting us well on track to our 2030 goal of collecting 100% of the PET bottles we place in the market. While this is a challenging task, we are confident that, with the support and co-responsibility of all of the actors in the value chain, we will fulfill our commitment through a market-based approach to the circular economy. Of course, we undertake this concerted effort in conjunction with our ongoing initiatives to lighten the weight of our packages, optimize the use of PET, and incorporate recycled content into our bottles. In 2019, we used an average of 23.7% recycled content in our plastic bottles, putting us on the right path to accomplish our 2020 goal of 25%; a goal that we aim to expand to include 50% of recycled materials in our PET packaging by 2030.

To address the threat of climate change, we strongly support the adoption of a science-based approach that is aligned with the goal of the Paris Agreement to limit a global temperature rise to well below 2°C. Consequently, during 2019, we embarked on the Science Based Targets initiative (SBTi), a collaboration between CDP (formerly the Carbon Disclosure Project), World Resources Institute (WRI), the UN Global Compact, and the World Wide Fund for Nature (WWF). This company-wide effort is designed

to measure and account for the carbon footprint of Coca-Cola FEMSA's value chain, with the eventual goal of adopting a science-based target for emissions reduction that reflects our commitment to a low carbon economy.

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

- A) At Coca-Cola FEMSA, we integrate sustainability into our day-to-day operations as a key driver of business decisions. This enables us to guarantee our company's long-term development and continuity, foster the wellbeing of communities, and take care of the environment, fulfilling our mission to simultaneously generate economic and social value in collaboration with our stakeholders. We view sustainability as an enabler of our company's business growth; thus, virtually all organizational decisions and actions, regardless of their origin, consider sustainability implications—from the selection of a particular supplier to the investment in eco-efficient infrastructure improvements, the expansion of our product portfolio to satisfy every consumer lifestyle, and our community investment. Ultimately, we understand that we share one vision, one platform, one future, and work for one Coca-Cola FEMSA.





In the global context of new labeling regulations surfacing across the board, could you please elaborate on Coca-Cola FEMSA's commitment to empower consumers to make informed decisions through responsible marketing?

A) We obsessively focus on satisfying our customers and consumers. Accordingly, transparency, fact-based information, and a high sense of responsibility form the guiding principles for our marketing practices. Given our company's position in Latin America, our nutritional labeling recognizes that each population is different, with its own needs and habits; therefore, we fully endorse and comply with each country's existing legal framework. When regulatory changes arise, we are always willing to take a proactive role in such changes, providing our expertise and quality information in order to ensure that our consumers receive high-quality information. Additionally, our production processes fulfill the highest quality standards, and our ingredients comply with each of our operations' local regulations and high internal Coca-Cola standards.

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

A) Water is a key resource for our communities and our operations; therefore, we are committed to the efficient use of this natural resource in our bottling operations—returning to the environment and communities the same amount of water used in our beverages, while safeguarding it not only

for us to use, but also for our communities to enjoy now and into the future. From 2010 through 2019, we significantly improved our water use ratio by an impressive 22% to reach 1.52 liters of water per liter of beverage produced, representing savings of more than 10.5 billion liters of this vital resource compared to our 2010 baseline. Importantly, we currently give back to the environment more than 100% of the water we use in the production of our beverages in Brazil, Colombia, Mexico, Central America, and Argentina.

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



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

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

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

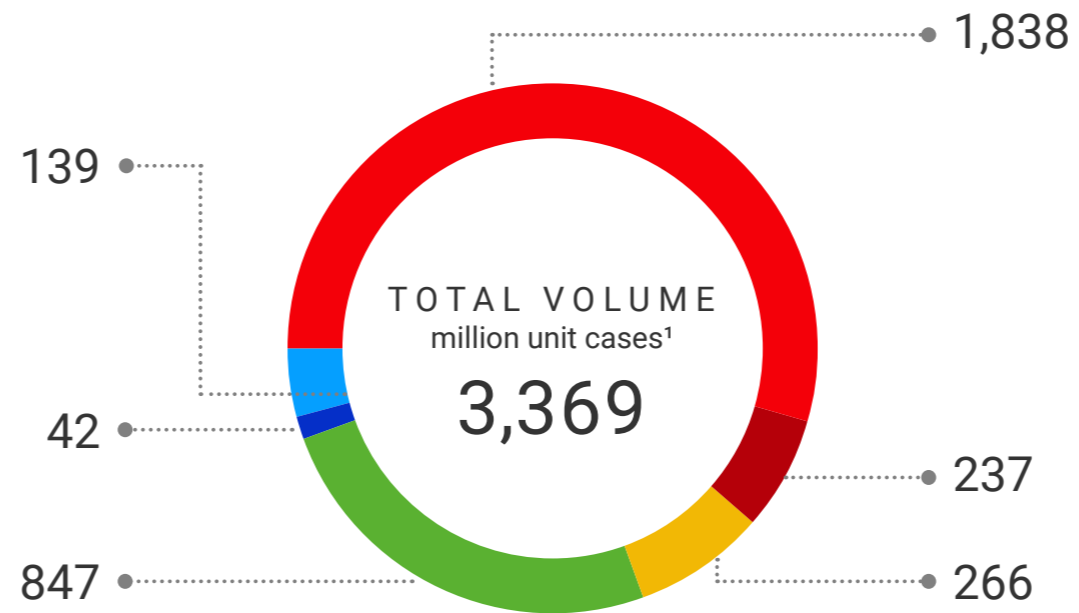
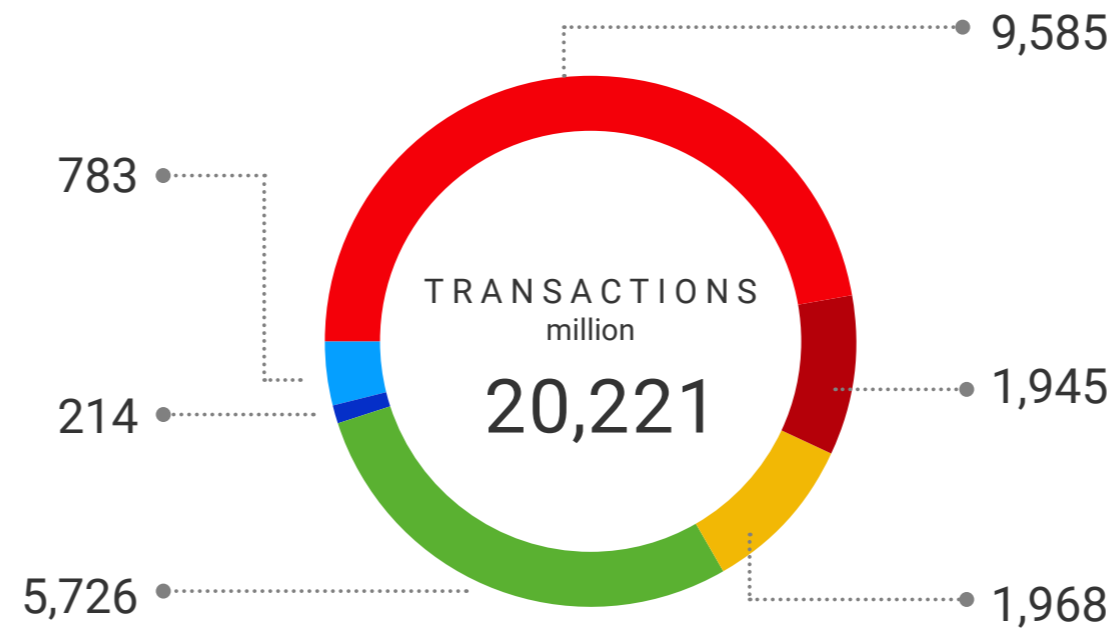
**A)** 2019 continued a trend of complex social and economic challenges in Latin America, triggered by political complexity and hyperinflation in Argentina. At Coca-Cola FEMSA, we have full confidence in the region in which we have grown for more than 25 years. Underscoring our commitment to the region, we are firmly committed to serve our markets with excellence and to grow our operations. Guided by a clear sustainability vision, we are prepared better than ever to face these challenging environments, powered by our drive to innovate, a winning product portfolio, superior point-of-sale execution, an unparalleled distribution network, unmatched cold drink equipment placement, and digital commercial capabilities.



# OUR footprint

We have the privilege to serve more than 261 million people through 1.9 million points of sale in 9 markets of Latin America with a wide portfolio of leading brands in 10 beverage categories.

- Mexico
- Central America
- Colombia
- Brazil
- Uruguay
- Argentina



## SPARKLING BEVERAGES



**2,641**  
volume  
**16,610**  
transactions

## WATER & BULK WATER



**514**  
volume  
**1,688**  
transactions

## STILL BEVERAGES

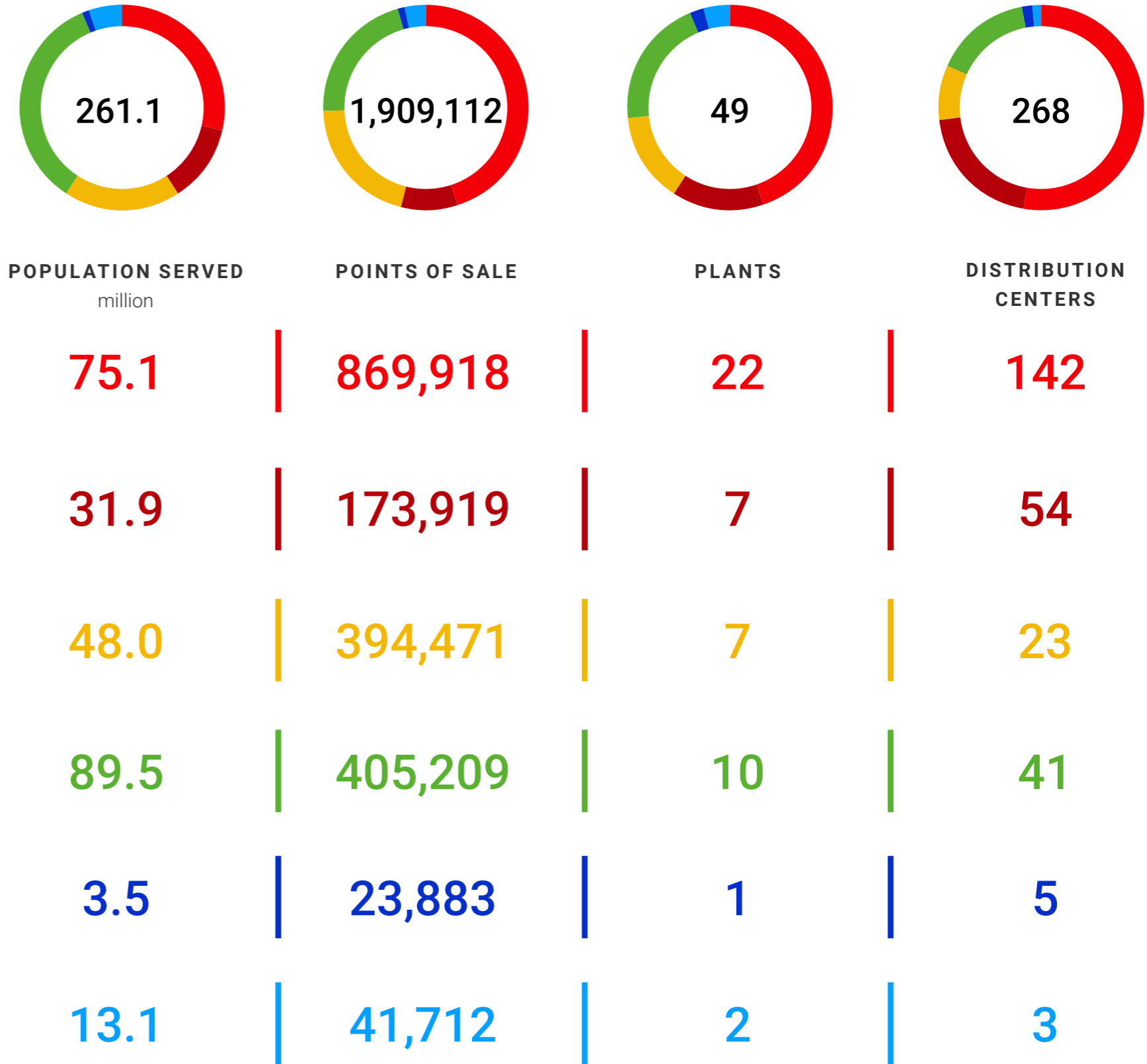


**214**  
volume  
**1,923**  
transactions

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

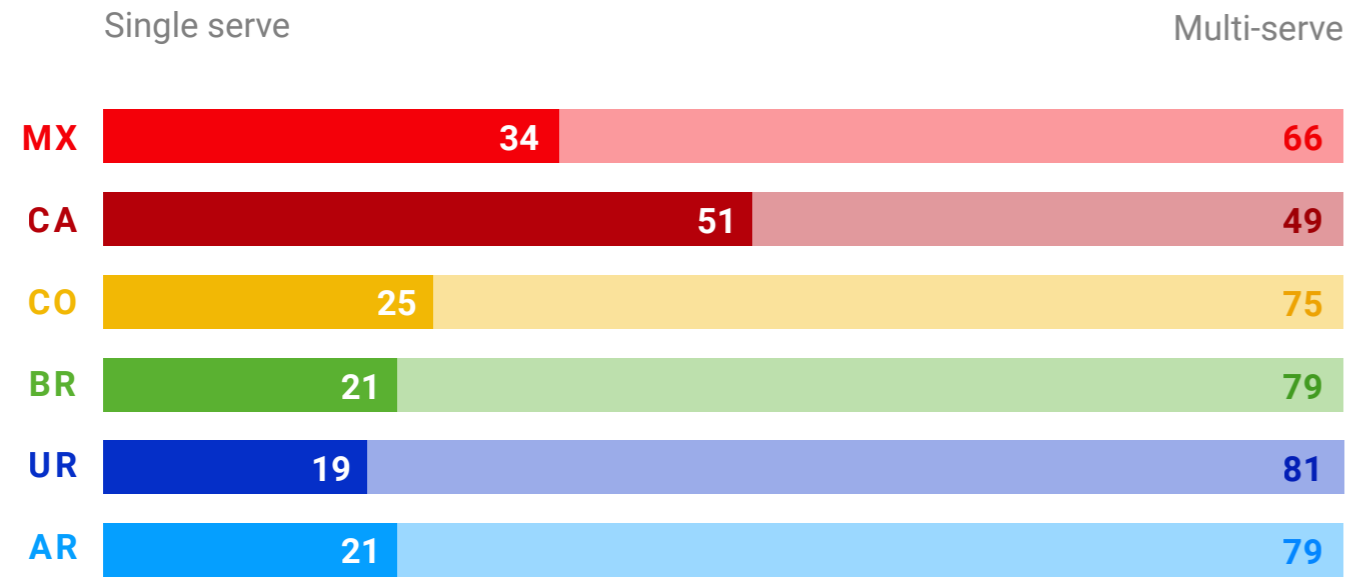


- Mexico
- Central America
- Colombia
- Brazil
- Uruguay
- Argentina
- ▨ Venezuela<sup>1</sup>

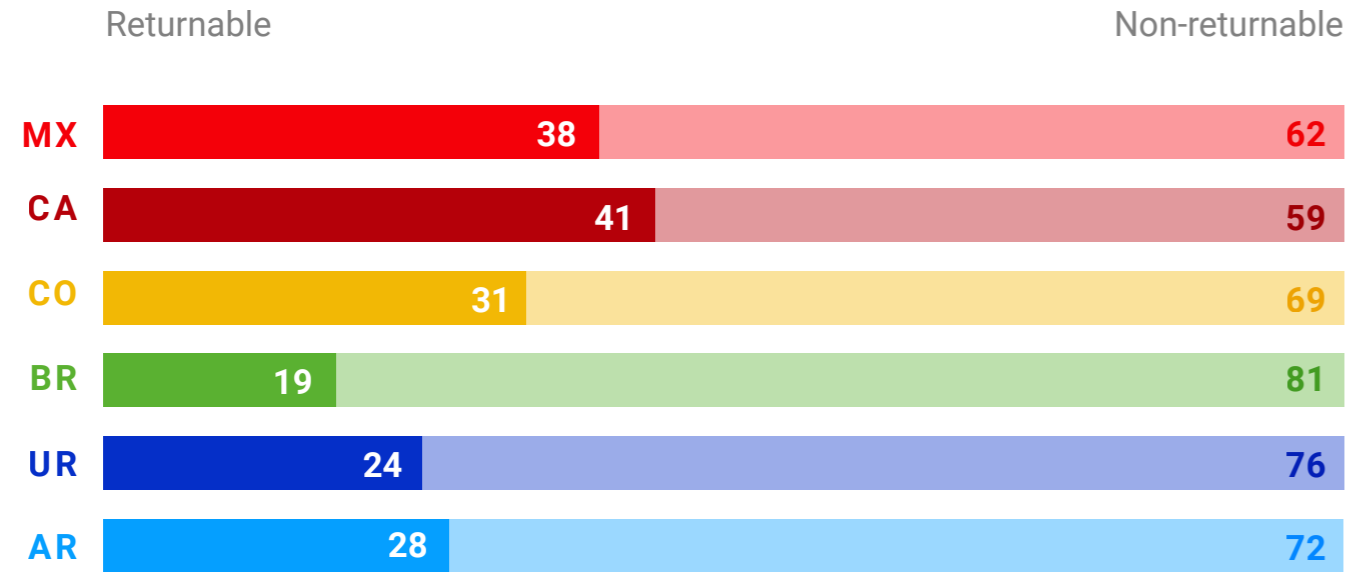


<sup>1</sup> As of December 31, 2017, as a non-consolidated operation, Venezuela is reported as an investment in shares.

**Product mix by size**

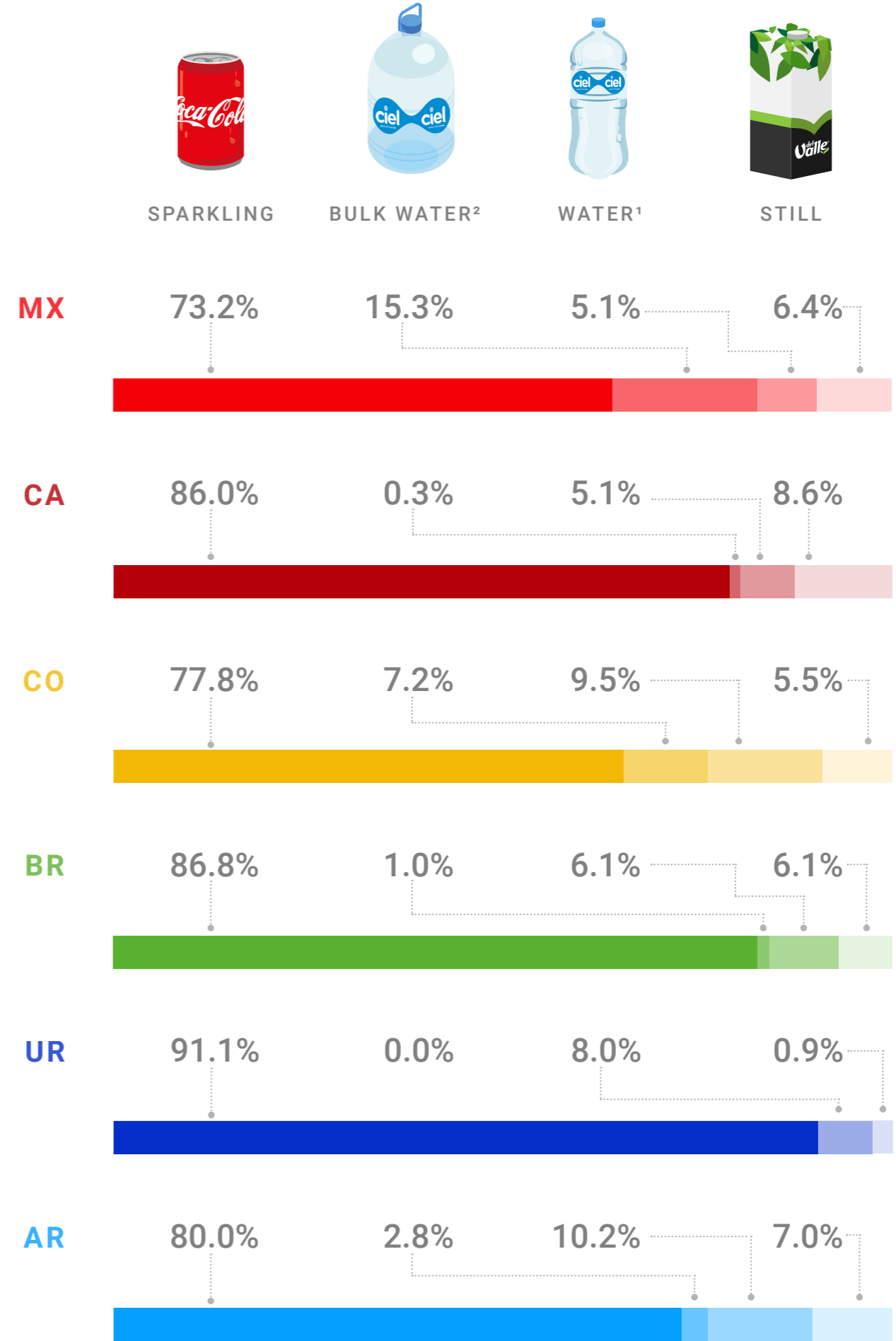


**Product mix by package**



1. Excludes still bottled water in presentations of 5.0 Lt. or larger. Includes flavored water.  
 2. Bulk water - still water in presentations of 5.0 Lt. or larger. Includes flavored water.  
 \* As of December 31, 2017, Venezuela is reported as an investment in shares, as a non-consolidated operation.

**Product mix by category**



## FINANCIAL HIGHLIGHTS

The strides we took during 2019 to put together the right sets of capabilities and talent positions our organization to generate increased value for all our stakeholders for many years to come.



	2019 USD <sup>1</sup>	2019 MXN	2018 MXN	% CHANGE
<b>SALES VOLUME</b> (million unit cases)	<b>3,368.9</b>	<b>3,368.9</b>	3,321.8	1.4%
<b>TOTAL REVENUES</b>	<b>10,311</b>	<b>194,471</b>	182,342	6.7%
<b>INCOME FROM OPERATIONS</b>	<b>1,348</b>	<b>25,423</b>	24,673	3.0%
<b>CONTROLLING INTEREST NET INCOME<sup>2</sup></b>	<b>642</b>	<b>12,101</b>	13,910	-13.0%
<b>TOTAL ASSETS</b>	<b>13,671</b>	<b>257,839</b>	263,787	-2.3%
<b>LONG-TERM BANK LOANS AND NOTES PAYABLE</b>	<b>3,101</b>	<b>58,492</b>	70,201	-16.7%
<b>CONTROLLING INTEREST</b>	<b>6,518</b>	<b>122,934</b>	124,943	-1.6%
<b>CAPITAL EXPENDITURES</b>	<b>608</b>	<b>11,465</b>	11,069	3.6%
<b>BOOK VALUE PER SHARE<sup>3</sup></b>	<b>0.39</b>	<b>7.31</b>	7.43	-1.6%

Millions of Mexican pesos and U.S. dollars as of December 31, 2019 (except volume and per share data). Results under International Financial Reporting Standards.

1. U.S. dollar figures are converted from Mexican pesos using the exchange rate for Mexican pesos published by the U.S. Federal Reserve Board on December 31, 2019, which exchange rate was Ps. 18.86 to U.S.\$1.00.
2. As of December 31, 2017, the Company changed the method for reporting Coca-Cola FEMSA Venezuela to Fair Value. Due to this change, a recorded foreign currency translation charge in equity has been reclassified as a non-cash one-time item to the other non-operative expenses line of the Income Statement in accordance with IFRS.
3. Based on 16,806.7 million outstanding ordinary shares as of December 31, 2019 and 2018.

### SALES VOLUME

million unit cases<sup>1</sup>



### TOTAL REVENUES

billion Mexican Ps.



### INCOME FROM OPERATIONS

billion Mexican Ps.



### DIVIDEND PER SHARE

Mexican Ps.



● 2019 ● Past years

1. Unit case is a unit of measurement that equals 24 eight-ounce servings of finished beverage.
2. 2017 is re-presented without the Philippines.
3. As of December 31, 2017, as a non-consolidated operation, Venezuela is reported as an investment in shares.

# ECONOMIC VALUE DISTRIBUTED

At Coca-Cola FEMSA we are convinced that strong communities are good business. As such, we are in a privileged position to generate economic value to our stakeholders through our good business practices, which ultimately transforms into social value for the countries in which we operate.



# 2019

	USD	MXN
<b>ECONOMIC VALUE GENERATED</b>	<b>\$ 10,311</b>	<b>\$ 194,471</b>
• PAYMENTS TO SUPPLIERS	\$ 5,061	\$ 95,456
• WAGES & BENEFITS FOR EMPLOYEES	\$ 1,620	\$ 30,561
• ACQUISITION OF LONG-TERM ASSETS	\$ 547	\$ 10,324
• DIVIDENDS PAID TO SHAREHOLDERS	\$ 394	\$ 7,440
• INCOME TAXES PAID TO GOVERNMENTS	\$ 255	\$ 4,806
• DONATIONS & COMMUNITY INVESTMENT	\$ 21	\$ 390
<b>TOTAL ECONOMIC VALUE DISTRIBUTED</b>	<b>\$ 7,899</b>	<b>\$ 148,977</b>

# PRODUCT portfolio



## SPARKLING

**2.0%** Volume growth in our sparkling category



## WATER

**9.6%** Volume growth in our personal and bulk water category in Brazil



## FLAVORED WATER

**38.6%** Volume growth in our flavored water category in Mexico



## ISOTONIC

**8.5%** Volume growth in our isotonic category in Central America



## JUICES, NECTARS & FRUIT BASED

**4.9%** Volume growth in our Juices, Nectars & Fruit Based category in Central America



**FUNCTIONAL BEVERAGES**

**48K** Unit cases sold of our recently launched line of Isolite



**ENERGY DRINKS**

**37.2%** Volume growth in our energy drinks category



**TEAS**

**7.1%** Volume growth in our teas category in Mexico



**DAIRY PRODUCTS**

**24.5%** Volume growth in our dairy products category in Mexico



**PLANT-BASED**

**7.1%** Volume growth in our plant based category in Colombia





**OUR VALUE**  
*chain*

- 1 INGREDIENTS**  
We work with our suppliers to have the best raw materials.
- 2 MANUFACTURING**  
Enabled by our Digital Manufacturing Platform 2.0, we produce high-quality beverages in our facilities, with an efficient use of water and energy.
- 3 PRIMARY DISTRIBUTION**  
From our manufacturing facilities, we ship beverages to our 268 distribution centers.

- 4 DISTRIBUTION CENTER**  
In our automated warehouses, we integrate pre-sale with secondary distribution processes.
- 5 PRE-SALE**  
Powered by the KOF Digital Platform, we serve our clients in the traditional and modern channels, offering a winning portfolio of leading brands in 10 beverage categories.
- 6 SECONDARY DISTRIBUTION**  
Once a pre-sale order is placed, we use our Digital Distribution Platform to define an optimal Route-To-Market operation.

- 7 POINTS OF SALE**  
We reach more than 1.9 million points of sale with targeted commercial initiatives, and we use Market Analytics to maximize the value proposition for each client.
- 8 CONSUMPTION**  
We serve more than 261 million people, offering a total portfolio including 10 beverage categories with choices for every life style.
- 9 RECYCLING**  
We encourage and help consumers to properly dispose and recycle all packages from our beverages.

# OUR *framework*

## STRATEGY

### 01. One Vision

We must be obsessive about our consumers.

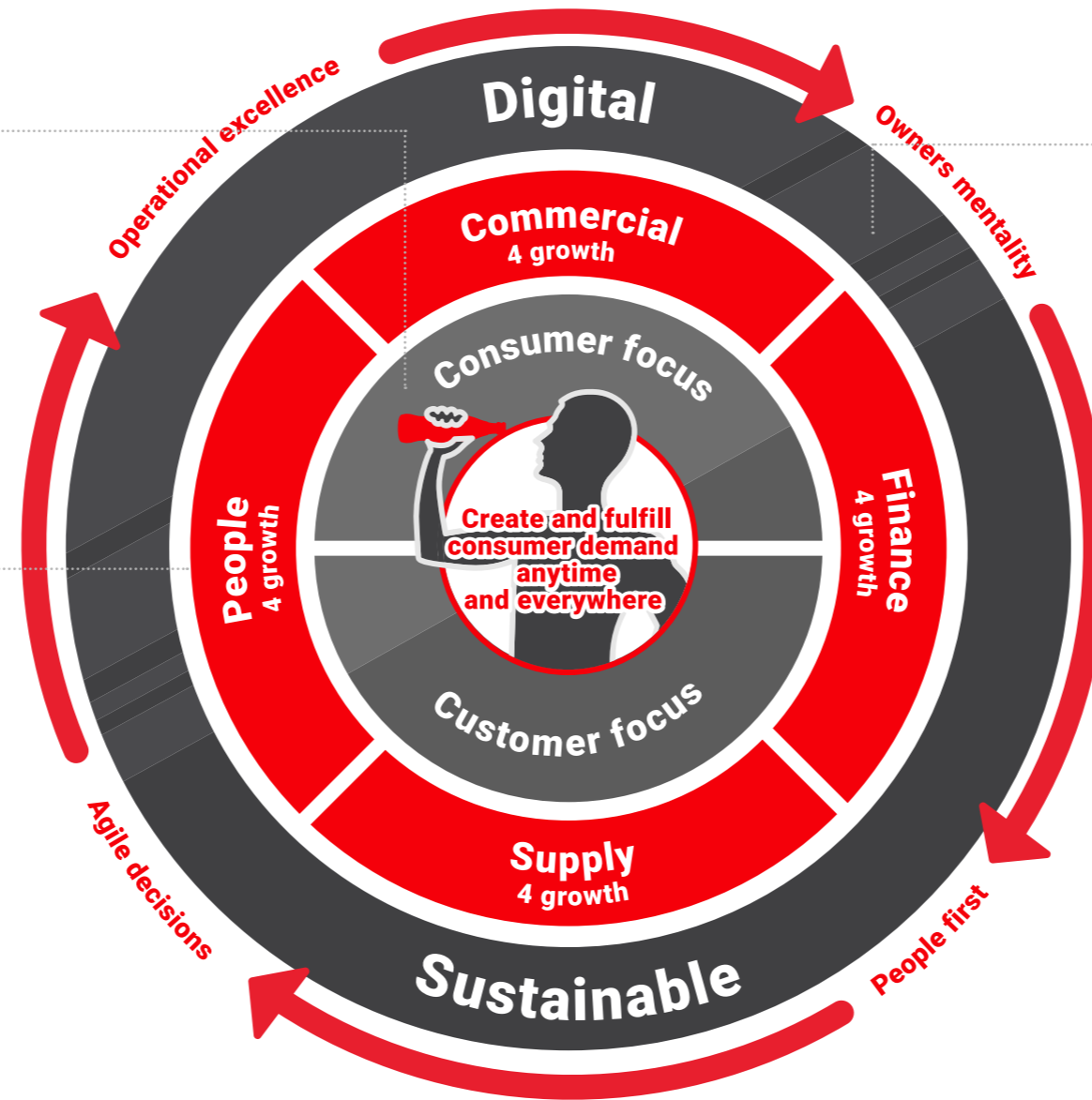
We must maximize value for our customers.

### 02. One Platform

We must evolve the way we work.

We must strive for more efficiency and productivity.

We must continue to develop and deploy best-in-class capabilities.



### 03. One Future

We must deploy digital tools and enablers to transform the organization.

We must ensure we have a license to operate.

### 04. Our DNA

Our DNA is the foundation of everything we do.

It includes fundamental beliefs and behaviors that govern our daily actions.

**We are ONE Coca-Cola FEMSA.**

# SUSTAINABILITY

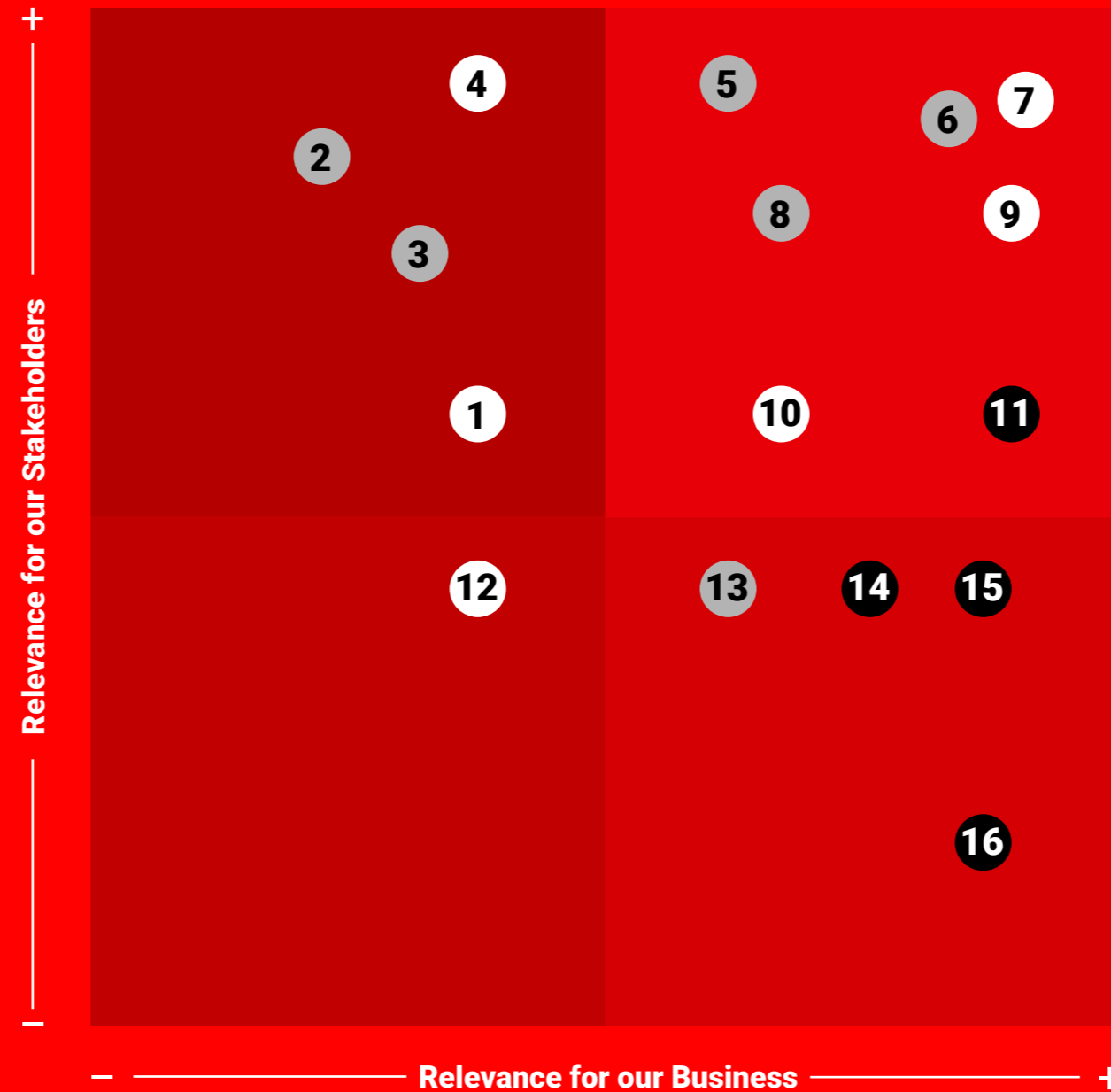
## Materiality Study

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

The material issues for our business include the following:

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

## Materiality Assessment

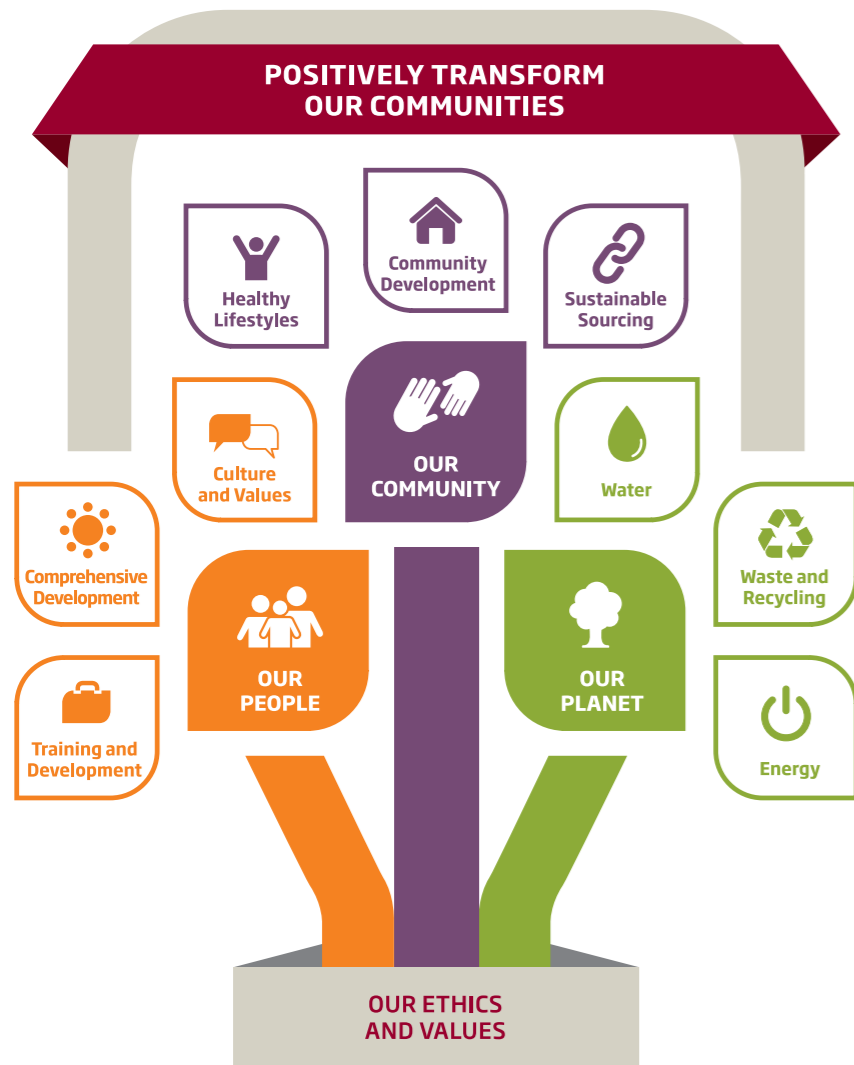


- **OUR PLANET**
  - 1. Local environmental impact
  - 4. Waste management
  - 7. Water
  - 9. Packaging and recycling
  - 10. Energy
  - 12. Transportation impacts
- **OUR COMMUNITY**
  - 2. Safety in our communities
  - 3. Wellbeing in our communities
  - 5. Responsible marketing
  - 6. Nutrition and physical activation
  - 8. Sustainable products
  - 13. Supplier development
- **OUR PEOPLE**
  - 11. Training and development
  - 14. Compensation
  - 15. Health and safety
  - 16. Culture and values



## Sustainability Framework

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



## 2020 Goals

Our Sustainability Goals guide us to measure our progress on each of the topics that have an impact on the long-term sustainability of our business.



### Healthy Lifestyles

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

### Community Development

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

### Comprehensive Development

Generate 1 million hours of volunteer work.

Achieve a Lost Time Incident Rate (LTIR) of 0.5 per 100 associates.

Reduce by 20% the general illness absentee rate vs. 2010.

Zero fatalities from work-related diseases.



### Water

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

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

### Waste and Recycling

Integrate 25% of recycled or renewable materials in our PET packaging.

Recycle at least 90% of our waste in every one of our bottling plants.

### Energy

Supply 85% of the energy used in manufacturing in Mexico with clean energy sources.

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



# SUSTAINABLE DEVELOPMENT GOALS

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



Several of our projects are focused on healthy habits for our communities, such as proper nutrition initiatives and social programs for early childhood development from FEMSA Foundation.



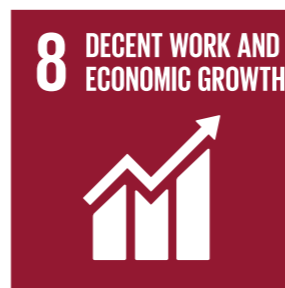
We are committed to promoting healthy habits. This way, we have already benefited 7.2 million people, accomplishing our 2020 goal with our nutrition and physical activation programs. In addition, we offer a portfolio of total beverages, and we carry out responsible marketing strategies for our products.



Our production processes ensure the efficient use of water, as well as correct wastewater treatment. We are committed to return to nature and to the communities all of the water used to produce our beverages. We also developed WASH programs in alliance with the FEMSA Foundation.



Our 2020 goal is to supply 85% of the energy we use in manufacturing in Mexico with clean sources, and we continue to introduce clean energy in all of the countries where we operate, reaching a 71% share of clean energy for our manufacturing needs.



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



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



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



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



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

01 ONE *vision*



ONE COCA-COLA FEMSA





Driven by our obsessive focus on our consumers and customers, we are consolidating a leading total beverage portfolio with options for every consumer taste and lifestyle, while promoting healthy habits locally—encouraging people across communities to combine proper nutrition with physical education throughout all stages of their lives.





**37.2%**  
of our brands are low- and  
no-sugar beverages

## CONSUMER-CENTRIC

# portfolio

Consistent with our consumers' evolving needs, we are strengthening our winning total beverage portfolio, offering a growing array of low- and no-sugar sparkling beverages; refreshing juices, nectars, and fruit-based beverages; hydrating purified, sparkling, and flavored water; teas, sports, and energy drinks; and wholesome dairy and plant-based protein products.

Our consumers and customers are at the center of everything we do. By deeply understanding our shoppers and consumers' changing tastes and buying habits, we act faster than our competitors to adapt our portfolio to satisfy their ever-changing needs through exemplary product innovation and commercial execution.

**By deeply understanding our shoppers and consumers' changing tastes and buying habits, we act faster than our competitors to adapt our portfolio to satisfy their ever-changing needs.**

MEXICO AND COLOMBIA

**Enhancing Consumer Engagement**

To enhance consumer engagement with brand Coca-Cola across lifestyles and consumption occasions, we launched Coca-Cola Café in our convenient 235-ml mini can in both Mexico and Colombia. Featuring two of our consumers' favorite tastes blended together with no sugar and more caffeine for people on the go, this enhanced Coke is already a big hit, generating sales of approximately 500 thousand unit cases on top of almost 12 million transactions for the year.



COLOMBIA

**Delivering Consumer-Centric Innovation**

We continued to satisfy our Colombian customers and consumers' growing demand for refreshing juice-based beverages through our new sizes of Del Valle Frutal and Del Valle Fresh brand juice drinks. With the launch of our consumer-centric returnable 1-liter PET, 1-liter Tetra Pak, and 0.5-liter PET presentations, we address more consumption occasions and enhance our competitive position in the country's large juice category.

BRAZIL

**Creating a Premium Shopper Experience**

To capture the magic of our sparkling beverage brands, we are offering an enhanced shopper experience at our points of sale across the modern trade channel. Through our premium in-store displays and on-premise promotions—featuring our Schweppes and Coca-Cola brand beverages—we're reflecting changing consumer buying habits, offering an improved shopper experience, and broadening our brands' appeal while improving our position. Moreover, our recently launched Triple Win Strategy aims to further enrich our sparkling beverage category's appeal throughout the modern trade and on-premise channels as we roll it out over the next three years.



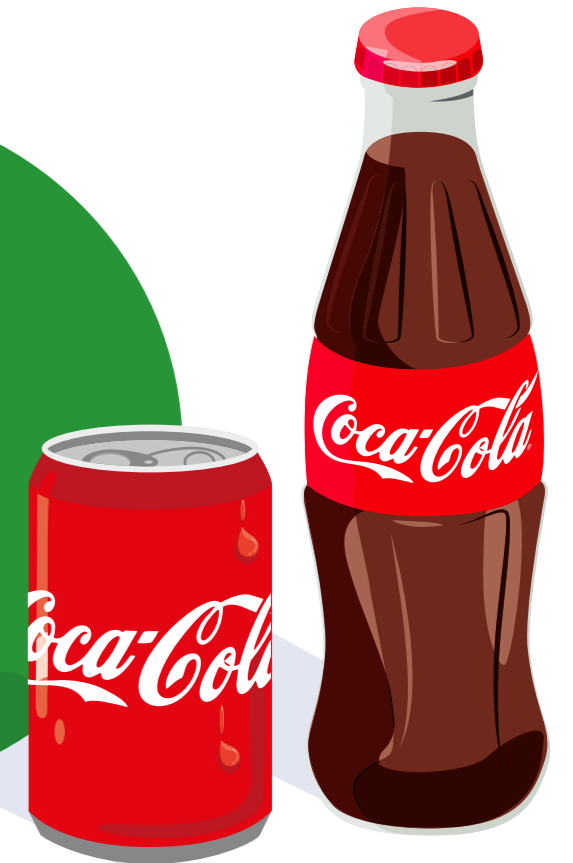
GUATEMALA

**Award-Winning Excellence**

This year, our operation in Guatemala earned "The Coca-Cola Excellence Cup," winning the award ahead of other leading Coca-Cola bottlers within The Coca-Cola Company's Latin Center region. The operation won this recognition for its exemplary quality and execution, as well as for achieving the highest revenue growth in all of Coca-Cola's beverage categories and the greatest share of value growth for the most representative beverage brands.



Our sparkling  
category grew  
**2.0%**  
Year over year



## FOSTER SPARKLING BEVERAGE CATEGORY THROUGH AFFORDABILITY

Throughout the year, we revitalized our sparkling beverage growth through our focus on affordability. To this end, we continued to satisfy our cost-conscious consumers through our strong platform of affordable packaging alternatives at the right price points—from our convenient single-serve packages to our family-sized multi-serve returnable presentations.

## ● ● ● MEXICO

**Expanding Affordable Alternatives**

In Mexico, we expanded the affordability and immediate consumption of brand Coca-Cola through the launch of our breakthrough 235-ml returnable glass bottle at the magic price point of Ps. 5—offering a convenient single-serve alternative to our cost-conscious consumers. We also launched our new affordable 400-ml one-way single-serve presentation of Fanta, Mundet, Sprite, and Fresca at the magic price point of Ps. 7 and our new affordable 2-liter one-way multi-serve presentation of Mundet multi-flavors at the magic price point of Ps. 17. We further expanded the coverage of our successful 3-liter multi-serve returnable PET presentation of Coca-Cola for our consumers' enjoyment. Additionally, we rolled out our 1.25-liter multi-serve returnable glass bottle, along with our 1.5-liter and 2-liter multi-serve returnable PET presentations of Coca-Cola, to more territories in Mexico. Consequently, we increased the volume of our popular multi-serve returnable packages of Coca-Cola by more than 7% year over year.



## ● ● ● ARGENTINA

**Adapting Value Proposition To Consumer Environment**

Underscoring our ability to offer value to consumers, we successfully launched an affordable 1.25-liter multi-serve returnable glass bottle of Coca-Cola for cost-conscious consumers in Argentina. Through this popular returnable presentation, we engaged our consumers, while regaining share of sales. Additionally, our 220-ml mini-can has rapidly become an important, affordable single-serve option for Argentine consumers, reaching 30% of our single-serve transactions in the country for the year.



## ● ● ● BRAZIL

**Capturing Market Share Gains**

Through our three-part affordability strategy, we captured market share gains and consolidated our competitive advantage across the sparkling beverage category—attaining a record high share of sales for our Brazilian operation. First, we expanded coverage and household penetration of our family-size multi-serve returnable presentations of Coca-Cola, achieving double-digit volume growth for the year. Second, we took advantage of our convenient affordable single-serve 200-ml PET presentations and 220-ml mini-cans of Coca-Cola, Sprite, and Fanta to capture almost 21% volume growth year over year. Third, we expanded our capabilities in the north and south of our Brazilian territory to capitalize on our successful offering of dual packs of Coke and our core flavored sparkling beverage brands in our popular family-size returnable presentations. Harnessing the power of brand Coca-Cola to increase our competitive position in flavors, our dual packs significantly enlarged our share of sales at our points of sale across the modern and traditional trade channels.



Our still beverage  
category grew

**17.1%**  
Year over year  
in Brazil



## STRONG COMPETITIVE POSITION IN STILL BEVERAGE CATEGORY

As the fastest growing category in our industry, we focus on strengthening our competitive position and capturing the most value from still beverage segments by closely aligning our portfolio with consumers' tastes and preferences.



MEXICO

**Accelerating Wholesome Dairy Growth**

Throughout the year, we continued to accelerate growth across the value-added dairy category. Under our joint venture with The Coca-Cola Company, we continued to meet growing consumer demand for our portfolio of wholesome Santa Clara brand UHT whole milk, specialized milk, and flavored milk products. Among our innovative promotional initiatives, we transferred value directly to our consumers through a compelling combo-package deal of either our 1.25-liter returnable glass bottle or 1.7-liter one-way PET presentation of Cola-Cola with our 1-liter presentation of Santa Clara UHT whole milk from September to October of 2019. Thanks to the growing power of our Santa Clara brand, our granular distribution network, and point-of-sale execution, we accelerated our overall volume growth by 25% year over year across the traditional trade channel, while positioning Santa Clara as the second largest player in the UHT whole milk market with over 5% share of sales growth for 2019.



BRAZIL & URUGUAY

**Achieving Monster Growth**

Monster remained one of the fastest growing, most attractive energy drinks for our Brazilian consumers. Bolstered by our innovative new Mango Loco, Ultra Violet, and Absolutely Blue flavors, Monster alone surpassed the sales volume of the country's market leader—an important benchmark. It also enabled us to achieve over 47.8% volume growth, while significantly increasing our share of sales in the energy drink category for the year. Similarly, in Uruguay, Monster rapidly became the country's energy drink market leader, considerably increasing our share of sales.

BRAZIL

**Leveraging Juice-Based Beverage Portfolio**

We capitalized on our restructured Del Valle Fresh brand portfolio to fulfill Brazilian consumers' growing demand for refreshing juice-based beverages. Utilizing our cold-fill platform, we expanded our share in the affordable juice-based beverage segment. Additionally, we launched Del Valle Frutas+Vegetais, a premium juice offering that blends both fruit and vegetables—with no added sugar—in a convenient premium glass presentation.

ARGENTINA AND CENTRAL AMERICA

**Expanding Plant-Based Beverage Category**

We consolidated and expanded our AdeS brand plant-based beverage business in Argentina. Among our initiatives, we improved AdeS packaging—featuring its notable nutritional benefits—enhanced its point-of-sale execution, and expanded its availability across the modern trade channel. Thanks to our efforts, we not only increased our sales, but also grew our share of the country's plant-based beverage category. We further began the integration of AdeS in Costa Rica and Panama, including our launch of multiple new flavors for our consumers' enjoyment.





Our personal water category grew **8.4%** in Central America

## GROWING OUR WATER PORTFOLIO

We continue to grow our innovative water portfolio to refresh and rehydrate our consumers throughout their day.



● ● ● MEXICO

**Introducing Naturally Sourced Mineral Water**

In Mexico, we recently launched Topo Chico brand sparkling mineral water, an excellent complement to our premium water portfolio. Already popular in the U.S., this naturally sourced mineral water comes from a limestone spring hidden under the Cerro del Topo Chico Mountain, which rises nearly 4,000 feet above the outskirts of Monterrey, Mexico. Sourced and bottled in Monterrey since 1895, we began offering this naturally carbonated premium mineral water to our consumers in our 355-ml one-way glass bottles, along with our 600-ml and 1.5-liter one-way PET presentations, in the on premise, self service, and convenience store sales channels.



● ● ● ARGENTINA

**Executing a Multi-Tier Strategy**

In Argentina, our multi-tier strategy enabled us to grow our share of sales in the personal water category, despite an exceptionally challenging consumer environment. In the value segment, we took advantage of our re-launched KIN brand personal water to offer a competitive, affordable option to our customers and consumers. We continued to leverage our Bonaqua brand purified water in the mainstream segment. Moreover, in the premium segment, we capitalized on our late 2018 launch of Smartwater, featuring a unique blend of electrolytes to create a distinctly fresh, crisp, and pure taste for our consumers.

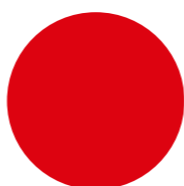
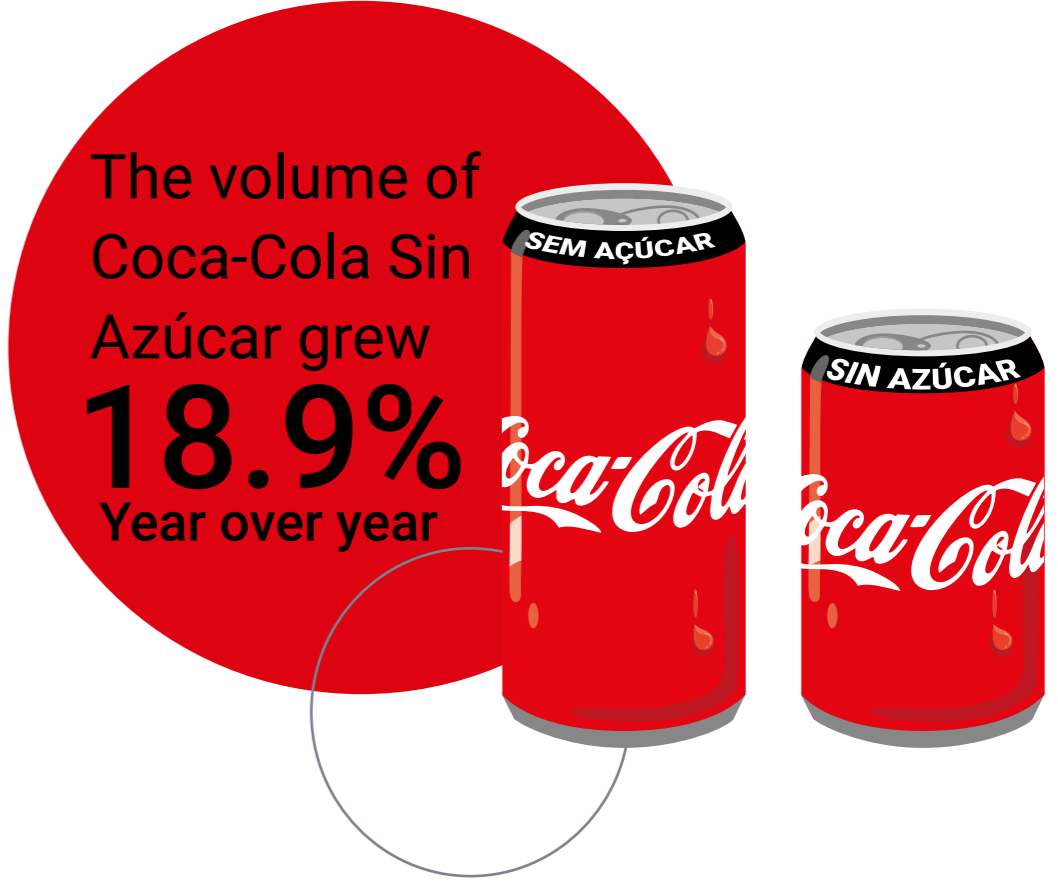
● ● ● BRAZIL

**Building on Three-Tier Water Strategy**

We built on our three-tier water strategy to achieve record high share of sales across our Brazilian franchise territories. In the mainstream water segment, we continued to grow our Crystal purified water brand across the traditional and modern trade channels. In the mainstream plus water segment, we capitalized on our successful launch of naturally flavored Crystal sparkling water, growing this brand at a rate of 1 million unit cases per year. After our successful launch of Smartwater late last year, we expanded our point-of-sale coverage to accelerate our growth in the premium water segment. As a result of this strategy, we achieved record share of sales, selling over 200 thousand unit cases in Brazil.







## DRIVE LOW- AND NO-SUGAR FOOTPRINT AHEAD OF CONSUMERS' DIVERSE TRENDS

We continue to drive the development of our low- and no-sugar portfolio of beverages to satisfy and stimulate demand for our products while adapting to our consumers' diverse needs.



MEXICO

**Great Taste, Less Sugar With a New Formula**

In Mexico, we completed a major rollout of our original Coca-Cola recipe with reduced sugar content in our single and family-size one-way presentations throughout our territories over the course of the year. We further finished a major rollout of our original Fanta, Fresca, Sidral Mundet, and Sprite brand recipes with less sugar content across our single- and multi-serve presentations.

URUGUAY

**Launching Refreshing, Sugar-Free Schweppes**

In Uruguay, we successfully launched sugar-free Schweppes naturally flavored grapefruit sparkling soda in our convenient 250-ml single-serve mini can and our 3-liter family-size PET presentation. Thanks to the popularity of this refreshing sugar-free alternative, we significantly increased our share of sales in both the country's grapefruit flavored sparkling beverage segment and no-sugar beverage category.



BRAZIL

**Building on the Popularity Of Coca-Cola Sem Açúcar**

We continued to build on the increasing popularity of Coca-Cola Sem Açúcar across our Brazilian franchise territories. Driven by our more than 50% growth in household penetration, this attractive consumer choice generated 28% volume growth year over year.





**+1 million people**  
benefited from our healthy  
habits initiatives in 2019

**Surpassing our 2020 goal  
by 2 million people**

# HEALTHY *habits*

As leaders in the beverage industry, we continue to meet the changing lifestyles of our consumers and the communities we serve. Among our actions, we carry on driving the development of our low- or no-sugar portfolio across our markets ahead of consumer demand.

We also strive to promote healthy habits in our communities through multi-sector coalitions and local initiatives focused on fostering healthy habits, proper nutrition, and physical activity.

## FOSTERING HEALTHY HABITS IN OUR COMMUNITIES

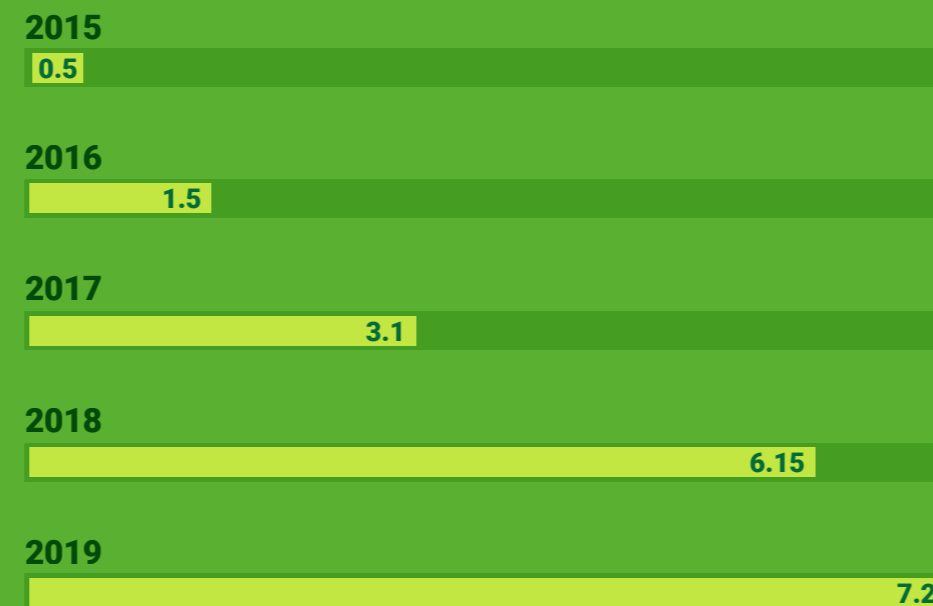
We seek to encourage healthy habits in our communities through local programs focused on nutrition and physical activity.

At the end of 2018, we exceeded our goal of benefitting 5 million people through our healthy habits and nutrition programs from 2015 to 2020. Thus far, approximately 7.2 million people have benefited from our programs over the past five years.

To achieve this goal and complement our healthy habits programs, over the past 10 years, we have also worked with the FEMSA Foundation to make strategic social investments in projects—with a strong early childhood education component—focused on solving food-related issues and creating healthy environments for children.

### Accumulated Beneficiaries

#### Healthy Habits Initiatives





● ● ● MEXICO

Along with the Coca-Cola System and other partners, we collaborate in the **Ponte al 100** program—designed to generate healthy habits in primary and secondary school students, while providing metabolic index measurement of different health indicators for a large portion of the population.

CENTRAL AMERICA

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

● ● ● BRAZIL AND MEXICO ● ● ●

We improve our communities' quality of life through **Praça da Cidadania** in Brazil or **Plaza de la Ciudadanía** in Mexico. This initiative provides access to public services, while building a network of upgraded community health, nutrition, and physical activity programs.

CENTRAL AMERICA

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

● ● ● NICARAGUA

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

## RESPONSIBLE MARKETING

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



### 01 Informed nutritional decisions

To enable our consumers to make healthy informed choices across every one of our operations, our up-front product labels include clear, easy-to-find nutritional content information, including the nutrients, fats, sugar, and sodium in each of our products. Our nutritional labeling strategy is based on providing consumers with clear and complete information in full compliance with applicable regulations in each of the 9 countries we serve. When regulatory changes arise, we are always willing to take part in such changes, providing our expertise as a system in order to ensure that our consumers are provided with high-quality information.

### 02 Responsible marketing

As part of our commitment to the wellbeing of our consumers, our advertising adheres to The Coca-Cola Company's Responsible Marketing Policy and Global School Beverage Guidelines. For instance, as part of the Coca-Cola system, we diligently follow and enforce The Coca-Cola Company's Responsible Marketing Policy, and we do not market products in channels with an audience predominantly of children under 12. In this and other ways, we underscore our devotion to the healthy habits of our consumers.

### 03 Highest quality

Our production processes fulfill the highest quality standards; our ingredients comply with each of our operations' local regulations and international standards of other regulatory agencies, including CODEX, FDA, JEFCA, and EFSA. Our processes are performed in state-of-the-art bottling facilities within the global beverage industry, thus guaranteeing only the best quality products for our consumers.

02

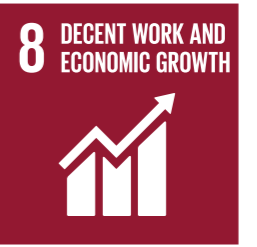
# ONE platform





Aligned with our holistic strategic framework, this year we functionalized the finance, supply chain, and human resources operating models to create a leaner, more agile, and collaborative service organization that leverages our company's scale and shared value opportunities to drive our front-line operations' sustainable, profitable business growth. As a result, we are creating a stronger, more flexible organization, with the speed, agility, and capability to drive our competitiveness, proactively address evolving industry challenges, and capitalize on arising market opportunities.





# commercial

## 4 GROWTH

Our commercial strategy aims to create and satisfy consumer demand for our products whenever, wherever, and however they want them. To this end, our Commercial Center of Excellence endeavors to enhance and guard our company's commercial processes, while strengthening our commercial capabilities focused on:

- **Market segmentation.** To provide the best value proposition to our customers, shoppers, and consumers.
- **Revenue growth management.** Including portfolio, pricing, and promotions.
- **Demand planning.** To guarantee fulfillment of our products in the markets we serve.
- **Commercial execution.** To ensure our product portfolio is presented in the best way possible to the shoppers.

- **Route to market.** To better serve our customers in the most efficient and profitable way.
- **Customer service and engagement.** To build strong, long-lasting relationships with our customers.
- **Commercial analytics and data management.** To generate powerful insights and transform them into winning strategies.
- **Digital technologies and enablers.** To develop the most innovative, cutting-edge solutions to support our operations.

This year, we continued to push forward our Advanced Analytics Platform to improve our market segmentation, revenue growth management, and demand planning capabilities. To fully capitalize on these capabilities, our Dynamic Initiative Management process (DIM) aligns our marketing and commercial teams to prioritize and execute granular initiatives, through the sales force, across both the traditional and modern trade channels.

We are also taking advantage of technology to transform the way we work and serve our 1.9 million customers and 261 million consumers.

This is why we are focused on developing an Omnichannel solution for our customers, connecting diverse contact points in real time—from presale and contact centers to digital technologies such as direct messaging, web portals, mobile apps, and electronic data interchange (EDI)—to improve customer service and engagement, increase sales, and drive productivity.

**We are taking advantage of digital technology to transform the way we work and serve our 1.9 million customers and 261 million consumers.**

## OUR OMNICHANNEL SOLUTION

Our Omnichannel solution connects diverse contact points in real time to improve customer service and engagement, increase sales, and drive productivity. The following pages describe an example of how our customers will benefit from it.



cocolafemsa\_mx

Metepéc Pueblo Mágico



Liked by **cocolafemsa\_uy** and **others**

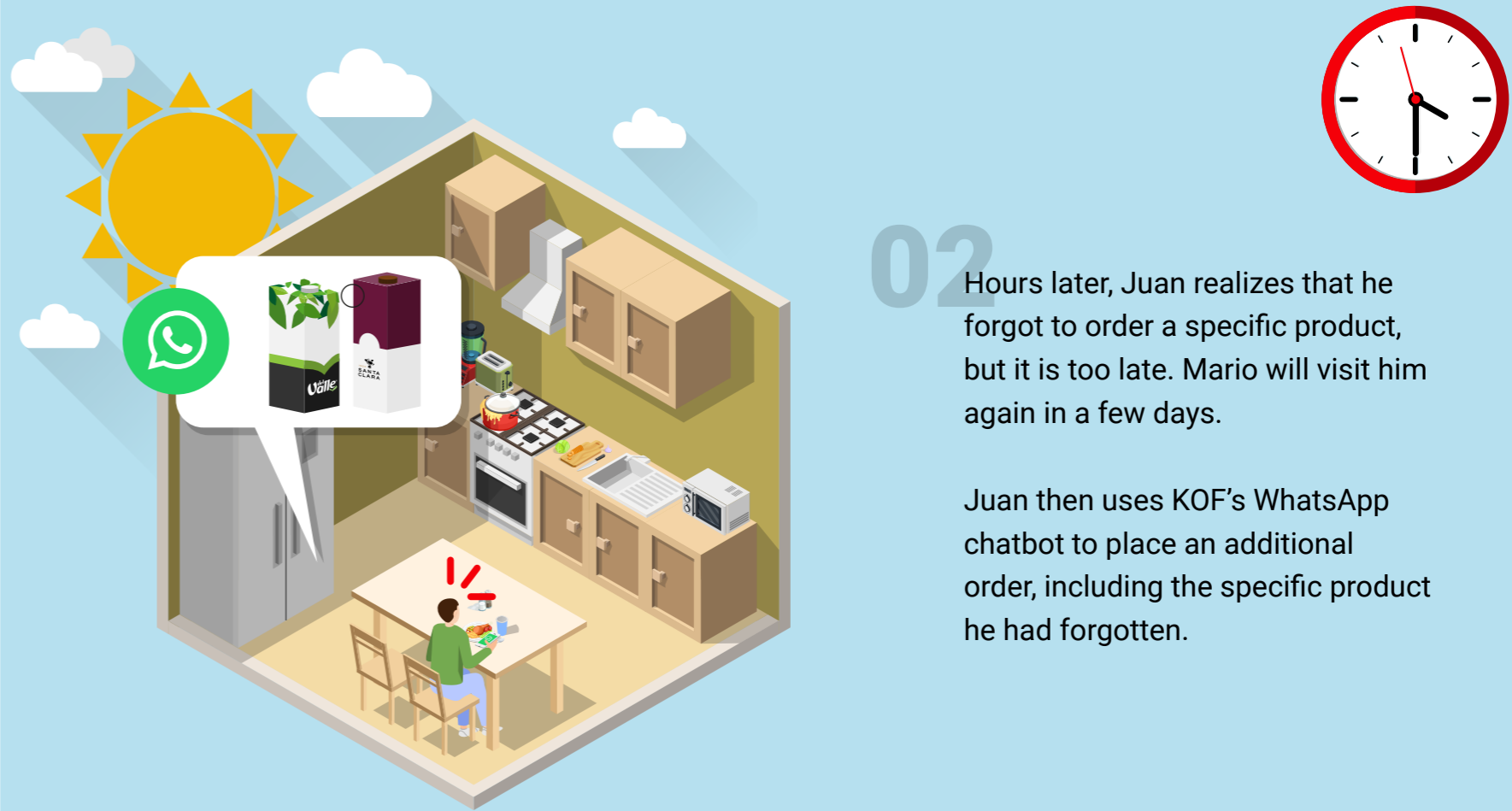
Monday



01

Juan has been our client for some years. Today, as every Monday, Juan is visited by Mario, his usual pre-seller.

While Juan is busy taking care of his business, he asks Mario to place his weekly order.



02

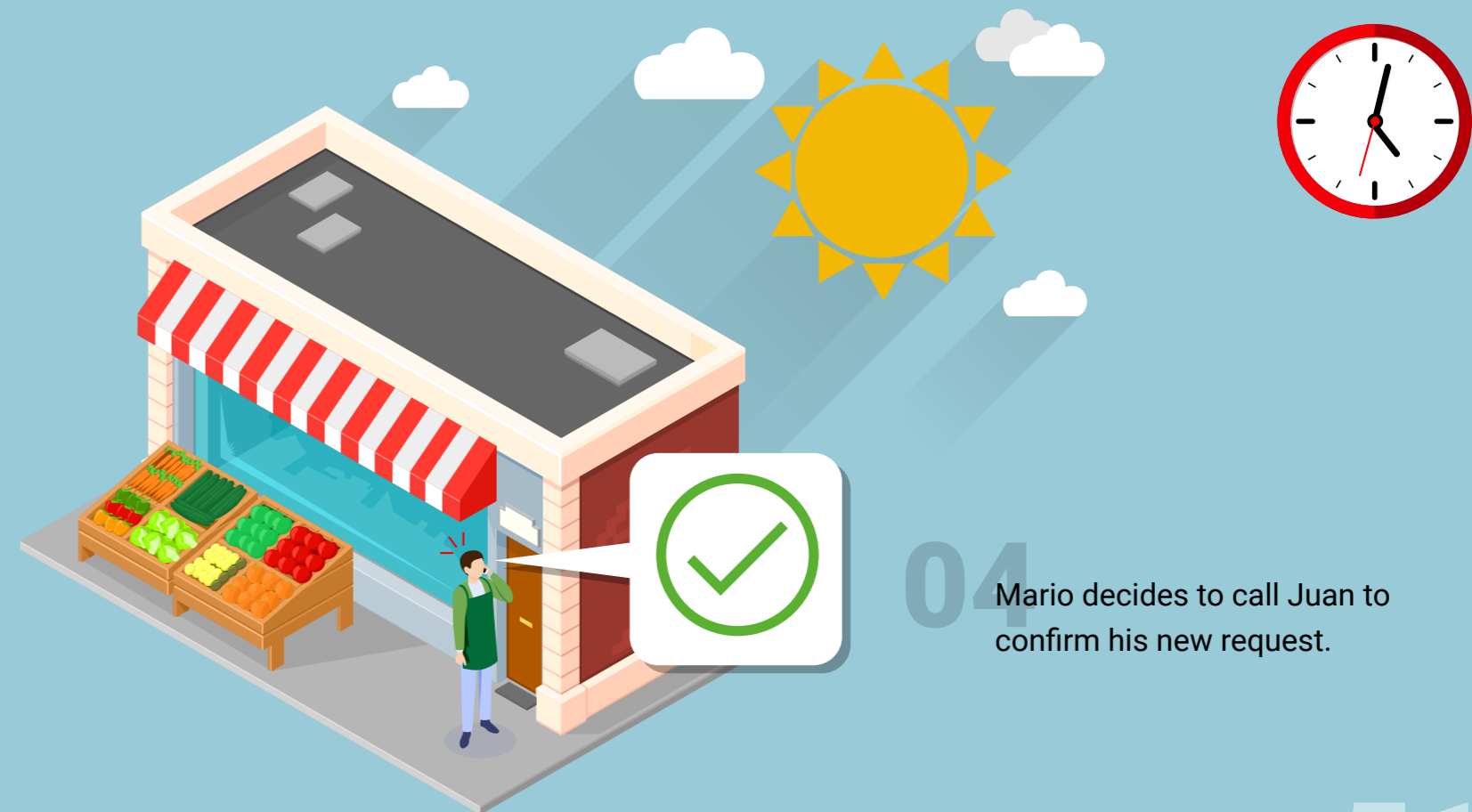
Hours later, Juan realizes that he forgot to order a specific product, but it is too late. Mario will visit him again in a few days.

Juan then uses KOF's WhatsApp chatbot to place an additional order, including the specific product he had forgotten.



03

Mario instantly receives a notification in his hand held: "Juan has placed an additional order".



04

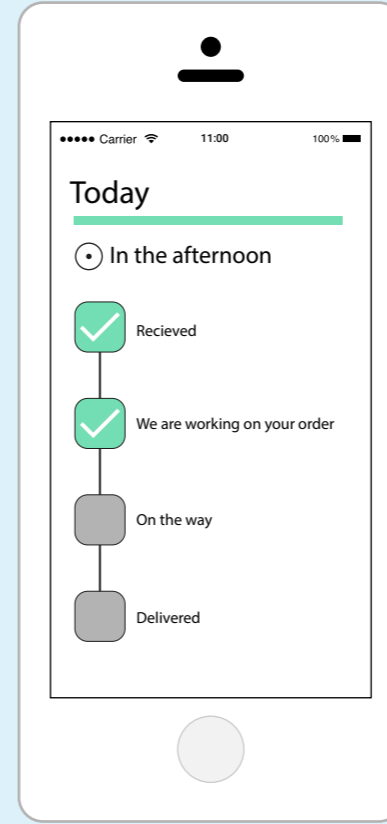
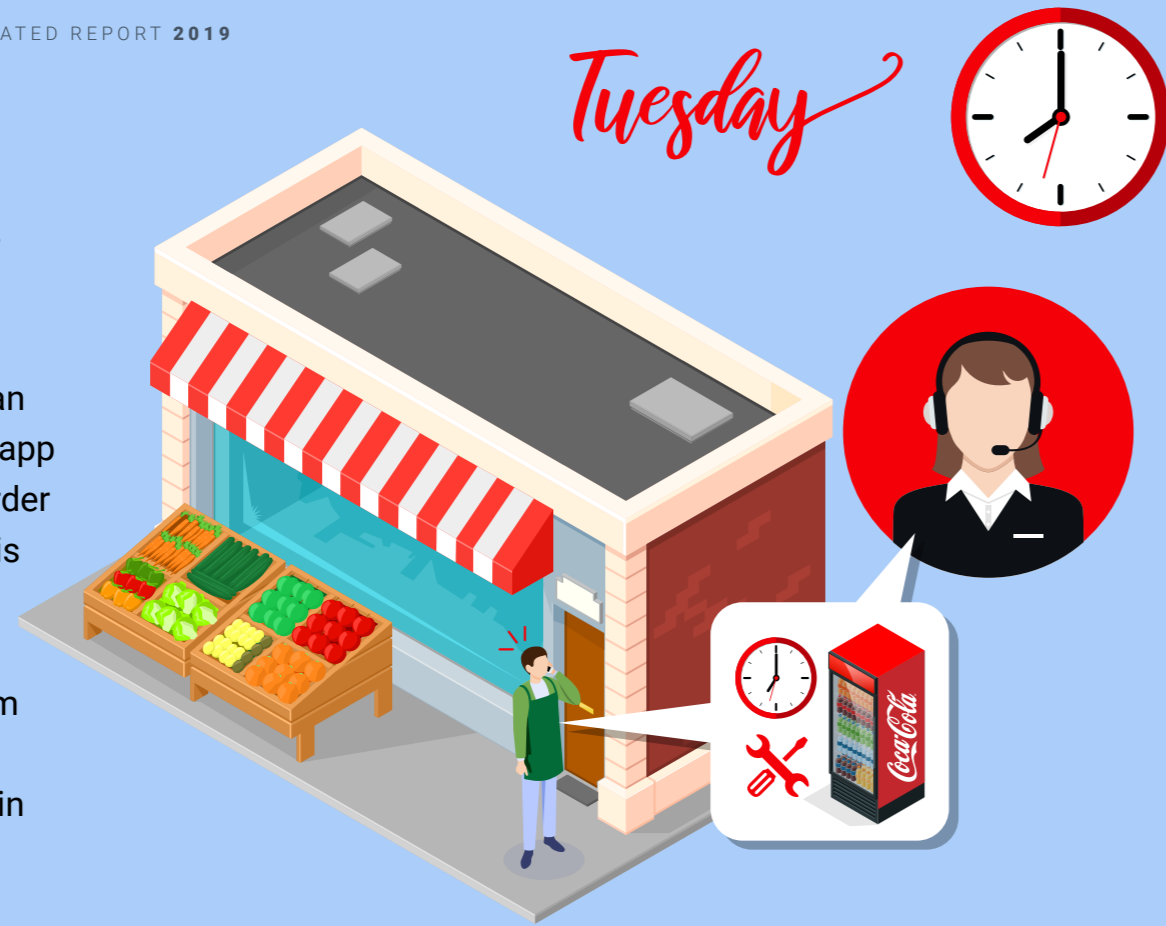
Mario decides to call Juan to confirm his new request.

05

Overnight, Juan's cooler malfunctioned.

Using his cellphone, Juan accesses KOF's mobile app and creates a service order to evaluate and repair his cooler.

Juan receives a call from the Contact Center: "A technician will visit you in the next few hours".



06

Next, he confirms that his most recent orders will be delivered in the afternoon, using the order tracking functionality.



07

As the delivery truck approaches Juan's business, he receives a WhatsApp notification: "Your order is about to be delivered. You will be the next customer in our route to be served".

08

The delivery truck arrives, and Juan receives both of his orders. He uses the built in e-payment system in KOF's mobile app to create a QR Code.

Juan validates his payment was successful and verifies his total balance. Juan is a satisfied customer.



● ● ● ARGENTINA AND BRAZIL ● ● ●

**B2B Digital Solutions**

During 2019, we rolled out our B2B web portal in Brazil and Argentina, serving up to 50,000 customers in the first stage of its deployment. In Brazil, we also rolled out another B2B solution based on a chatbot by WhatsApp, enabling our customers to reach us for a product anytime while allowing us to capture lost orders and reduce our out of stocks in the market. We are further undertaking pilots in Mexico, Brazil, and Argentina to fine-tune our B2B relationship model and develop tailored Route-to-Market models that address increased complexity, while reengineering our IT infrastructure for real-time connectivity.

● ● ● MEXICO ● ● ● COLOMBIA ● ● ● BRAZIL

**Advanced Analytics Platform**

We are strengthening our marketing and sales Advanced Analytics Platform in Mexico and Colombia, while rolling it out across our Brazilian operation. Among this platform's benefits, we have optimized our combined promotional return on investment by over 30% in Mexico and Colombia's traditional trade channel. In Mexico, we have also increased our average price ahead of inflation while maintaining our market share. We have further constructed a growing library of commercial initiatives—ranked by effectiveness—for each of our operations to choose from according to their commercial strategy.



● ● ● MEXICO ● ● ● COLOMBIA ● ● ● BRAZIL

**Artificial Intelligence**

Through Victoria, our machine learning prescriptive analytical engine, we improved our sales forecast accuracy across selected operations in Mexico. We are also expanding Victoria's footprint and running pilot tests in Colombia and Brazil to improve our sales forecast accuracy and generate inventory and transportation savings in these operations.

● ● ● BRAZIL

**Digital Trade**

We're expanding our first mover advantage across Brazil's digital trade channels, including both digital e-commerce and food aggregators such as iFood and Rappi. Consequently, we enjoy a 78% share of the retail e-commerce home market channel and 16.9% incidence rate among the country's online food aggregators, resulting in sales of 6.7 million unit cases and volume growth of over 120% for the year.

● ● ● COCA-COLA FEMSA

**Dynamic Initiative Management**

We operate our Dynamic Initiative Management process in Mexico, Brazil, Colombia, Argentina, Costa Rica, Nicaragua, Panama, and Uruguay. During 2019, we communicated over 5 million targeted initiatives every month across these operations. Moreover, our Mexico operation has shown 8% improvement in its targeted initiatives execution scores.

## DEVELOP CUSTOMER-CENTRIC ROUTE-TO-MARKET MODELS

We are capitalizing on our growing knowledge and evolving our tailored direct and indirect Route-to-Market (RTM) models to maximize our customer value creation and optimize our cost to serve. Through the right combination of direct and indirect RTM models, we will flexibly and effectively achieve greater productivity.

### ●●● GUATEMALA

#### Transformed Operating Model

In our Los Altos territory, which includes Guatemala’s second-largest city, we transformed the operating model to upgrade market execution, significantly improve customer service, and considerably expand our portfolio’s availability. As a result, sales volume across this territory rose 32.3% year over year.

### ●●● BRAZIL

#### KOF Edge Strategy

In Brazil, our KOF EDGE strategy aims to literally and figuratively connect all of the dots—from Omnichannel order taking to increased customer engagement, real-time routing and delivery traceability to alternative payment solutions—to build a sustainable competitive advantage by becoming our customers’ preferred sales and delivery partner.

### ●●● COSTA RICA

#### Distributors Model

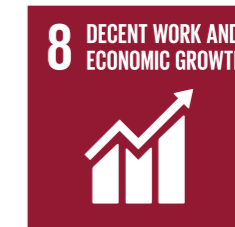
In 2019, we successfully rolled out our sustainable Distributors Model in Costa Rica, optimizing the productivity of our secondary distribution fleet through an approved network of distributors. Aligned with our market execution standards, this model is enabling us to not only increase our Costa Rica operation’s ICE score by 10%, but also reduce our Costa Rica operation’s cost to serve while improving our client service, volume growth, and return on invested capital.

### ●●● MEXICO

#### “Saturation” RTM Model

In Mexico, we piloted our saturation RTM model to better serve the needs of our smaller and specialized clients in urban areas. Complementing our existing pre-sale model, we’re selectively working with wholesalers and distributors to expand our market reach and to improve the level of service for small clients, including specific routes for new categories. Consequently, we’re enlarging our client and consumer base, while expanding portfolio availability to foster volume growth.

Overall, we are leveraging our Advanced Analytics Platform, DIM, Omnichannel solution, and flexible Route-to-Market models to create a more agile and flexible organization, enabled with the right commercial capabilities to drive our competitiveness, proactively address evolving industry challenges, and capitalize on business opportunities.



# supply **4 GROWTH**

This year, we functionalized our key supply chain area to advance, optimize, and standardize our supply chain operating models, platforms, systems, and processes. To this end, we centralized the organization's reporting structure, with each of the heads of our countries' supply chain operations now reporting directly to our company's Supply Chain Director. Recognizing those operations with the best practices, we also decentralized our distribution and manufacturing centers of excellence to our Brazil and Mexico operations, respectively. Consequently, Brazil and Mexico are now responsible for evolving our distribution and manufacturing models and ensuring the rest of our operations adoption of those models. Furthermore, we defined a clear vision for our supply chain, focused on six main pillars:

- Define and maintain **high standards** of **quality, safety, and environment**.
- Actively embrace and advance our **demand-driven customer-centric supply chain model**.
- Continuously improve our **end-to-end operational excellence**.
- Maximize our **return on invested capital** through robust capital and operational expense allocation and management.
- Support our operations' growth as a **reliable business partner**, consistently meeting our business' key performance indicators and enabling our marketing and commercial strategies.
- Ensure we enjoy the **best talent, culture, and behavior**, aligned with KOF DNA.

**Our Brazil and Mexico operations are the most advanced in distribution and manufacturing, respectively. For this reason, we decentralized our distribution and manufacturing centers of excellence to each of those operations for them to lead our best practices across our organization.**

Consistent with our vision, we launched our Supply Chain Reinvention initiative to collaboratively and systemically share, adopt, and devise our best practices and processes, bolster our talent pool, and capture productivity opportunities across our company's supply chain throughout our 9 operations. As part of this four-year reinvention, we are undertaking end-to-end portfolio analysis and network optimization; maximizing our asset utilization and direct material allocation; optimizing our primary transportation and load sharing; and designing our manufacturing, warehouse, and distribution operations of tomorrow—catering to our business' future needs.

Aligned with our strategic priorities, we accelerated our development and deployment of our demand-driven, customer-centric supply chain model. This year, we finalized the implementation of our KOF Logistics Services' (KLS) Supply Chain Planning platform across all of our

operations. After deployment of our Digital Distribution 1.0 platform, including a web-based app, mobile delivery devices, and vehicle telemetry equipment, across our Mexican and Brazilian operations, we implemented our Digital Distribution 2.0 platform throughout our Brazilian operation's secondary distribution fleet during 2019. Moving forward, we will begin our evolving digital distribution journey throughout the rest of our operations, while deploying Digital Distribution 2.0 across our Mexico operation next year.



cocacolafemsa\_br



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56



COCA-COLA FEMSA

**KOF Logistics Services (KLS) Supply Chain Planning Platform**

During 2019, we completed the implementation of our KOF Logistics Services (KLS) Supply Chain Planning platform across 100% of our operations. We also began deployment of this platform throughout our new Uruguay and Guatemala operations. Using advanced analytics, we are now able to track, adjust, and optimize our routes' performance and our overall customer service. Consequently, the level of service that we provide to our commercial markets rose to 99.7 for 2019, from 99.4 last year. We have also generated production, warehousing, and transportation cost savings of US\$ 39.2 million over the past three years.



MEXICO & BRAZIL



**Customer-Driven Distribution Planning**

To support our KLS Supply Chain Planning platform, we implemented our new customer-driven distribution planning process in Brazil and Mexico during 2019. This more agile demand-driven process enables us to proactively adapt our distribution system to fulfill our customer requirements, while optimizing our cost to serve. As a result of this process, we opened multiple cross-docks and distribution centers to draw our supply closer to demand over the course of the year.

BRAZIL

**Digital Distribution 2.0**

We deployed our Digital Distribution 2.0 platform, utilizing our Monitoring Tower 2.0, throughout our Brazilian operation during 2019. Addressing the entire strategic and tactical planning cycle of our secondary distribution process—from analytics to delivery route planning and execution—this enhanced platform features route traceability, a new web-based app for supervisors, end-to-end supply chain network analysis, and digital real-time control of our distribution operation.



COCA-COLA FEMSA



**Supply Chain Control Tower**

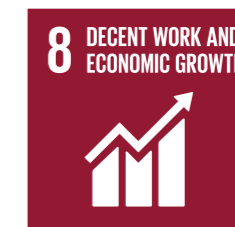
This year, we developed and deployed our centralized Supply Chain Control Tower housing all of our capabilities while providing visibility across all of our supply chain activities. The tower utilizes a data lake to store our growing quantity of business intelligence data.



**We are ensuring that we boast the right talent pipeline at the operational level, including a growing pool of plant, distribution, and logistics managers.**

On the manufacturing front, we made specific advances while undergoing a thorough assessment of our best practices across our operations. Among our initiatives, we continued development of our end-to-end Digital Manufacturing 2.0 platform. Within this platform, we are evolving our Centralized Plant Maintenance Planning model into our integrated Asset Management System. This system will encompass our whole supply chain, from our manufacturing assets to our buildings, distribution fleet, and coolers. Through this comprehensive Asset Management System, we expect to improve our company's return on invested capital through more robust capital and operational expense allocation and management.

Furthermore, we are ensuring that we boast the right talent pipeline at the operational level, including a growing pool of plant, distribution, and logistics managers. With this in mind, we worked closely with our human resources function to develop KLS University, a standardized learning platform designed to assure we possess the right competencies and capabilities across our operations. For example, our Leaders 1 and 2 programs focus on the advancement of our middle managers' capabilities. To complement KLS University, we are also creating our own Distribution University and Manufacturing University to build not only our technical, but also our managerial capabilities throughout our organization for years to come.



# people

4 GROWTH

As a part of our multi-year cultural transformation journey, during 2019, we fully functionalized our Human Resources organizational model. Through this process, we centralized, streamlined, and de-layered our organizational structure, with each of our operations' human resources managers now reporting directly to our company's Human Resources Director. Importantly, we defined the vision for our new Human Resources (HR) organizational model to enable our front-line operations' success:

- Think and work as one **HR team** regardless of where we work.
- Improve the quality and value of **HR services to our employees**, prioritizing our employee experience.
- Identify and develop the capabilities required for our **current and future global business needs**.
- Consolidate and standardize HR processes, capabilities, and resources across our operations, **eliminating redundancies** while focusing on high value-added efforts and **sharing best practices**.
- Enable technology to define our **digital path**.



Overall, our medium-term goal is to improve HR service value proposition to contribute to our broader business strategy and address each of our employee's needs, based on our employees' hire to retire journey. To this end, we look to support our business growth by leading cultural change, developing the best talent, and deploying agile automated processes at an optimum cost.



## 01 Organization & Culture

Adapt our company's organizational capabilities to meet evolving business needs.



## 02 Talent Management & Development

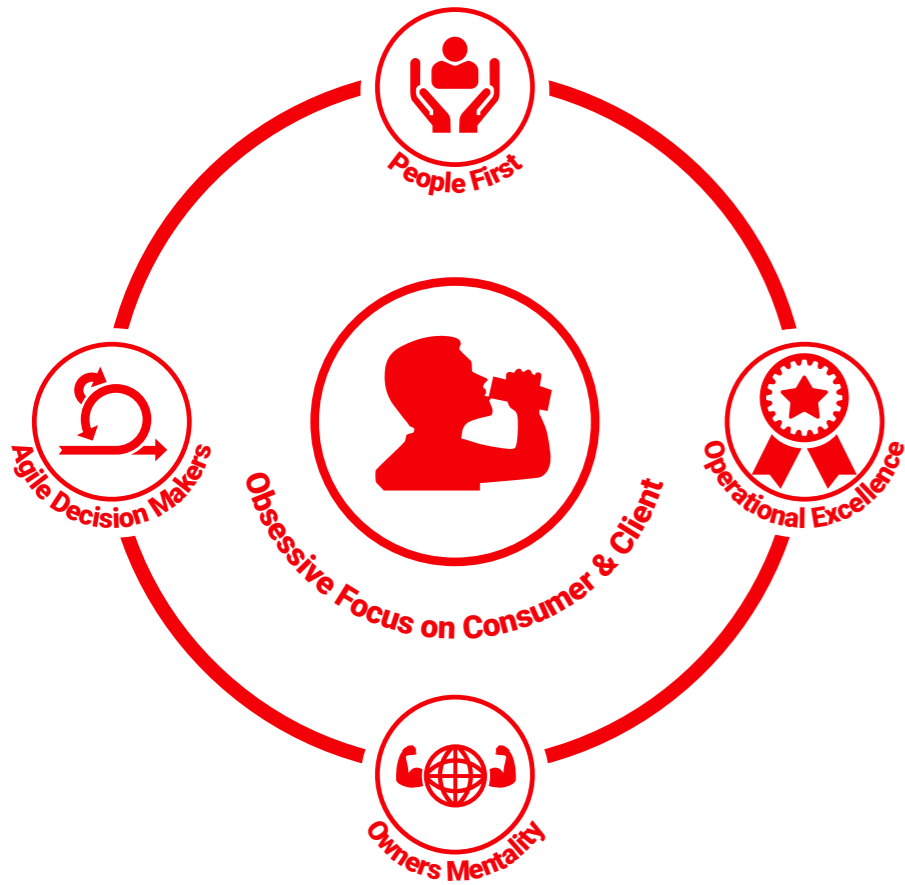
Ensure our talent becomes our competitive advantage to reach our company's strategic goals.



## 03 Path to Digital

Promote HR process standardization and automation, prioritizing our employee experience.





**CULTURAL &  
ORGANIZATIONAL  
TRANSFORMATION**

Our cultural transformation journey began with the launch of KOF DNA to ensure our customers and consumers are at the center of everything we do. Comprised of five key foundational elements, KOF DNA is the set of core beliefs and behaviors that we aspire to live and breathe each and every day.

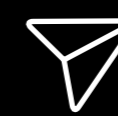
**In 2019, we evolved our Organizational Climate Survey to a third-party managed, 100% digital, and faster survey with the goal of maximizing sense of belonging and increasing employee experience with excellent results: We had a 90% rate of participation and a 91% of employee engagement.**



*¡Hay equipo!*



cocolafemsa\_ar



Liked by cocolafemsa\_mx and others

## Fuel for Growth will help us become a leaner, more agile, and digital Coca-Cola FEMSA.

Over the course of the year, we brought KOF DNA to life through multiple initiatives across our 9 countries of operation:

**Moments of Truth (MoT) workshops** – We conducted 10 MoT workshops with the participation of more than 400 employees to identify cultural pain points and to develop action plans to help us bridge any identified gaps between our current culture and the culture we look to achieve across our company.

**Culture Dynamics Forums** – We organized six forums that enabled our leaders to reflect on different cultural dynamics that we aim to establish and to subsequently implement these behaviors throughout our organization, reinforcing our desired culture.

**All-Hands Meetings** – We held three companywide meetings to provide all of our employees with visibility about our business strategy and results, as well as to promote opportunities for interaction with our company's leaders and to recognize our business heroes.

We further undertook initiatives, including visits across our traditional and modern trade channels, to expand our knowledge of our operational processes, while developing the operational sensibility to design more assertive strategies.

To support our launch of KOF DNA, our company embarked on a major organizational model change under our Fuel for Growth program in order to achieve our goal of becoming more:

**LEAN** to get closer to our markets, clients, and consumers

**AGILE** and less bureaucratic to respond to our customers and consumers' needs

**DIGITAL** to optimize our platforms and processes

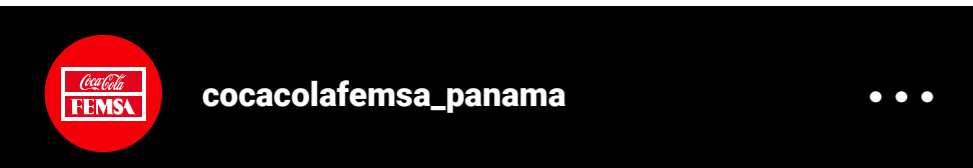


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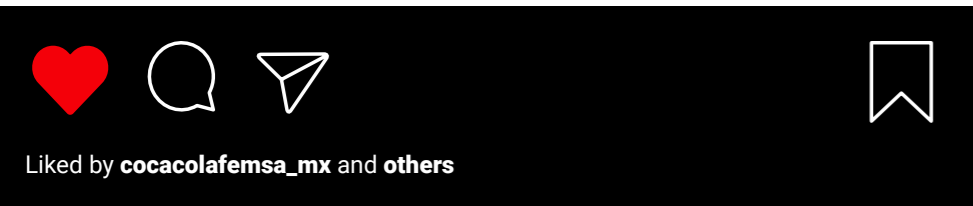
Liked by **cocacolafemsa\_mx** and **others**

To create one collaborative culture throughout our company, we complemented our deployment of KOF DNA across all of our operations and organizational levels with our focus on necessary leadership behaviors and capabilities. Our senior leadership team is committed to serve as role models for these capabilities and behaviors, and they are expected of everyone around our organization:



SOMOS

UNADN SOLO KOF



**Collaboration Mentality**

Work together effectively and solve problems as a team



**We Before Me**

Constantly put our organization and team's results above your own to benefit our company as a whole



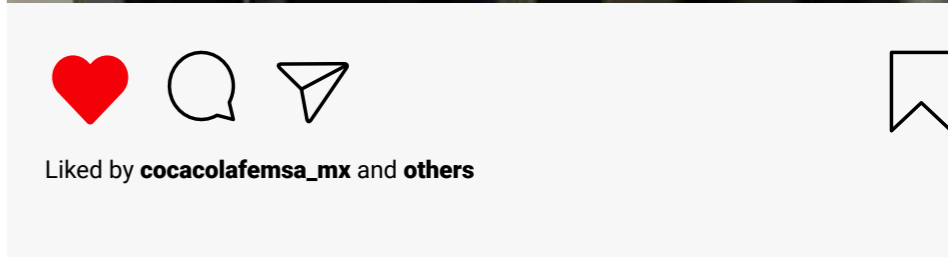
**Accountability**

Always let your actions reflect a sense of responsibility not only for what you must deliver, but also for what our organization must deliver



**Trust**

Continually put our trust in our colleagues



Furthermore, we are in the process of changing our way of working. As part of the change management process, we have already conducted 10 town hall meetings, 62 cross-functional workshops, five change management workshops, 21 leadership workshops, and 20 enabling workshops.



**US\$ 22.1**  
**million invested in**  
**our people.**

## TALENT MANAGEMENT AND DEVELOPMENT

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



### People First

Our people and the way they work together are our company’s most valuable assets. Accordingly, we invested US\$ 22.1 million in our people over the course of the year, including social development and volunteer activities, training initiatives, and occupational health programs.



**66% of our company's talent requirements were filled by internal candidates.**

## PERFORMANCE, SUCCESSION & MOBILITY

During the year, we improved our performance management methodology by including a DNA evaluation, equivalent to 30% of our employees' annual results. Thus, we underscore the importance of our employees' living and acting upon our company's desired behaviors.

We further deployed our annual 9-Box Talent Assessment and Management Methodology, enhancing our talent quality, succession, mobility, and execution metrics while focusing on our high potential talent. During 2019, 95.8% of our employees from executive, senior, and middle management, as well as individual contributors, were

evaluated throughout our operations in order to identify and take actions to develop our talent pipeline within our company.

To ensure our development of high potential talent, we expanded our Global Accelerated Development Programs to provide our organization's directors, managers, and team leaders with the necessary capabilities to guarantee our successful business strategy. Based on tailor-made 360° gaps in leadership competencies and global business needs, these nine-month programs employ a mixed methodology of face-to-face and virtual



# Training hours

Average hours per contribution level

## Strategic Leaders



## Tactical Leaders



## People Leaders



## Individual Contributors



## Operations Contributors



## Interns



## Our Path to Digital

During 2019, we began deployment of SAP SuccessFactors® Platform throughout all of our operations. Ultimately impacting 70,000 employees, this platform will integrate, improve, and simplify our leaders and employees' experience with our Human Resources processes:

- Implementing Succession & Development, Performance & 360° Assessment, Employee Profile, and Compensation modules.
- Migrating FEMSA University to a new platform, integrating all of our Human Resources processes while generating self-learning and development.
- Currently standardizing and migrating our Human Resources Administration backbone to a cloud-based solution in order to meet market trends and set the foundation for our path to digital.

SAP SuccessFactors 

sessions throughout the year. For 2019, we are proud to report that our second class of directors and managers and our first class of junior managers and team leaders graduated from these four programs, comprising 68 high potential executives from different levels of our organization. Importantly, 54% of our first graduating class of directors and managers achieved appointments to new roles during the year.

Moreover, we launched our Global Talent Visibility program for our high potential talent across all of our operations.

## Average hours per gender





## INCLUSION & DIVERSITY

At Coca-Cola FEMSA, we aim to create an environment in which every individual can feel included and valued for his or her own knowledge, behavior, competencies, and results, with opportunities for development and recognition based on his or her own talent. To this end, our strategic goals are to:



### 01 Train and install inclusive leadership skills in all of our leaders

- Train to identify unconscious biases that exist in the way our company functions.
- Install best practices that allow us to consciously manage such biases.
- Have a companywide Inclusion & Diversity Board to advise our CEO and Operation Heads.



### 02 Create an open and flexible work environment

- Update flexible work program policies.
- Promote flexible work programs through a communications campaign focused on providing education on their use and benefits.
- Undertake Inclusion & Diversity Week.
- Continuously sensitize our company to new ways of working.
- Migrate towards open and collaborative workplaces across all of our operations.



### 03 Develop a diverse talent pipeline

- Increase representation of women in leadership roles.
- Provide visibility, sponsorship, and mentoring to female talent.
- Review laws regarding equality and non-discrimination and their requirements.
- Increase representation of people with different abilities.
- Develop guidelines and key performance indicators to evaluate diversity and inclusion.



## Inclusion & Diversity Mindset

To accelerate our development of a truly inclusive and diverse organizational culture, we are raising awareness and enabling Leadership teams to embed an Inclusion & Diversity Mindset by opening a space in our Annual KOF Leaders' Summit to discuss and reflect on unintentional bias and intolerance, how "hard-wired" patterns and social rejection impact performance negatively, and how to create an open and mindful culture that can leverage the power of human differences.

We will continue to boost our transformation by empowering our leaders to:

- Create and mature our company's **inclusion and diversity capability development**.
- Improve our **employee experience and sense of belonging** by fostering a collaborative and flexible work environment.
- Ensure our **employees reflect the communities and consumers** we serve.

## Inclusion & Diversity Week

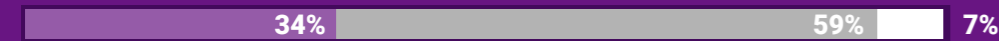
To reinforce that our company's diversity makes us stronger, we created a space to enable our employees to reflect on the importance of inclusion and diversity for our organization, encourage our company's development of inclusive leadership, and leverage the experience and commitment of our senior leadership team to strengthen our culture of inclusion and diversity. Throughout the week, we undertook talks and activities designed to encourage diverse thinking by questioning how:

- We speak about minorities within our organization.
- We raise our collective consciousness to use our team's talent to solve obstacles
- We speak inside and outside of our company, ensuring our message is properly understood.
- We realize what an enriching experience it is to take advantage of our differences.
- We prevent sexual and labor harassment.
- We approach diversity in a different way given the impact that change has on the human body.

# Employees

Per age group in each contribution level

## Strategic Leaders



## Tactical Leaders



## People Leaders



## Individual Contributors



## Operations



## Interns



● 18-34 ● 35-44 ● 45-59 ● 60+



# Employees

By gender in each contribution level

## Strategic Leaders



## Tactical Leaders



## People Leaders



## Individual Contributors



## Operations



## Interns

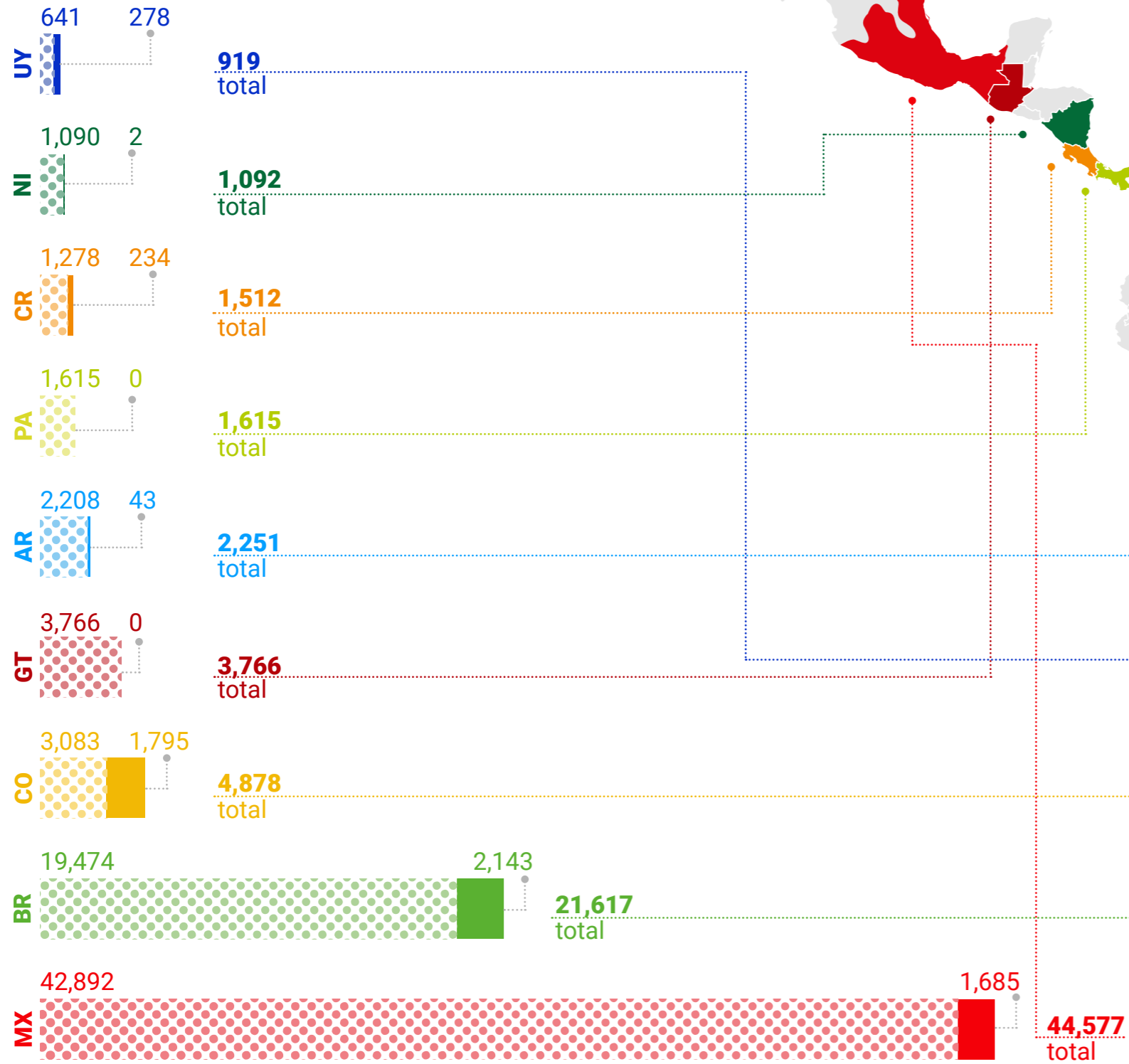


● Male ● Female



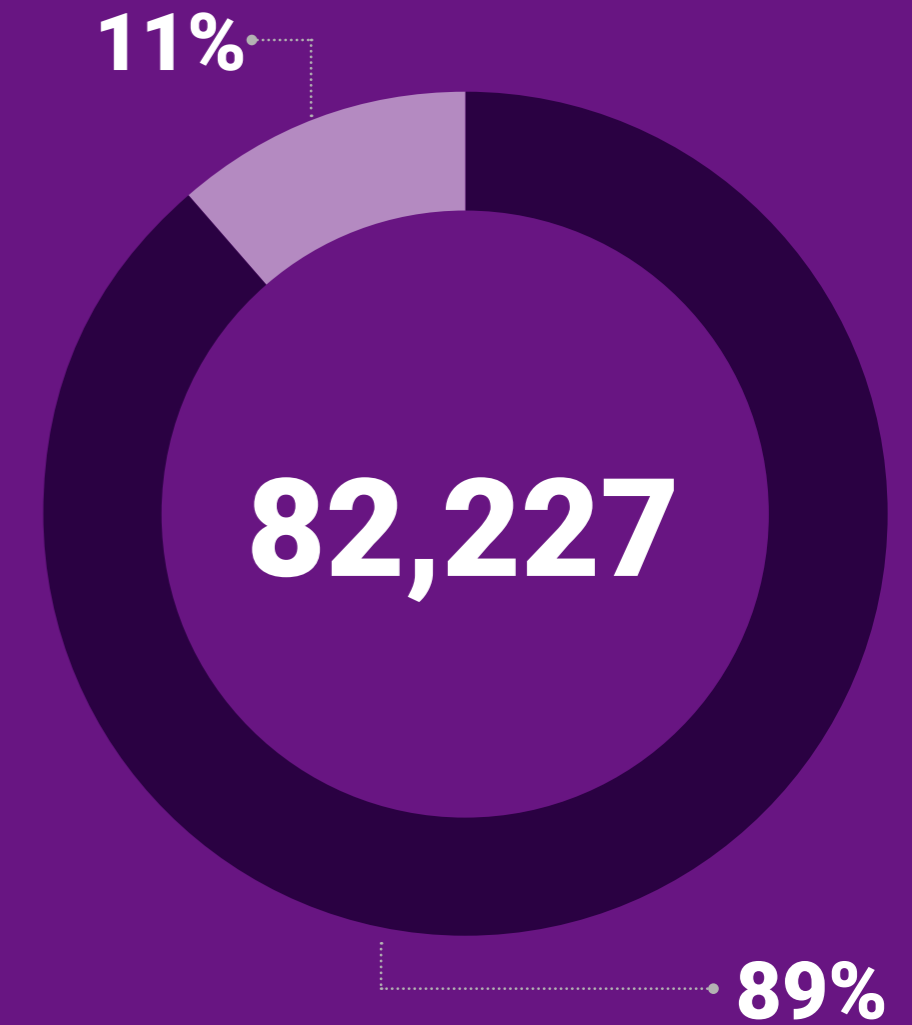
# Employees

By contract & region



# Employees

Internal & External



● External ● Internal

● Indefinite ● Temporary



# Turnover

Per gender



● Natural turnover ● Induced turnover

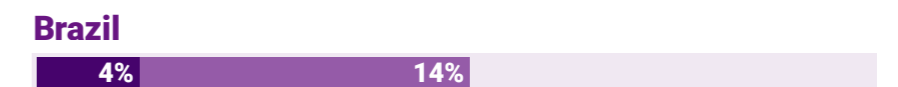


By age group



● Natural turnover ● Induced turnover

By Country



● Natural turnover ● Induced turnover

# Parental leave

## Return Rate per Gender<sup>1</sup>

### Male

98%

### Female

96%

## Retention Rate per Gender<sup>2</sup>

### Male

92%

### Female

80%

<sup>1</sup> Employees that returned to work after Parental Leave.

<sup>2</sup> Employees that continue working 12 months after Parental Leave.

Male Parental Leave varies in each country from 2 to 14 days.



## Flexible Benefits

We encourage a good work/life balance for our employees. To this end, we standardized our different flexible benefit schemes across our operations, including:

- Flexible schedules
- Home Office
- Parental leaves
- Paid personal day

In some of our operations, we also offer benefits such as Happy Friday, Half Day Birthday, and permitted absences for family losses.





## COMPENSATION AND BENEFITS

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

At all levels of our organization, we ensure that our employees' remuneration is competitive and that their conditions are equal for both men and women. To ensure the competitiveness of our benefit packages in all of our operations, consistent with our talent acquisition and retention strategy, performance-based bonus practices for middle management were reviewed against the market. Moreover, to ensure our management team's competitive compensation and to prevent a loss of talent in recovering economies, an analysis was developed together with Mercer, a world leader in the health and benefits marketplace.

Additionally, based on studies performed by international consulting firms that enable us to make comparisons between countries, we can determine that our employ-

**Our people's compensation recognizes their effort, and it's equal for both men and women.**

ees are receiving an integrated salary that is greater than or equal to the market average.

We comply with all labor rights and obligations stipulated by law, surpassing the conditions and benefits established in the laws of each of the countries where we operate. Our collective bargaining agreements cover approximately 66% of our workers. These labor contracts are reviewed and agreed on with all of our union representatives, respecting the established validity times, as well as complying with all notification periods.



## SOCIAL DEVELOPMENT

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

### Social Development Strategy

To this end, our Social Development Strategy concentrates on five dimensions:

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



### Promoting Social Development

In 2019, we invested US\$3.8 million in programs promoting the proper balance between work and family, improving our employees' wellbeing and quality of life.







## KOF Volunteers Program

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



**Our 2020 Goal:  
To generate 1 million  
hours of volunteer work**

Our overall volunteer activity is committed to six different causes:

-  **Community Development**
-  **Environment**
-  **Natural Disasters**
-  **Health**
-  **Education**
-  **Human Rights**

In 2019, 83,076 participants, including our employees and their families, devoted 421,021 hours to 858 volunteer initiatives, supported by an investment of more than US\$243,000. From 2015 through 2019, we accumulated 1,443,246 hours of volunteer work.

## OCCUPATIONAL HEALTH

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

### Occupational Health Management System

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

**2.4% improvement in our  
lost days due to General  
Illness Index vs. 2018.**



## Health & Wellbeing Policies

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

- Occupational Health
- Personnel With Healthy Habits
- Healthy Culture

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



## Employee Support Program

In 2019, we continued with our Employee Support Program in Mexico. This emotional containment service is designed to assist our employees and their families to resolve situations that may generate emotional disturbances such as stress, anxiety, and depression, among others, which may affect their development in either their daily life or their work environment.

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

### Health

Lost Days due to General Illness Index  
(Less is better)





# Finance

## 4 GROWTH



During 2019, we functionalized and consolidated our key finance area into a leaner, more agile, more collaborative, and digitally driven operating model that takes advantage of our company's size, scale, and value opportunities to enable the success of our front-line operations. With this in mind, the ambition of our new Finance Operating Model is to serve as a business partner to our operations by delivering valuable insights for better and faster decision-making to maximize shareholder value, while ensuring compliance and transactional efficiency. To achieve this ambition, our priorities are to:

- Maximize our **return on invested capital (ROIC)** and shareholder value creation through disciplined capital allocation, working capital optimization, and profitability insights.

- **Co-design business strategies** and support our operations by delivering valuable insights for better and faster decision-making to maximize shareholder value, while ensuring compliance and transactional efficiency.
- **Proactively manage risks** by designing our internal control system and actively address financial, legal, and cyber-security risks.
- **Prioritize efficiency** for all of our transactional activities by boosting penetration and adoption of **shared services and digital solutions**.
- Ensure accuracy of our **financial information** and compliance with **statutory obligations**.



## Functional Directors

Treasury, Controllership, Legal, Business Strategy,  
Tax, Procurement, Information Security, KFS

## Chief Financial Officer

## Territory Finance Directors

Mexico, Brazil, LATAM

Through our functionalization process, we centralized, streamlined, and de-layered our Financial Structure, with each of our operations' finance directors and managers now reporting directly to our company's Chief Financial Officer. Consequently, we enjoy a leaner, more agile, efficient, and collaborative Finance Operating Model, better positioned to capitalize on our company's scale, capture greater value, share best practices and processes, and, ultimately, enable our front-line operations to transform current and future challenges into opportunities—fueling our profitable business growth.

Moreover, over the second half of the year, we centralized and standardized our governance, policies, procedures, and metrics to ensure compliance and efficiency. We

further deployed our shared financial services strategy, centralizing and consolidating our operations' transactional activities, such as data processing and reporting, within our KOF Global Business Services platform—thereby enabling our operations to focus on our customer and consumer-centric capabilities and initiatives. Moving forward, we aim to further develop our digitally driven Finance Operating Model in order to strengthen and streamline our organization, maximize our return on capital, optimize our capital allocation, and importantly, free up resources to support our operations' sustainable business growth and overall stakeholder value creation.

## KOF Global Business Services: Fueling Front-Line Business Growth

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

03

# ONE future



ONE COCA-COLA FEMSA







As an enabler of our company's strategic growth, we ensure sustainability is fully integrated throughout our day-to-day decision-making processes and business operations. With the long-term sustainability of our business in mind, we strategically, proactively, and responsibly address our operations' sustainability challenges across our value chain—from clean energy to climate change, efficient water use and conservation, responsible waste management, community development, and safety.



## CLEAN ENERGY IN *Our Operations*

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

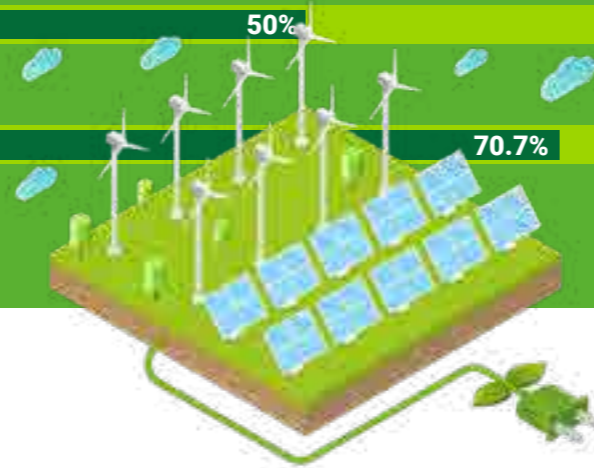
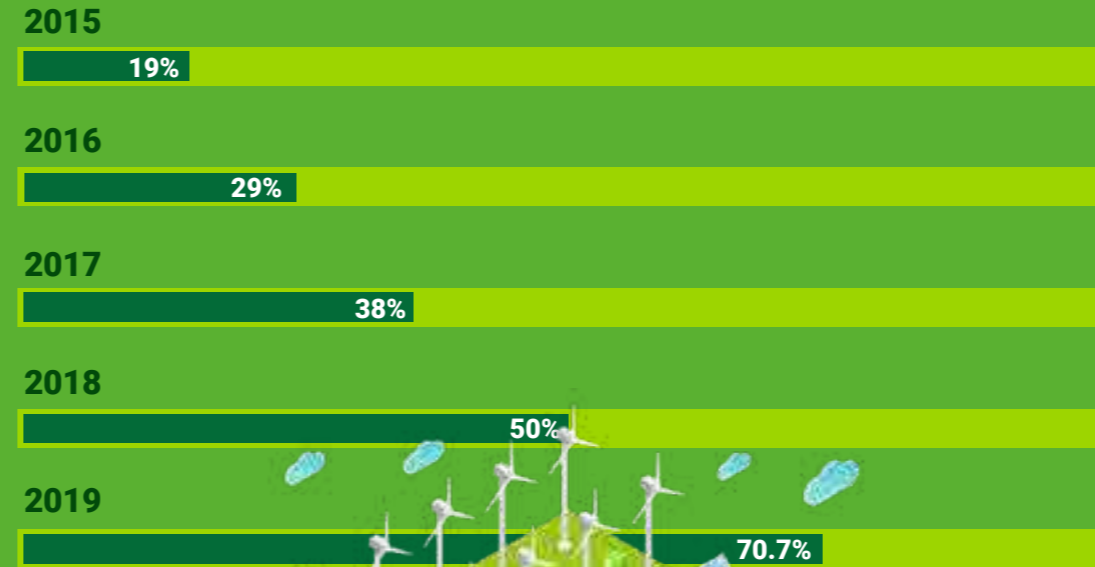
Our operations' energy consumption focuses on a comprehensive strategy that encompasses our value chain. Aligned with this strategy, we have defined the following 2020 goals: to reduce the carbon footprint of our value chain by 20% against our 2010 baseline; and to supply 85% of the energy we use for our manufacturing in Mexico from clean sources.

## Our 2020 Goals:

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

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

## Clean Energy



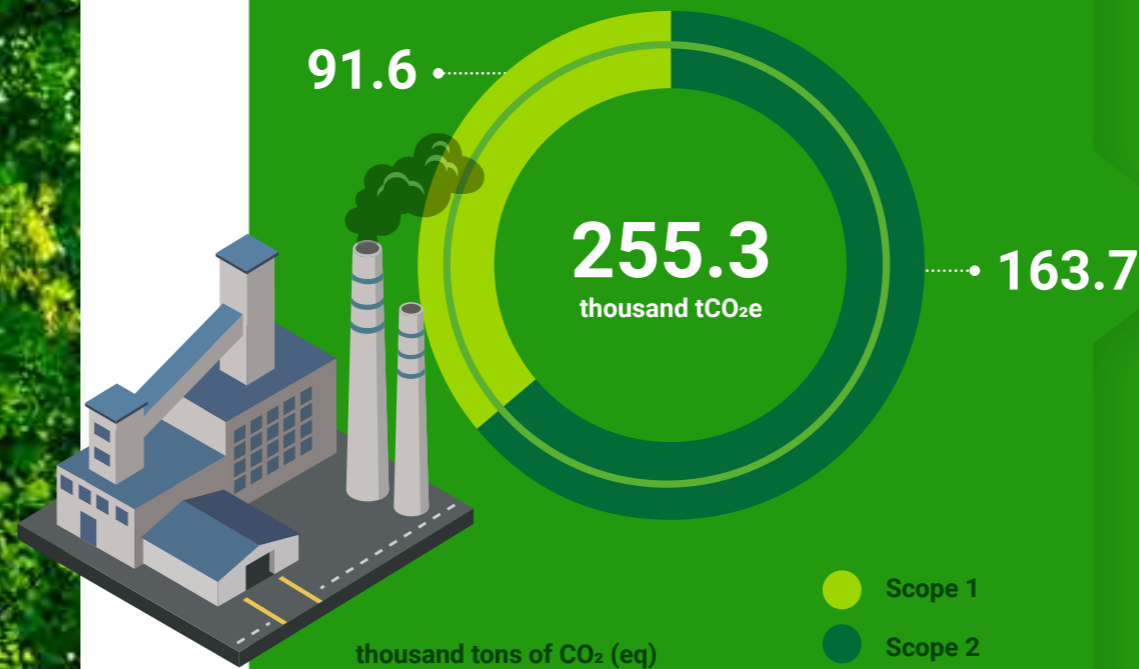
### Science Based Targets Initiative: Acting Against Climate Change

During 2019, Coca-Cola FEMSA embarked on the Science Based Targets initiative (SBTi) to improve our accounting of greenhouse gas (GHG) emissions across our value chain, so we can adopt a science-based target for GHG emissions reduction that is aligned with the goal of the Paris Agreement to limit global warming to well below 2°C.

Based on a thorough business analysis, we precisely identified the sources of our operations CO<sub>2</sub> emissions—from ingredients to packaging, manufacturing, distribution, and cold drink equipment. With this hard data, we are defining the actions that we must take to drive down our CO<sub>2</sub> emissions through a clearly defined science-based pathway to a low carbon economy.

The SBT initiative is a collaboration between CDP (formerly the Carbon Disclosure Project), the United Nations Global Compact, World Resources Institute, the World Wide Fund for Nature, and one of the We Mean Business Coalition commitments.

### Total KOF CO<sub>2</sub> emissions



# 2018 Value Chain Emissions\*



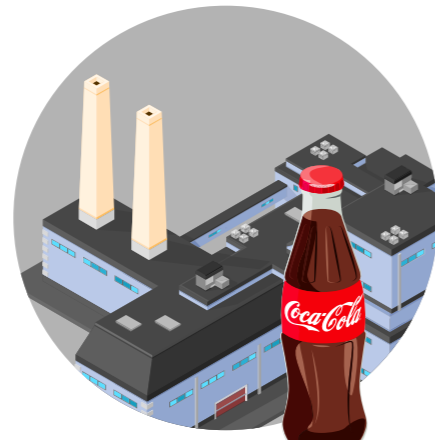
25%



## Ingredients

Sweeteners  
CO<sub>2</sub>

28%



## Packaging

PET  
RefPET  
Glass  
Aluminum  
Others

7%



## Manufacturing

Bottling electricity  
Fossil fuels

14%



## Distribution

Distribution center electricity  
Primary and secondary  
distribution fleet

27%



## Cold-Drink Equipment

Electricity  
Refrigerant gasses

\* We report the carbon footprint of our value chain a year behind, since the inventory is made after the operating year is completed.

## MANUFACTURING ENERGY EFFICIENCY, CLEAN ENERGY & EMISSIONS REDUCTION

Our aim is to improve the energy efficiency of our manufacturing operations, while simultaneously reducing our greenhouse gas emissions. To this end, we managed to increase our energy efficiency by 46% from 2010 to 2019.

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

- **Energy Training** – We provide annual energy training to all of our energy managers in every division, as well as all of the operators of each of our plants.
- **Energy Assessments** – We conduct annual energy assessments to support our operations in Argentina, Brazil, Central America, Colombia, and Mexico.

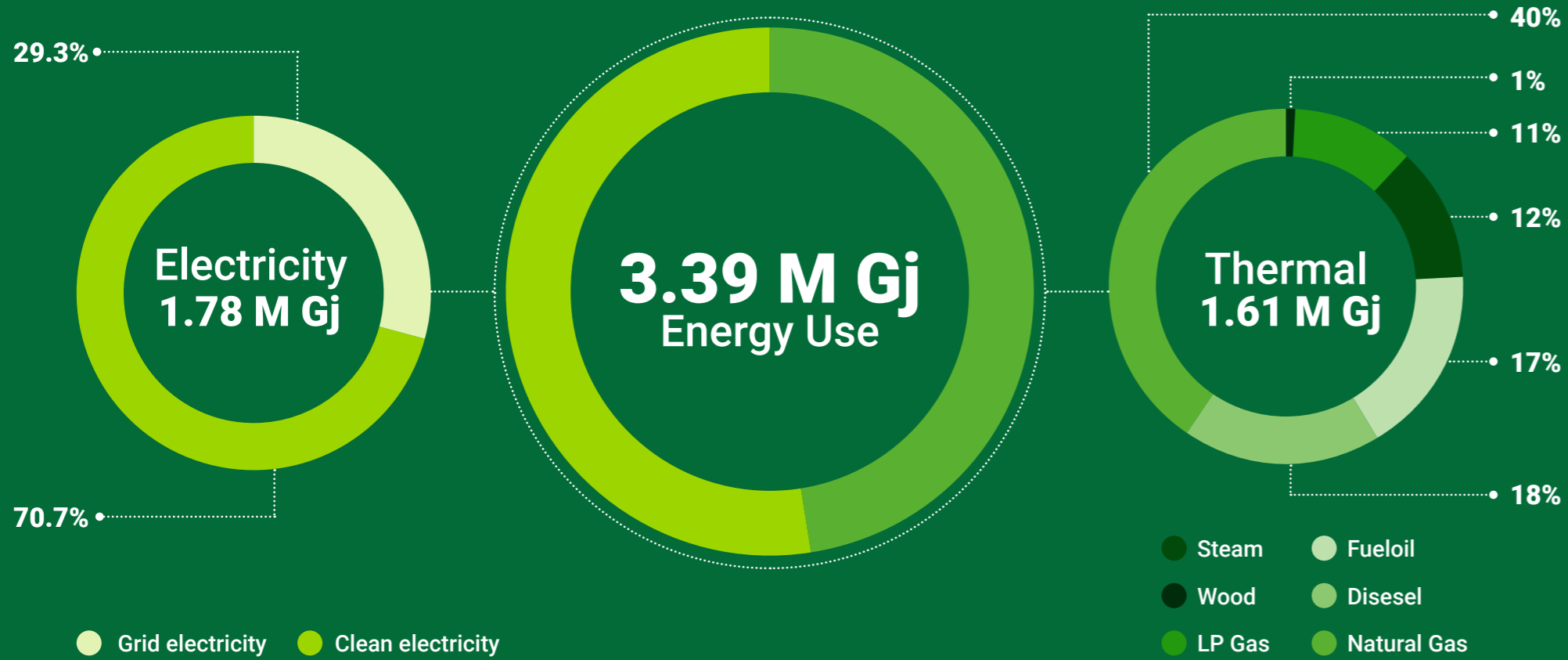
**We managed to  
increase our energy  
efficiency by 46% from  
2010 to 2019.**



- **Steam Standard** – We focus on the utilization of steam produced in our plants to reduce consumption, ensure safe use, recover steam condensate, and increase the life of our assets.
- **Top 20 Energy Efficiency Strategies** – We implement key energy efficiency strategies to minimize each of our plants' energy consumption.

From 2015 through 2019, we achieved a 12.6% decrease in our manufacturing operations CO<sub>2</sub> emissions, reaching 13.7 grams of CO<sub>2</sub> per liter of beverage produced in 2019.

**From 2015 through 2019, we  
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produced in 2019.**



By 2020, we look to satisfy 85% of our Mexican manufacturing operations' electricity requirements with clean energy. By the end of 2019, we achieved 69% coverage of our Mexican bottling operations' power needs.

Beyond this goal, we supplied 70.7% of our global bottling operations' electricity requirements with clean energy sources by the end of 2019, up more than seven times from 9% in 2014. We use clean sources of energy for our manufacturing operations in Argentina, Brazil, Colombia, Costa Rica, Guatemala, Mexico, and Panama.

For the year, we reduced our energy consumption by 12%, resulting in the following total savings:

**US\$8.15 million – total energy savings**

- US\$4.15 million – energy efficiency
- US\$4 million – clean energy

**We use clean sources of energy for our manufacturing operations in Argentina, Brazil, Colombia, Costa Rica, Guatemala, Mexico, and Panama.**



# WATER *sustainability*

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

## Our 2020 Goals:

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

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

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

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

From 2010 through 2019, we decreased our absolute water consumption by 27.8%



### Protect, Produce and Return

Water scarcity is a global challenge of rapidly growing proportions. Therefore, we must act to ensure water security to enable the sustainable growth of our company, our communities, and our planet. To this end, our operations follow a three-part paradigm to protect, efficiently produce, and return this vital resource to the environment.

Among our efforts, we continually update our water risk assessment tool, conduct plant self-assessments, and secure water concessions for our production facilities to protect the water supply of our company, our communities, and our countries. Moreover, we constantly aim to improve our water use ratio in the production of our beverages through increased operating efficiency and investment in our top 10 most water intensive plants. Furthermore, our operations keep working to replenish and return to the environment and our communities the same amount of water used to produce our beverages by capturing the full potential of our water recovery systems.



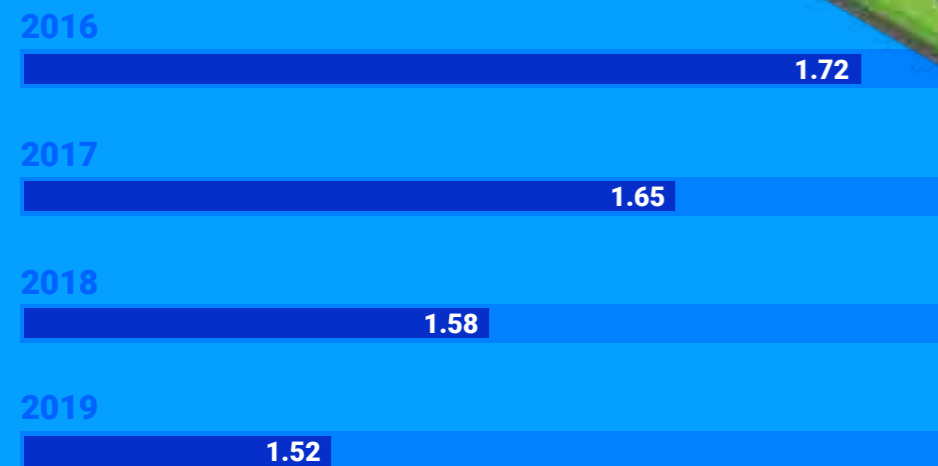
## WATER EFFICIENCY

As a beverage bottler, efficient water management is essential to our business, our communities, and our planet. By 2020, our goal is to improve our water use ratio to 1.5 liters of water per liter of beverage produced. For 2019, we remained on track to reach our 2020 goal, achieving 1.52 liters of water per liter of beverage produced—a 22.5% improvement in our water use ratio from our 2010 base year. Moreover, our water efficiency initiatives and projects generated savings of US\$ 1.63 million in 2019.

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



### Water Efficiency



## WASTEWATER TREATMENT

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

### Access to Safe Water and Sanitation in Our Communities

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

For more information about FEMSA Foundation, visit <https://www.femsa.com/en/femsa-foundation/>

**We currently give back 100%  
of the water we use in the  
production of our beverages.**

## WATER REPLENISHMENT & CONSERVATION

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

By 2020, our goal is to reduce our water consumption and to return to the environment and our communities the same amount of water used to produce our beverages. Aligned with our goal, we currently give back to the environment more than 100% of the water we use in the production of our beverages in Argentina, Brazil, Central America, Colombia, and Mexico.

In light of the substantial scope, importance, and complexity of water conservation and replenishment, we work to strengthen water funds and conserve water basins through sustainable initiatives involving partner-

ships with several stakeholders. Through the Latin American Water Funds Partnership—comprised of the Nature Conservancy, FEMSA Foundation, the Inter-American Development Bank (IDB), and the Global Environment Facility—we jointly seek to offer hydrological safety in the region, ensuring sustainable access to a sufficient quantity and quality of water to sustain human life and socioeconomic development.

To date, the Partnership has developed 26 water funds. Of these funds, five are in countries where we operate—Brazil, Colombia, Costa Rica, Guatemala, and Mexico. As a result, through 2019, the Partnership has worked to directly benefit approximately 110,500 people in areas near the water basins through job creation and capabilities training since the projects began.



cocacolafemsa\_col





# WASTE & *recycling*

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

# CIRCULAR ECONOMY OF POST-CONSUMPTION PACKAGING



- ① **Waste**
- ② **Transport**
- ③ **Collection**
- ④ **Transport**
- ⑤ **Sorting Centers**
- ⑥ **Bales**
- ⑦ **Recyclers**  
(Grading/sorting, washing, grinding, shaping)
- ⑧ **PET Bottles With Recycled Content**
- ⑨ **Producers**
- ⑩ **Distributors**
- ⑪ **Consumers**
- Ⓐ **Other Products (Open loop)**
- Ⓑ **Virgin PET Producers**

In Coca-Cola FEMSA we are confident that with the support & co-responsibility of all actors in the value chain, a market-based approach to the circular economy is achievable.

## KOF Waste Management Strategy



**Comprehensive and responsible post-industrial waste management**



**Post-consumption collection and recycling**

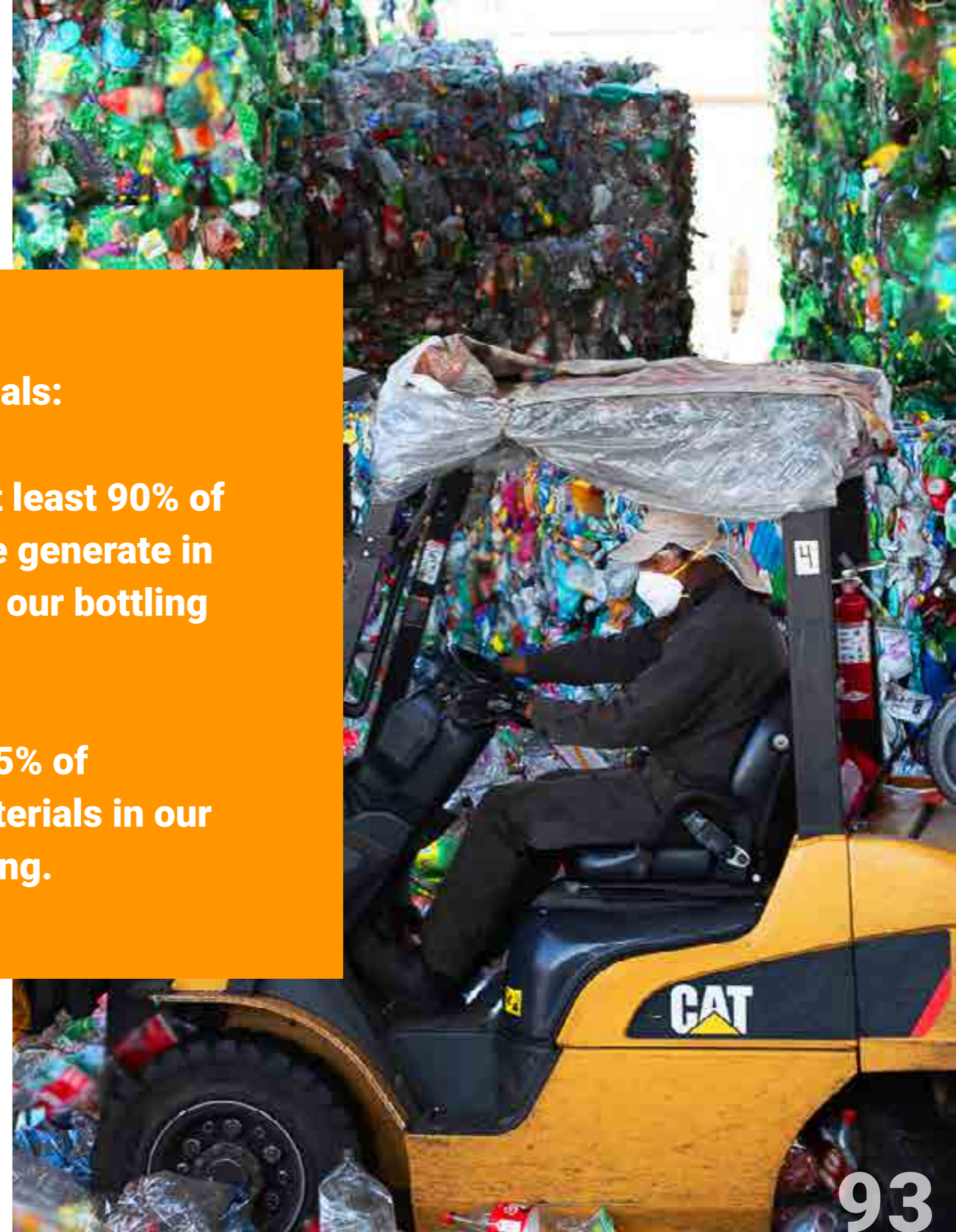


**Efficient design and integration of recycled materials in our packaging**

### Our 2020 Goals:

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

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





## World Without Waste

Plastic waste is a global problem that concerns all of us. It is unacceptable that packages of beverages end up in the wrong place. Therefore, we continue to embrace our responsibility to help ensure that our company's impact is positive, and our actions inspire others.

Consistent with our long-term commitment to waste management, we are fully aligned with the three pillars of The Coca-Cola Company's "World Without Waste" global initiative's 2030 vision to:

### DESIGN

- Make all consumer packaging 100% recyclable by 2025
- Create packaging that includes at least 50% recycled material by 2030

### COLLECT

- Collect the equivalent of 100% of our primary packaging by 2030

### PARTNER

- Grow participation in marine litter prevention programs and beach cleanups

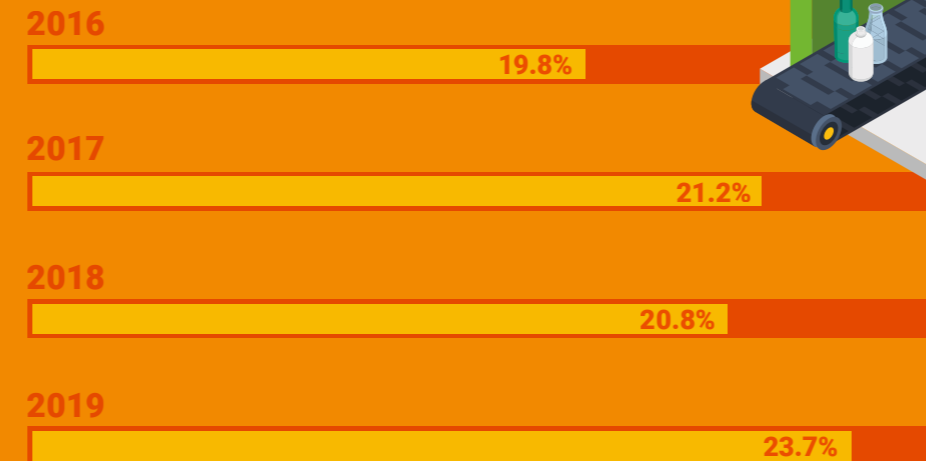
Working together, we remain committed to help solve this pressing problem throughout the entire packaging lifecycle—from how our bottles are designed to the way they're collected, recycled, and reused.

## INNOVATIVE PACKAGING DEVELOPMENT

Within the beverage industry, our product packaging is mainly comprised of PET, glass, and aluminum. We are committed to efficiently using our packaging materials; redesigning our packaging's components to achieve 100% recyclability while including a significant share of recycled content.

By 2020, our goal is to incorporate 25% recycled materials into all of our PET packages. In 2019, we successfully included an average of 23.7% of recycled resin into the production of all of our PET presentations.

### % Recycled Content



Consistent with our efficient resource management and optimization of our packaging materials, we continued to deploy a wide-ranging light-weighting strategy for our operations' PET presentations and caps. Through our efficient resource management and packaging optimization, we generated savings of approximately US\$ 11.2 million in 2019.

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

Importantly we launched Movimiento Re in Colombia, an industry alliance to increase PET collection rates in the cities of Cartagena, Santa Marta, and Barranquilla.

Since 2002, we have collaborated with other food and beverage companies through ECOCE, a Mexican civil association that promotes the collection of waste, the creation of a national market for recycling, and the development of recycling programs. Through this collaboration, in 2019, ECOCE collected 56% of the total PET waste in Mexico.

Importantly, we are leaders in PET bottle-to-bottle recycling in Latin America. In 2005, we joined efforts in Mexico to operate the first food grade PET recycling plant in Latin America, called IMER (Industria Mexicana de Reciclaje or Mexican Recycling Industry). In 2019, this plant recycled 11,909 tons of PET. Moreover, we agreed



to co-invest with our supplier in the construction of a new food grade PET recycling plant with a capacity of 35,000 tons in southeast Mexico. Overall, we have a total of 14 recycled food-grade resin suppliers across our operations network.

Overall, in 2019, we utilized a total of 63,631 tons of recycled materials in our plants in Argentina, Brazil, Central America, Colombia, and Mexico. As a result of these efforts, we have used more than 336,000 tons of recycled PET since 2010.

### Strengthening Our Collection and Recycling Capabilities

In August 2019, we started operations in Brazil of SustentaPET, a PET collection center that will allow us to strengthen our capabilities in the Greater Sao Paulo metropolitan area.

Leveraging our shared knowledge and best practices, we are undertaking customized approaches for each country through which we engage with suppliers of recycled food-grade PET resin, develop our own collection and recycling capabilities, and partner with other stakeholders to achieve our common goals.

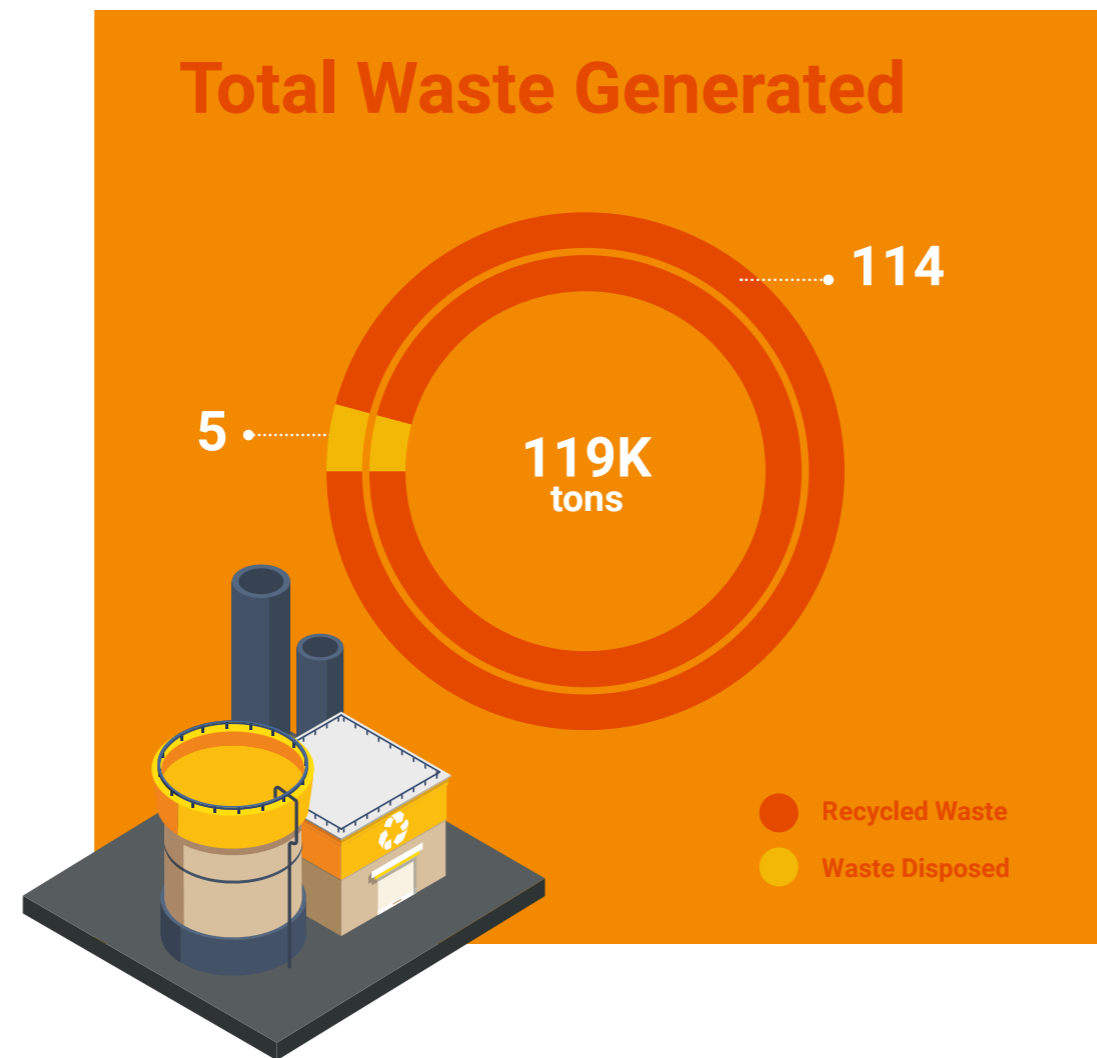


## POST-INDUSTRIAL OPERATING WASTE MANAGEMENT

In 2019, 22 of our bottling plants earned Zero Waste to landfill certification. Designed for our Mexico operations, this initiative establishes specific measures to improve waste management, disposal, and repurposing—resulting in improved waste efficiency per liter of beverage produced.

By 2020, we aim to recycle at least 90% of our waste in each of our bottling plants. At the end of 2019, 90% of our plants successfully achieved this goal. Importantly, in Mexico, our plants recycled 100% of the waste generated in our production processes. Overall, we recycled 95.7% or approximately 114,000 tons of manufacturing waste generated.

Currently, 18 of our plants in Mexico have obtained Clean Industry certification from the Federal Environmental



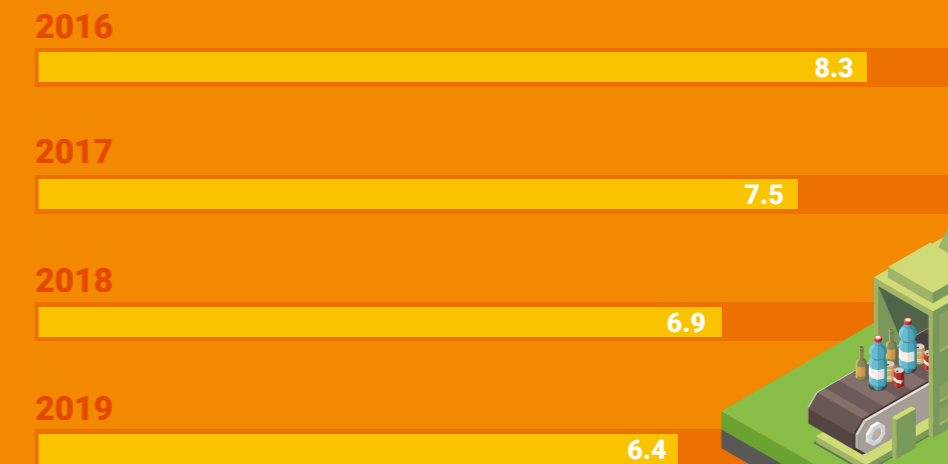
Protection Agency (PROFEPA). Moreover, in 2019, 36 of our distribution centers in Mexico received air quality certifications from PROFEPA, the state of Mexico’s Environmental Agency, and Mexico City’s Ministry Secretary of the Environment (SEDEMA). These and other recognitions confirm our commitment to the environment and overall sustainability.

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



## Waste Efficiency

grams of waste per liter of beverage produced  
(Less is better)





# SAFETY *Commitment*

At Coca-Cola FEMSA, we firmly believe that it is fundamentally necessary to protect our people's safety, so they can fully enjoy every moment of their lives, while creating sustainable value for our consumers, our customers, and our business. That is why we continually reaffirm our commitment to do everything necessary to safeguard the lives of all of the people with whom we interact across our operations to achieve our vision of zero incidents.

Consistent with this commitment, we regard safety as a core value and behavioral principle for all of our employees and our organization, based on a culture of prevention, collaboration, respect, and recognition—aligned with KOF DNA and our world-class management model.

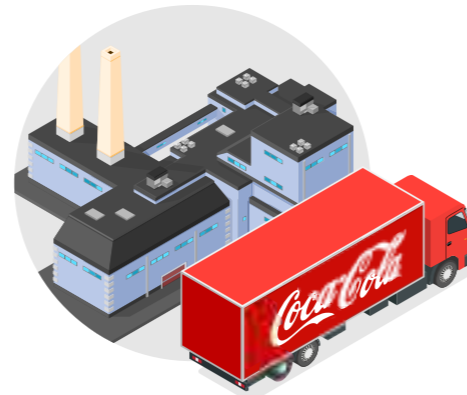
# Quality • Safety • Environment



**Raw Materials**



**Manufacturing**



**T1 Distribution**



**Warehousing**



**T2 Distribution**



**Sales**

## 01 Risk Management

Managing environmental risks, quality, food safety, and road safety

## 02 Talent & Capability Development

Developing capabilities through the professionalization of the QSE function & experts

## 03 Management, Improvement & Innovation

World-class system and processes to ensure continuous QSE management, improvement and innovation

### QSE Transformation

Transforming QSE to support our vision in a sustainable way along the value chain

### Technology & Digitalization

Supporting our strategy through technology and digitalization to boost people's capabilities and accelerate, optimize, and standardize processes



Through our Executive Team, Coca-Cola FEMSA ratified our Safety Strategy and Vision 2020 – 2022 for all of our operations—encompassing all of our employees, third parties, and strategic partners to whom we have made the promise and commitment to become a global safety benchmark. Until we achieve our vision of zero incidents, we have pledged to achieve a 15% annual reduction in our incident rates, consistent with our commitment to achieve world-class indicators and attain a Lost Time Incident Rate (LTIR) of 0.5 through our supply chain by 2022.

To this end, we established KOF Quality, Safety & Environment (QSE) Committee, representing the countries in which we operate. This Committee aims to define our QSE Strategy and transformational initiatives for all of Coca-Cola FEMSA.

## Our 2020 Goal: To reach a Lost Time Incident Rate (LTIR)<sup>1</sup> of 0.5 and a Total Incident Rate (TIR)<sup>2</sup> of 1.5.

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

2 (# Total Reportable Incidents x 200,000)/Hours Worked.

The factor of 200,000 is obtained from the estimated hours worked by 100 employees over 50 weeks at 40 hours per week. This factor allows for a comparison of the indicators as a proportionate rate.



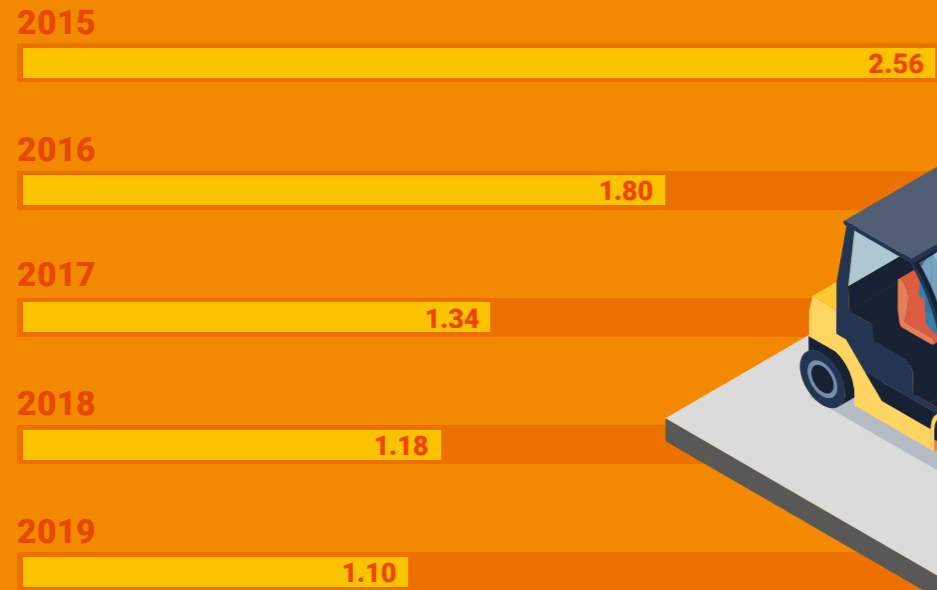
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## Lost Time Incident Rate-LTIR

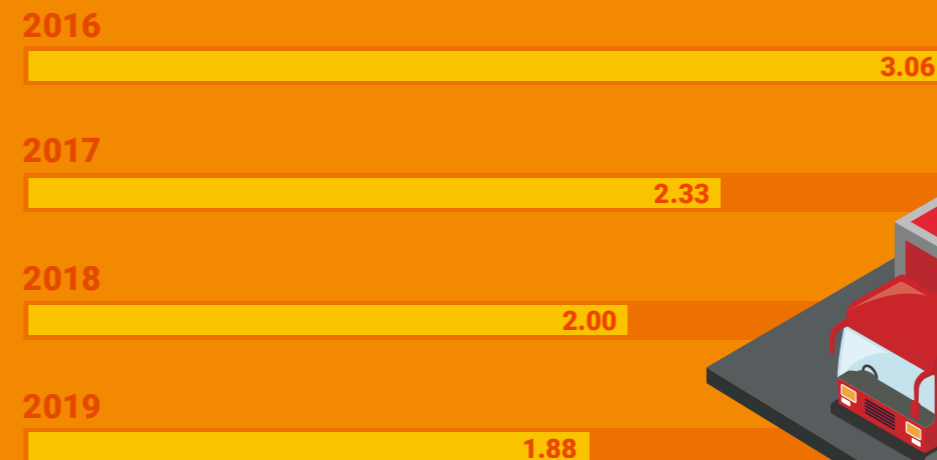
(Less is better)



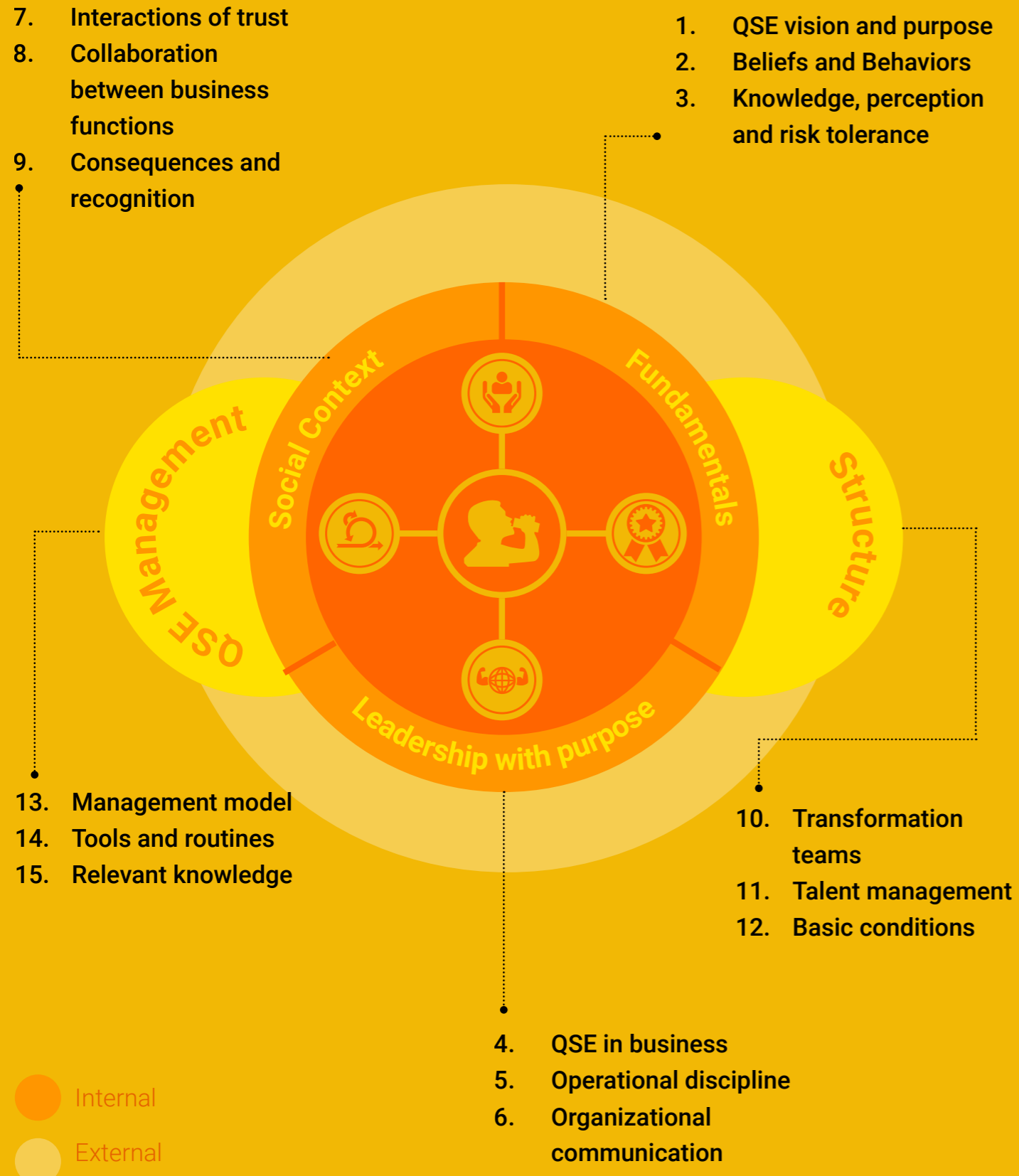
As a result of our strategic safety initiatives, we reported a Lost Time Incident Rate (LTIR) of 1.10 in 2019, a 7% reduction from 2018 and a 57% reduction from 2015. Virtually all of our operations reported a downward trend compared to the prior year; notably, our Brazilian operation surpassed our 2022 goal with an LTIR of 0.36. We also achieved a 14% reduction in our Lost Time Incident Severity Rate (LTISR), from 22.68 in 2018 to 19.50 in 2019. We further reached a Total Incident Rate (TIR) of 1.88, a 6% reduction from 2018.

## Total Incident Rate-TIR

(Less is better)



# QSE Cultural Transformation Model



## TRANSFORM OUR SAFETY CULTURE

During 2019, we evolved our Safety Cultural Transformation Model into our QSE Cultural Transformation Model, aligned with KOF DNA, our Supply Chain Strategy, and the Coca-Cola system's QSE Culture Model. This model defines five key QSE cultural elements and 15 transformation sub-elements that will enable us to achieve our company's desired picture of success, which forms the foundation for both our Supply Chain and QSE Strategy.

Pursuant to this model, we conducted more than 350 QSE leadership workshops in all of our operations, connecting more than 10,000 employees and 100 work cen-

ters. Our supply chain and sales area leaders took part in our QSE leadership workshops, defining the challenges, vision, purpose, beliefs, behaviors, routines, and transformation plans that our company plans to implement over the next three years. Moreover, we formed more than 150 Safety Cultural Committees, replicated more than 100 safety initiatives, and carried out more than 200 safety activities.

**Over 1,500 action plans created to manage safety risks throughout the company.**

## MANAGE KEY RISKS & FOCUS ON CRITICAL ACTIVITIES

During 2019, we developed our QSE Risk Management Strategy, and we identified and validated our main strategic risks at a company level. Moreover, we completed the third stage of our Corporate Safety Standards development, where programs and controls for key risks at a company level are defined. We have designed more than 1,500 action plans to manage safety risks at a company level. Throughout 2020, we will continue their implementation according to each operation's risk map, as well as the critical risks of our Top Five Initiative process at each of our operation's level.





**Our vision is to achieve zero incidents.**

## SAFETY FUNCTION TRANSFORMATION

Our development of safety capabilities is one of our core transformational initiatives. In order to face current and future organizational challenges, we must develop skills that enable us to make better decisions, including those related to safety. Accordingly, we conducted more than 500 training activities, including the following series of consolidated educational and diagnostic models and safety skills programs:

- **Safety Skills Diagnostic**  
BRAZIL
- **Cultural Transformation Workshop for Middle Management and Multipliers**  
PHASE 2

- **Truck Safety School induction**  
COLOMBIA
- **Safety School**  
COCA-COLA FEMSA
- **Drivers School**  
BRAZIL AND MEXICO
- **Cultural Transformation Workshops for Middle Management and Multipliers**  
COSTA RICA, NICARAGUA, AND PANAMA
- **Risk Management Workshops for Middle Management**  
COSTA RICA, NICARAGUA, AND PANAMA

During 2019, we invested over 1.25 million training hours in Occupational Health and Safety.



## SAFETY TECHNOLOGY & DIGITALIZATION

Our safety technology and digitalization pipeline continues to enable our Road Safety Strategy and results. During 2019, we mapped our main risks and key strategies, while defining a series of pilot tests and technologies to implement over the next three years. Additionally, we developed and pilot-tested the following main initiatives over the course of the year:

- **Information Management Platform and Safety Indicators** – enabler to manage our Brazilian operation's Road Safety Program, comprising a telemetry + action management platform for road incident prevention and mitigation
- **Phase 2 Road Simulators** for our Brazilian operation's primary and secondary distribution fleet
- **Evolution of Road Capabilities Training Program** – focused on defensive driving, road accident reduction, vehicle wear, and fuel consumption in our Brazilian operation's primary and secondary distribution fleet
- **Mobileye Initiative** for our Mexico operation's primary distribution fleet – enabler to identify operator pro-

files and assess performance/driving habits in order to implement controls to decrease accident rates and to focus proficiencies according to a specific profile

- **Phase 1 Road Simulators** for our Mexico operation's secondary distribution fleet.

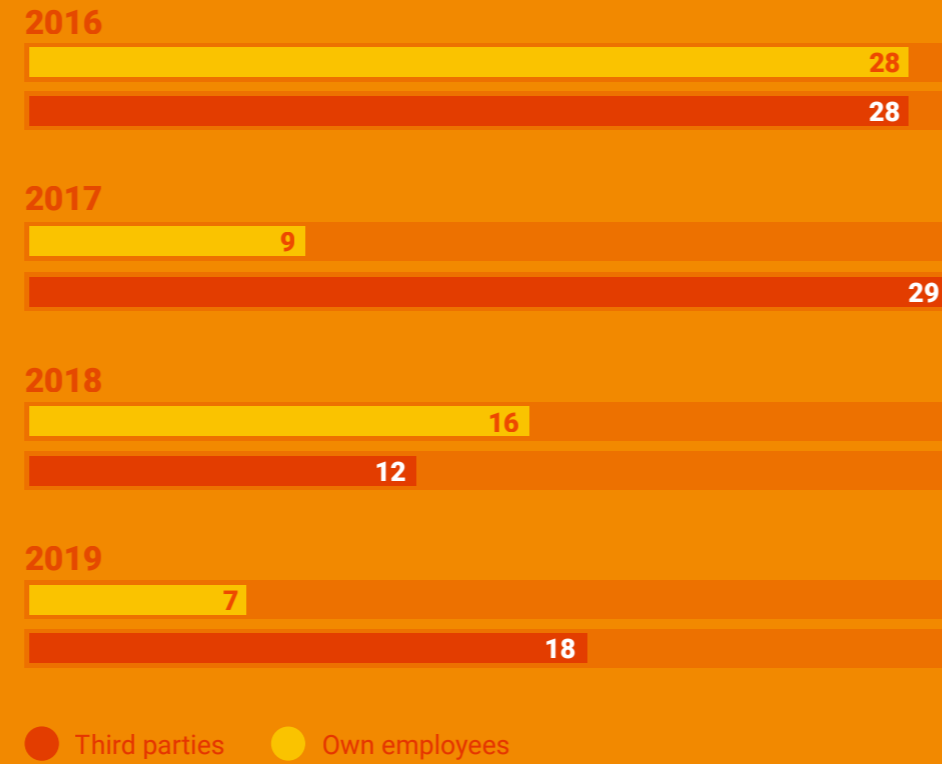
Moreover, we continued to consolidate our Road Safety Strategy. Based on three key elements—People, Organization, and Vehicles—this strategy has enabled us to significantly improve road safety by reducing the number of accidents within the organization. To support this strategy, our business units have continued to implement initiatives and innovations that have accelerated the positive performance in this critical area, focusing on the development of our drivers' capabilities, the development of organizational processes, and the implementation of technology for road risk monitoring and management. Thanks to these transformational initiatives, we achieved a 22% crash rate reduction compared with 2018.

# SEMANA DE DESARROLLO



## Total Fatalities

Own employees + third parties



## COMMITMENT TO ZERO INCIDENTS

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

For 2019, we reduced our total fatalities by 10%. Beginning 2018, this data includes all of our manufacturing, distribution, and commercial operations conducted by our employees, contractors, and third parties. Important-

ly, 96% of our operations did not report fatalities; however, the remaining 4% is still an unacceptable number. We are deeply sorry and regret to report a total of 25 fatalities, 96% from road accidents and 4% from incidents within our operations. We will not be satisfied until we fulfill our promise and commitment to zero incidents. We offer our condolences to the families and people affected by our operations, and we pledge to implement best practices to prevent any future losses.





# SUSTAINABLE *mobility*

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



We are executing route optimization strategies to maximize our overall vehicle efficiency. With the complete roll-out of our KOF Digital Distribution 1.0 platform in Mexico and Brazil, we have installed telemetry equipment on 100% our secondary distribution fleet. Thanks to our trucks' telemetry data—combined with the functionality of our mobile delivery devices—we enjoy the capability to identify and correct deviations in our distribution route execution versus our route plan. This equipment also enables us to analyze our route execution patterns in order to identify an optimal combination of variables to improve our route planning process. As a result, we optimize our fleet's usage, minimizing our vehicles' downtime while maximizing our vehicles' uptime. Thanks to our telemetry equipment, we also significantly reduced our fuel consumption by more than 650 thousand liters in 2019, while decreasing our CO<sub>2</sub> emissions by 1,740 tons for the year.

Moreover, with our deployment of dynamic routing across our secondary distribution fleet in Brazil, Colombia, and Ar-

gentina, we enjoy the flexibility to plan our vehicles' routes every day, thereby optimizing our available fleet resources and our distances traveled to serve our customers.

In 2019, we continued to evaluate the commercial viability of new lower emission vehicles and emission reduction devices. In Mexico, we are working with FEMSA on an initiative to convert certain small trucks to electric vehicles. We are also running tests on an engine idling limiter for our secondary delivery trucks in order to decrease our CO<sub>2</sub> emissions by 8,200 tons per fleet annually. Currently, 91% of our company's forklifts run on either electricity or liquefied petroleum gas.

Additionally, we leveraged our secondary fleet substitution program in Mexico and Brazil, where we maintain our largest volume of delivery trucks. Over the past four years, we have substituted more than 1,350 trucks with vehicles that meet higher standards to reduce emissions. Thanks to this program, we reduced our fuel consumption, emissions, and maintenance costs, and we

reinforced our commitment to eco-efficiency with local environmental authorities.

In the Valley of Mexico, we continued to work closely with local governmental authorities to earn certification for 1,127 of our trucks under the self-regulation program. Pursuant to this voluntary program, we commit to minimize the local delivery fleet's emissions through key initiatives, including an efficient maintenance process and ongoing fleet substitution program. Among other benefits, local authorities allow us to continually operate our complete secondary distribution fleet every day—fostering our social license to operate.

In recognition of our efforts to reduce our primary and secondary fleet's emissions, we earned the Clean Transportation Award from Mexico's ministries of Environment and Natural Resources (SEMARNAT) and Communications and Transportation (SCT) for the eighth year.



SHARED OPPORTUNITIES WITH

# *Our communities*

We work to strengthen and consolidate positive relationships with the communities with which we interact. We identify and develop shared opportunities for our company and communities' sustainable development, enhancing our ability to serve the marketplace while maintaining our social license to operate.

## SUSTAINABLE SOURCING

**83% of our procurement expenditure goes to local suppliers.**



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

As part of our company's sustainable sourcing mandate, in conjunction with our defined strategic initiatives, each supplier cooperates to minimize their social and environmental risks over which we have no direct control and which cause the greatest number of impacts throughout our supply chain on a daily basis. The general guidelines that we use to make this happen are:

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



Labor Rights	Environment	Community	Ethics & Values
<ul style="list-style-type: none"> <li>Child labor</li> <li>Forced labor &amp; freedom to move</li> <li>Freedom of association &amp; collective bargaining</li> <li>Discrimination &amp; harassment</li> <li>Work schedule &amp; compensation</li> <li>Occupational health &amp; safety</li> <li>Reporting mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>Impact &amp; environmental compliance</li> </ul>	<ul style="list-style-type: none"> <li>Community development</li> </ul>	<ul style="list-style-type: none"> <li>Legal Compliance</li> <li>Fiscal integrity</li> <li>Anti-corruption</li> <li>Money laundering</li> <li>Fair competition</li> <li>Conflicts of interest</li> <li>Privacy &amp; intellectual property</li> <li>Human Rights</li> </ul>



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



### **Prioritization of categories**

At Coca-Cola FEMSA, we use a proprietary tool to identify which suppliers are candidates for a development process. Suppliers are prioritized considering factors such as expenditure, environmental, social, and ethical impacts for each product category, dependability, brand association, and operational criticality.



### **Sustainable purchases**

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



## Assessment

At Coca-Cola FEMSA, we assess our suppliers continuously through our Sustainable Sourcing System, ensuring that they are aligned with our company's operating principles and values. Carried out online, this assessment focuses on four main areas: Social/Labor Rights; Environment; Ethics and Values; and Community. To ensure the process' transparency, a third party reviews and verifies the information, and we then provide feedback and create action plans to encourage supplier development, ethics, and sustainability. All suppliers with low scores are subject to improvement plans at their facilities and are evaluated periodically to encourage their continuous improvement. This year, we conducted 426 supplier evaluations based on FEMSA's Supplier Guiding Principles. Since 2015, we have carried out 1,897 evaluations under these principles.

Consistent with this strategy, The Coca-Cola Company (TCCC) assesses and ensures compliance with its guiding principles and sustainability standards for specific categories of strategic suppliers; at Coca-Cola FEMSA, we only work with suppliers approved by TCCC in those categories. In 2019, TCCC carried out 105 evaluations of suppliers aligned with their Supplier Guiding Principles and Sustainable Agricultural Guiding Principles.



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

### Suppliers assessed under The Coca-Cola Company guiding principles

COUNTRY	2015	2016	2017	2018	2019
Mexico	33	52	40	59	37
Costa Rica	2	3	7	0	1
Guatemala	3	5	8	7	8
Nicaragua	0	1	0	0	1
Panama	1	0	3	3	2
Argentina	5	11	19	10	10
Brazil	54	47	102	51	42
Colombia	8	7	18	11	4
Total	107	126	197	141	105

### Suppliers assessed under FEMSA guiding principles

COUNTRY	2015	2016	2017	2018	2019
Mexico	100	198	245	172	165
Costa Rica	30	120	106	34	41
Guatemala	–	–	49	34	36
Nicaragua	–	84	94	27	21
Brazil	–	–	45	66	63
Panama	–	–	–	36	24
Argentina	–	–	–	31	31
Total	130	402	539	400	426

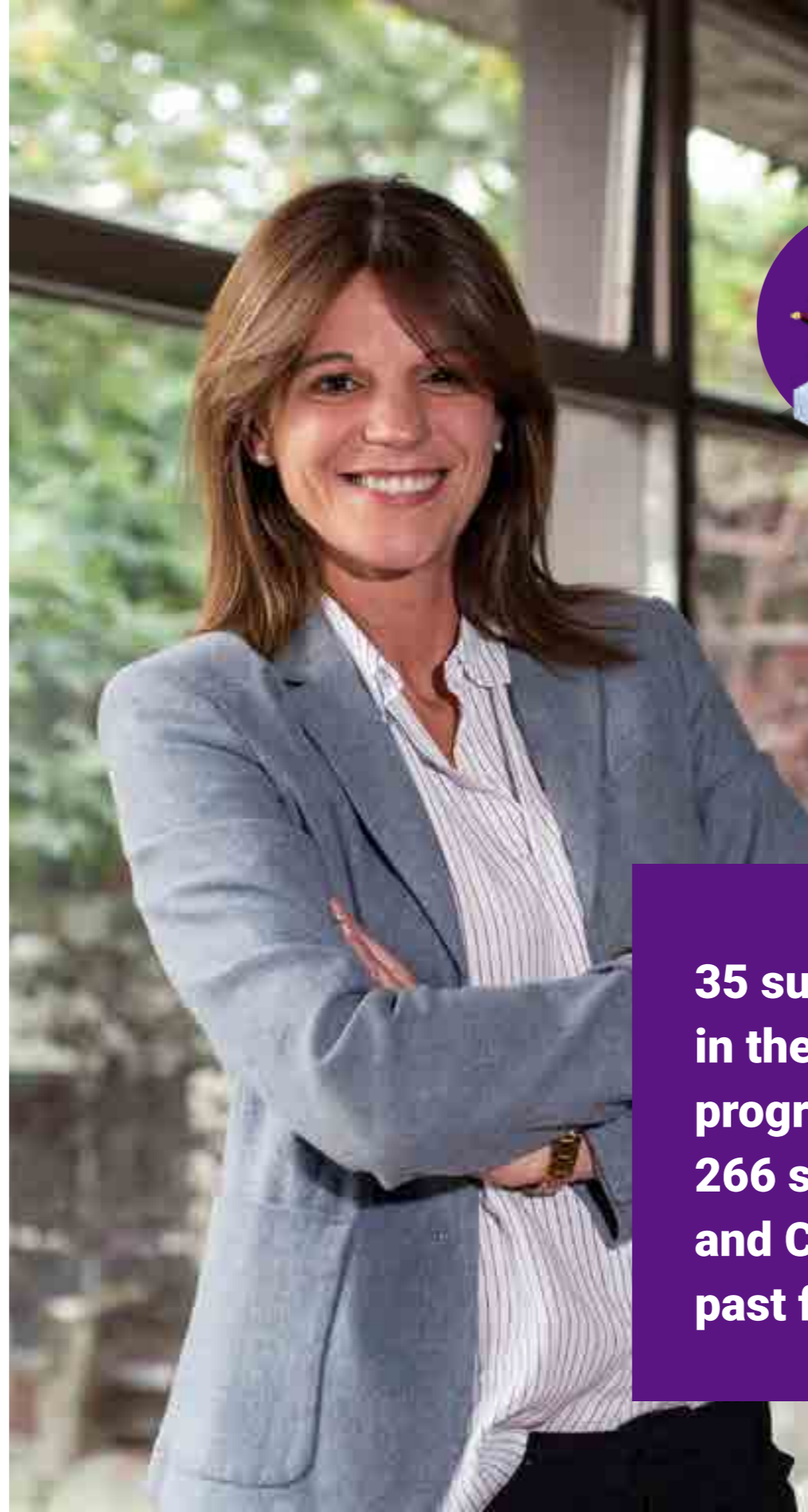




## Capabilities development

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

In collaboration with the Mexican Center for Competitiveness (Centro Mexicano de Competitividad), we carry out a Comprehensive Supplier Development Program for strategically selected small- and medium-sized enterprises (SMEs) to improve their business capabilities. Through this program, we collaborate with suppliers to not only improve their sustainable competitiveness, but also forge stronger relationships with our company and other large companies. In 2019, 35 suppliers participated in the program, training a total of 266 suppliers from Mexico and Costa Rica over the past four years.



## Recognition

The good performance of our suppliers on sustainability issues is very important. Accordingly, we recognize all of those suppliers that incorporate sustainability into their own business's DNA not only as a requirement for doing business with Coca-Cola FEMSA, but also as a competitive advantage and a means to become socially responsible. In Mexico, we conducted a suppliers' forum, with the participation of over 55 companies, where we recognized Ecolab, Lub y Rec, and Spirax Sarco for their remarkable practices in water access and education.

**35 suppliers participated in the SME Development program, training a total of 266 suppliers from Mexico and Costa Rica over the past four years.**



## COMMUNITY DEVELOPMENT

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

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



**Our 2020 Goal:  
To put in place a  
community relations plan  
throughout 100% of our  
key work centers.**

## COMMUNITY RELATIONS' MANAGEMENT MODEL

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

During 2019, we expanded the reach of MARRCO. From 2016 to 2019, we have implemented MARRCO in 40 prioritized facilities representing 81.6% of our target.

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

A group of people, including men and women in business attire, are standing in a park. In the foreground, there is a colorful playground structure with red and yellow components. The background shows a clear blue sky and some trees. A purple text box is overlaid on the image.

**In Coca-Cola FEMSA we  
are convinced that strong  
communities are good for  
business.**

# 01 Identify & Understand

Objectives, capabilities, priorities, needs, resources, and commitments of the business towards the community.

# 02 Analyze & Plan

The risks and opportunities for designing community engagement activities and programs.

# 03 Agree & Act

Listen to and build with the community to set commitments and execute mutually beneficial activities and programs.

# 04 Assess & Measure

Impact levels of the community engagement activities and programs, and of the plan's progress.

# 05 Learn & Improve

Strengthen the capabilities and develop abilities by identifying areas for improvement, best practices, and knowledge exchange.

**DIALOGUE // COMMITMENT  
COLLABORATION // TRUST  
MARRCO**

## ENGAGEMENT

Achieve positive engagement with the communities to ensure the continuity of the operation and improve life quality.

## BUSINESS

Identifying the impact and influence of a community in achieving business goals, considering community risks.

## COMMUNITY

Identify the impact of the business strategy on the community.

## OPPORTUNITIES

Finding opportunities to collaborate with the community to improve their living conditions.

## Social programs and initiatives

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

In 2019, we carried out over 100 community development programs and social initiatives with over 6 thousand different interventions to benefit our communities across the countries where we operate.

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

### ●●● BRAZIL

#### Minha Galera Faz Eco

This is an inter-school socio-environmental program that seeks to foster interest in sustainable practices among children.



### ●●● ARGENTINA

#### Canteros Alcorta

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



### ●●● COLOMBIA

#### Vive Bailando

This social intervention model focuses on teenagers and uses dance classes as both a transformation and healthy lifestyles tool that sustainably and positively impacts their behavior, leadership, family unit, and ability to change their surroundings, which have been affected by violence.



### ●●● COSTA RICA

#### Female Empowerment Project

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



### ●●● MEXICO

#### Vive tu Parque

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



# appendix



## FINANCIAL

## summary

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

	U.S. (*)	2019	2018 (4) (5) (6)	2017 (2) (3) (4)	2016 (1)	2015
<b>INCOME STATEMENT</b>						
Total revenues	10,311	194,471	182,342	183,256	177,718	152,360
Cost of goods solds	5,671	106,964	98,404	99,748	98,056	80,330
Gross profit	4,640	87,507	83,938	83,508	79,662	72,030
Operative expenses	3,211	60,537	57,924	58,044	55,462	48,284
Other expenses, net	132	2,490	1,881	31,357	3,812	1,748
Comprehensive financing result	321	6,071	6,943	5,362	6,080	7,273
Income before income taxes and share of the profit or of associates and joint ventures accounted for using the equity method	976	18,409	17,190	(11,255)	14,308	14,725
Income taxes	299	5,648	5,260	4,184	3,928	4,551
Share in the (loss) profit of equity accounted investees, net of taxes	(7)	(131)	(226)	60	147	155
Net income (loss) after tax from discontinued operations	-	-	3,366	3,725	-	-
Consolidated net income	670	12,630	15,070	(11,654)	10,527	10,329
Equity holders of the parent for continuing operations	642	12,101	10,936	(16,058)	10,070	10,235
Equity holders of the parent for discontinued operations	-	-	2,975	3,256	-	-
Non-controlling interest net income for continuing operations	28	529	768	679	457	94
Non-controlling interest net income for discontinued operations	-	-	391	469	-	-

- Information considers full-year of KOF's territories and one month of Vonpar Refrescos, S.A. ("Vonpar").
- Income statement information considers full-year of KOF's territories and full-year of Coca Cola FEMSA Venezuela.
- Balance sheet information does not include Coca Cola FEMSA Venezuela's balances due to deconsolidation as of December 31, 2017. Venezuela balance is included as investment in shares as of December 31, 2017.
- KOF Philippines has been classified as a discontinued operation in our profit and loss statement for the years ended December 31, 2017 and 2018.
- Income statement information includes 8 months of the financial results for Abasa and Los Volcanes in Guatemala.
- Income statement information includes six months in the financial results for Uruguay.
- Includes investments in property, plant and equipment, refrigeration equipment and returnable bottles and cases, net of disposals of property, plant and equipment.
- Based on 16,806.7 million ordinary shares as of December 31, 2019, 2018 and 2017, and 16,583.4 million shares as of December 31, 2016 and 2015.
- Computed based on the weighted average number of shares outstanding during the periods presented: 16,806.7 million for 2019 and 2018, 16,730.8 million in 2017 and 16,730.8 million in 2016 and 2015.
- Dividends paid during the year based on the prior year's net income, using 16,806.7 millions outstanding ordinary shares for 2019 and 2018 and 16,583.4 million outstanding ordinary shares for paid on 2017, 2016 and 2015.
- Includes third-party and for 2017 excludes 16,566 employees for our discontinued operation in Philippines.

\* Exchange rate as of December 31, 2019 Ps. 18.86 per U.S. dollar solely for the convenience of the reader according to the federal USA reserve.

	U.S. (*)	2019	2018 (4) (5) (6)	2017 (2) (3) (4)	2016 (1)	2015
<b>RATIOS TO REVENUES (%)</b>						
Gross margin	45.0	45.0	46.0	45.6	44.8	47.3
Net income margin	6.5	6.5	8.3	(6.4)	5.9	6.8
<b>CASH FLOW</b>						
Operative cash flow	1,660	31,289	29,687	33,236	32,446	23,202
Capital expenditures (7)	608	11,465	11,069	12,917	12,391	11,484
Total cash, cash equivalents	1,086	20,491	23,727	18,767	10,476	15,989
<b>BALANCE SHEET</b>						
Current assets	3,011	56,796	57,490	55,657	45,453	42,232
Investment in shares	517	9,751	10,518	12,540	22,357	17,873
Property, plant and equipment, net	3,244	61,187	61,942	75,827	65,288	50,532
Intangible assets, net	5,941	112,050	116,804	124,243	123,964	90,754
Deferred charges and other assets, net	958	18,055	17,033	17,410	22,194	8,858
Total Assets	13,671	257,839	263,787	285,677	279,256	210,249
<b>LIABILITIES</b>						
Short-term bank loans and notes payable	609	11,485	11,604	12,171	3,052	3,470
Interest payable	23	439	497	487	520	411
Other current liabilities	2,073	39,086	33,423	42,936	36,296	26,599
Long-term bank loans and notes payable	3,101	58,492	70,201	71,189	85,857	63,260
Other long-term liabilities	989	18,652	16,312	18,184	24,298	7,774
Total Liabilities	6,795	128,154	132,037	144,967	150,023	101,514
Equity	6,876	129,685	131,750	140,710	129,233	108,735
Non-controlling interest in consolidated subsidiaries	358	6,751	6,806	18,141	7,096	3,986
Equity attributable to equity holders of the parent	6,518	122,934	124,944	122,569	122,137	104,749
<b>FINANCIAL RATIOS (%)</b>						
Current	1.11	1.11	1.26	1.00	1.14	1.39
Leverage	0.99	0.99	1.00	1.03	1.16	0.93
Capitalization	0.37	0.37	0.41	0.39	0.41	0.39
Coverage	5.51	5.51	4.52	4.16	4.80	3.92
<b>DATA PER SHARE</b>						
Book Value (8)	0.388	7.315	7.434	7.293	7.365	6.317
Loss (income) attributable to the holders of the parent (9)	0.038	0.723	0.831	(0.765)	0.607	0.617
Dividends paid (10)	0.023	0.443	0.419	0.422	0.419	0.386
Headcount (11)	82,186	82,186	83,364	79,636	85,140	83,712

## MANAGEMENT DISCUSSION &amp;

## analysis

Results for the Year Ended December 31, 2019  
Compared to the Year Ended December 31, 2018

## CONSOLIDATED RESULTS

The comparability of our financial and operating performance in 2019 as compared to 2018 was affected by the following factors: (1) the ongoing integration of mergers, acquisitions, and divestitures completed in recent years, specifically the acquisitions in Guatemala and Uruguay in April and June 2018, respectively; (2) translation effects from fluctuations in exchange rates; and (3) our results in Argentina, which effective as of January 1, 2018 has been considered a hyperinflationary economy. To translate the full-year results of Argentina, we used the 2019 end-of-period exchange rate of 59.89 Argentine pesos per U.S. dollar and the 2018 end-of-period exchange rate of 37.70 Argentine pesos per U.S. dollar, for the periods ended December 31, 2019 and 2018, respectively. The depreciation of the end-of-period Argentine peso at December 31, 2019, as compared to the end-of-period exchange rate for 2018, was 58.9%. In addition, the average depreciation of currencies used in our main operations relative to the U.S. dollar in 2019, as compared to 2018, were: 14.8% for the Uruguayan peso, 11.0% for the Colombian peso, 7.9% for the Brazilian real, and 0.1% for the Mexican peso.

**Total Revenues.** Our consolidated total revenues increased by 6.7% to Ps. 194,471 million in 2019, mainly as a result of price increases aligned with or above inflation, volume growth in key territories and the consolidation of our acquisitions of ABASA and Los Volcanes in Guatemala and Monresa in Uruguay. These effects were partially offset by the depreciation of the Argentine peso, the Brazilian real and the Colombian peso, in each case as compared to the Mexican peso. This figure includes extraordinary other operating revenues related to an entitlement to reclaim tax payments in Brazil. On a comparable basis, total revenues would have increased by 10.8%,

mainly as a result of an increase in the average price per unit case across our operations and volume growth in Brazil and Central America. Total sales volume increased by 1.4% to 3,368.9 million unit cases in 2019 as compared to 2018. On a comparable basis, total sales volume would have increased by 1.4% in 2019 as compared to 2018.

- Sales volume of our sparkling beverage portfolio increased by 2.0% as compared to 2018; sales volume of our colas portfolio increased by 1.9%, while sales volume of our flavored sparkling beverage portfolio increased by 2.5%. On a comparable basis, sales volume of our sparkling beverage portfolio would have increased by 1.8% as compared to 2018, driven by growth in Brazil, Central America and flat performance in Mexico. Sales volume of our colas portfolio would have increased by 1.6%, mainly due to growth in Brazil, Central America and flat performance in Mexico, and sales volume of our flavored sparkling beverages portfolio would have increased by 2.8%.
- Sales volume of our still beverage portfolio remained flat as compared to 2018. On a comparable basis, sales volume of our still beverage portfolio would have increased by 0.9%, driven by volume growth in Brazil.
- Sales volume of our bottled water category, excluding bulk water, decreased by 2.5% as compared to 2018. On a comparable basis, sales volume of our water portfolio would have decreased by 2.2%, driven by volume growth in Brazil and Central America offset by a volume contraction in the rest of our territories.



- Sales volume of our bulk water category remained flat as compared to 2018. On a comparable basis, sales volume of our bulk water portfolio would have increased by 0.5%, mainly as a result of volume growth in Brazil and Mexico partially offset by a contraction in Colombia and Central America.

Consolidated average price per unit case increased by 3.7% to Ps. 52.46 in 2019, as compared to Ps. 50.57 in 2018, mainly as a result of price increases aligned with or above inflation partially offset by the negative translation effect resulting from the depreciation of most of our operating currencies relative to the Mexican peso. On a comparable basis, average price per unit case would have increased by 7.8% in 2019, driven by average price per unit case increases aligned with or above inflation in key territories.

**Gross Profit.** Our gross profit increased by 4.3% to Ps. 87,507 million in 2019; with a gross margin decline of 100 basis points to reach 45.0% in 2019 as compared to 2018. On a comparable basis, our gross profit would have increased by 8.0% in 2019, as compared to 2018. Our pricing initiatives, together with lower PET resin costs and stable sweetener prices in most of our operations, were offset by higher concentrate costs in Mexico, higher concentrate costs in Brazil due to the reduction of tax credits on concentrate purchased from the Manaus Free Trade Zone coupled with our temporary decision to suspend such tax credits and the depreciation in the average exchange rate of most of our operating currencies as applied to U.S. dollar-denominated raw material costs.

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

**Administrative and Selling Expenses.** Our administrative and selling expenses increased by 4.5% to Ps. 60,537 million in 2019 as compared to 2018. Our administrative and selling expenses as a percentage of total revenues decreased by 70 basis points to 31.1% in 2019 as compared to 2018, mainly as a result of operating expense efficiencies which were partially offset by an

increase in labor, freight and maintenance expenses. In 2019, we continued investing across our territories to support marketplace execution, increase our cooler coverage, and bolster our returnable presentation base.

**Other Expenses Net.** We recorded other expenses net of Ps. 2,490 million in 2019 as compared to Ps. 1,881 million in 2018, which increased mainly as a result of severance payments related to the implementation of our efficiency program to create a leaner and more agile organization partially offset by the tax actualization effect of tax reclaim proceeds received in Brazil. Our non-operating expenses net in 2019 were mainly comprised of an impairment of Ps. 948 million of our investment in Compañía Panameña de Bebidas, S.A.P.I. de C.V. (Estrella Azul) along with provisions related to contingencies in Brazil.

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

Comprehensive financing result in 2019 recorded an expense of Ps. 6,071 million as compared to an expense of Ps. 6,943 million in 2018. This 12.6% decrease was mainly driven by a reduction in our interest expense, due to debt reductions during the year, a foreign exchange loss as our cash exposure in U.S. dollars was negatively impacted by the appreciation of the Mexican peso, and a reduction in other financial expenses.

**Income Taxes.** In 2019, our effective income tax rate was 30.7%, reaching Ps. 5,648 million in 2019, as compared to Ps. 5,260 million in 2018. As a result, our effective income tax rate re-

mained stable as compared with 2018, as the non-deductible charge related to the impairment of our investment in Estrella Azul offset by the increase in the relative weight of Mexico operations profits in our consolidated results which have a lower tax rate, coupled with certain tax efficiencies across our operations.

**Share of the Profit of Associates and Joint Ventures Accounted for Using the Equity Method, Net of Taxes.** In 2019, we recorded a loss of Ps. 131 million in the share of the profits of associates and joint ventures accounted for using the equity method, net of taxes, mainly due to a loss in Estrella Azul that was partially offset by gains in our Jugos Del Valle joint venture and our water joint ventures in Brazil.

**Net Income (Equity holders of the parent).** We reported a net controlling interest income of Ps. 12,101 million in 2019, as compared to Ps. 13,911 million in 2018. This was mainly driven by a demanding comparable driven by the results of discontinued operations related to the sale of the operation in the Philippines and an impairment of Ps. 948 million in our Estrella Azul dairy joint venture in Panama.

## RESULTS BY CONSOLIDATED REPORTING SEGMENT

### Mexico and Central America

**Total Revenues.** Total revenues in our Mexico and Central America consolidated reporting segment increased by 9.1% to Ps. 109,249 million in 2019 as compared to 2018, mainly as a result of an increase in the average price per unit case in Mexico, the consolidation of our acquisitions of ABASA and Los Volcanes in Guatemala and volume growth in Central America.

Total sales volume in our Mexico and Central America consolidated reporting segment increased by 0.5% to 2,075.3 million unit cases in 2019 as compared to 2018, as a result of the consolidation of our acquisitions of ABASA and Los Volcanes in Guatemala, coupled with volume growth in Central America.

- Sales volume of our sparkling beverage portfolio increased by 1.2%, mainly driven by a 1.4% increase in our colas portfolio and a stable performance in our flavored sparkling beverage portfolio. On a comparable basis, sales volume of our sparkling beverage portfolio would

have remained flat as compared to 2018, driven by a stable performance in both our colas and flavored sparkling beverage portfolios.

- Sales volume of our still beverage portfolio decreased by 1.6%, mainly due to a decline in both Mexico and Central America. On a comparable basis, sales volume of our still beverage portfolio would have decreased by 1.9% as compared to 2018, driven by a decline in both Mexico and Central America.
- Sales volume of bottled water, excluding bulk water, decreased by 6.3%, due to a decline in Mexico that was partially offset by growth in Central America. On a comparable basis, sales volume of our bottled water portfolio would have decreased by 6.7% as compared to 2018, driven by a decline in Mexico that was partially offset by growth in Central America.
- Sales volume of our bulk water portfolio increased by 0.5%.

Sales volume in Mexico slightly decreased by 0.6% to 1,838.3 million unit cases in 2019, as compared to 1,850.2 million unit cases in 2018.

- Sales volume of our sparkling beverage portfolio remained flat, driven by stable performance in our colas portfolio, which was partially offset by a decline in flavored sparkling beverage portfolio.
- Sales volume of our still beverage portfolio decreased by 1.7%.
- Sales volume of bottled water, excluding bulk water, decreased by 7.9%.
- Sales volume of our bulk water portfolio increased by 0.5%.

Sales volume in Central America increased by 10.3% to 236.9 million unit cases in 2019, as compared to 214.8 million unit cases in 2018, mainly as a result of the consolidation of our acquisitions of ABASA and Los Volcanes in Guatemala, coupled with organic volume growth.

- Sales volume of our sparkling beverage portfolio increased by 11.8%, driven by a 13.4% increase in sales volume of our colas portfolio and a 5.4% increase in sales volume of our flavored sparkling beverage portfolio. On a comparable basis, sales volume of our sparkling beverage portfolio would have increased by 1.8% as compared to 2018; sales volume of our colas portfolio would have increased by 1.8%, while sales volume of our flavored sparkling beverage portfolio would have increased by 1.7%.

- Sales volume of our still beverage portfolio decreased 0.9%. On a comparable basis, sales volume of our still beverage portfolio would have decreased by 3.0% as compared to 2018.
- Sales volume of bottled water, excluding bulk water, increased by 8.4%. On a comparable basis, sales volume of our bottled water portfolio would have increased by 4.0% as compared to 2018.
- Sales volume of our bulk water portfolio declined by 4.1%.

**Gross Profit.** Our gross profit in this consolidated reporting segment increased by 8.8% to Ps. 52,384 million in 2019 as compared to 2018; however, gross profit margin decreased by 20 basis points to 47.9% in 2019. Gross profit margin decreased mainly as a result of increases in concentrate prices in Mexico and the depreciation of the average exchange rates of most of our operating currencies of the division, in each case as applied to our U.S. dollar denominated raw material costs, which factors were partially offset by our pricing initiatives coupled with more stable sweetener prices and a decline in our PET resin prices.

**Administrative and Selling Expenses.** Administrative and selling expenses as a percentage of total revenues in this consolidated reporting segment decreased by 80 basis points to 32.9% in 2019 as compared with the same period in 2018. Administrative and selling expenses, in absolute terms, increased by 6.5% as compared to 2018 driven mainly by increases in maintenance and labor costs in Mexico.

## South America

**Total Revenues.** Total revenues in our South America consolidated reporting segment increased by 3.7% to Ps. 85,222 million in 2019 as compared to 2018, mainly as a result of volume growth in Brazil together with average price per unit case growth across our territories and the consolidation of the new acquisition in Uruguay. These effects were partially offset by volume declines in the rest of our operations and negative translation effects due to the depreciation of the Argentine peso, the Brazilian real and the Colombian peso in each case as compared to the Mexican peso. Total revenues for beer amounted to Ps. 15,619 million in 2019. This figure includes extraordinary other operating revenues related to an entitlement to reclaim tax payments in Brazil. On a comparable basis, total revenues would have increased by 14.8%, driven by volume growth in Brazil and average price per unit case increases in local currencies across our territories.

Total sales volume in our South America consolidated reporting segment increased by 2.9% to 1,293.6 million unit cases in 2019 as compared to 2018, mainly as a result of volume growth in Brazil and the consolidation of Uruguay, effects that were partially offset by declines in Argentina and Colombia. On a comparable basis, total sales volume would have increased by 4.9% in 2019 as compared to 2018, as a result of volume growth in Brazil.

- Sales volume of our sparkling beverage portfolio increased by 3.2% as compared to 2018. On a comparable basis, sales volume of our sparkling beverage portfolio would have increased by 4.9%, mainly due to a 2.5% growth in our colas portfolio and 5.5% in our flavored sparkling beverage portfolio.
- Sales volume of our still beverage portfolio increased by 2.6% as compared to 2018. On a comparable basis, sales volume of our still beverage portfolio would have increased by 7.1%, mainly driven by growth in Brazil and Uruguay that was partially offset by a decline in Colombia.
- Sales volume of our bottled water category, excluding bulk water, increased by 2.2% as compared to 2018. On a comparable basis, sales volume of our bottled water category, excluding bulk water, would have increased by 4.7% as compared to 2018, mainly driven by growth in Brazil and Colombia.
- Sales volume of our bulk water portfolio decreased by 2.3% as compared to 2018. On a comparable basis, sales volume of our bulk water portfolio would have remained flat, mainly driven by a decline in Colombia that was offset by growth in Brazil.

Sales volume in Brazil increased by 7.5% to 846.5 million unit cases in 2019, as compared to 787.4 million unit cases in 2018.

- Sales volume of our sparkling beverage portfolio increased by 6.7% as compared to 2018, as a result of a 5.9% increase in our colas portfolio and a 9.3% increase in our flavored sparkling beverage portfolio.
- Sales volume of our still beverage portfolio increased by 17.1% as compared to 2018.
- Sales volume of our bottled water, excluding bulk water, increased by 10.1% as compared to 2018.
- Sales volume of our bulk water portfolio increased by 6.5%.

Sales volume in Colombia decreased by 2.2% to 265.5 million unit cases in 2019, as compared to 271.4 million unit cases in 2018.

- Sales volume of our sparkling beverage portfolio remained flat as compared to 2018, mainly driven by a 1.8% decline in our flavored sparkling beverage portfolio, offset by flat performance in our colas portfolio.
- Sales volume of our still beverage portfolio decreased by 17.4% during 2019, as compared to 2018.
- Sales volume of bottled water, excluding bulk water, decreased by 5.3% as compared to 2018.
- Sales volume of our bulk water portfolio decreased by 2.4%.

Sales volume in Argentina decreased by 20.6% to 139.3 million unit cases in 2019, as compared to 175.3 million unit cases in 2018.

- Sales volume of our sparkling beverage portfolio decreased by 21.0% as compared to 2018, mainly driven by a decline in both our colas and flavored sparkling beverage portfolios.
- Sales volume of our still beverage portfolio decreased by 21.4% as compared to 2018.
- Sales volume of bottled water, excluding bulk water, decreased by 18.0%.
- Sales volume of our bulk water portfolio decreased by 16.3%, as compared to 2018.

Sales volume in Uruguay amounted to 42.4 million unit cases in 2019. Our sparkling beverage category represented 91.1% of our total sales volume. Our still beverage category represented 0.9% of our total sales volume. Our water portfolio represented 8.0% of our total sales volume.

**Gross Profit.** Gross profit in this consolidated reporting segment amounted to Ps. 35,123 million, a decrease of 1.8% in 2019 as compared to 2018, with a 230 basis point margin contraction to 41.2%. This decrease in gross profit was mainly driven by higher concentrate costs in Brazil related to the reduction of tax credits on concentrate purchased from the Manaus Free Trade Zone, coupled with our temporary decision to suspend such tax credits and the depreciation of the average exchange rate of all our local currencies in the division as applied to our U.S. dollar denominated raw material costs. These factors were partially offset by our revenue management initiatives, a favorable currency hedging position, combined with lower PET prices in the division and lower sweetener prices mainly in Brazil.

**Administrative and Selling Expenses.** Administrative and selling expenses as a percentage of total revenues in this consolidated reporting segment decreased by 60 basis points to 28.9% in 2019 as compared to 2018, driven mainly by operating expense efficiencies in Brazil. Administrative and selling expenses, in absolute terms, increased by 1.8% as compared to 2018.

# CAPITALS & COMPANY *Engagement*



## HUMAN

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



## NATURAL

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



## SOCIAL

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



### FINANCIAL

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



### INTELLECTUAL

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



### MANUFACTURED

Our highly experienced team of specialists operate 49 bottling plants and 268 distribution centers across 9 countries, deliver over 3.3 billion unit cases of beverages through a primary and secondary fleet of more than 11,000 trucks to more than 1.9 million points of sale and serve a population of 261 million people.

# COMPREHENSIVE RISK management

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



**Strategic shareholder relationships**

#### MAIN RISKS

Our business depends on our relationship with The Coca-Cola Company and FEMSA, and changes in this relationship may adversely affect us.

#### POTENTIAL IMPACTS

- Termination of the bottler agreements.
- Actions contrary to the interests of our shareholders other than The Coca-Cola Company and FEMSA.

#### KEY MITIGATION ACTIONS

- Comply with our bottler agreements.
- Work together and promote effective interaction between our strategic shareholders in order to maximize value creation.



**Consumer preferences**

#### MAIN RISKS

Changes in consumer preferences, purchase drivers, and consumption habits might generate variability in the demand for some of our products.

#### POTENTIAL IMPACTS

Variability in the demand for our products.

#### KEY MITIGATION ACTIONS

- Transform into a total beverage company aligned with consumers' changing tastes and lifestyles.
- Build a winning total portfolio of products and presentations .
- Drive our low- and no-sugar portfolio ahead of consumer trends.
- Promote healthy habits .
- Offer sustainable packaging options for our beverages.



### Coca-Cola trademarks

#### MAIN RISKS

Coca-Cola's brand reputation or brand violations could adversely affect our business.

#### POTENTIAL IMPACTS

Damage to Coca-Cola's trademark reputation.

#### KEY MITIGATION ACTIONS

- Maintain the reputation and intellectual property rights of Coca-Cola trademarks.
- Effective brand protection.
- Strictly comply with Responsible Marketing Policy.



### Competition

#### MAIN RISKS

Our competition could adversely affect our business, financial performance, and results of operations.

#### POTENTIAL IMPACTS

- Changes in consumer preferences.
- Lower pricing by our competitors.

#### KEY MITIGATION ACTIONS

- Offer affordable prices, returnable packaging, effective promotions, access to retail outlets and sufficient shelf space, enhanced customer service, and innovative products.
- Identify, stimulate, and satisfy consumer preferences.



### Cyber attacks

#### MAIN RISKS

Service interruption, misappropriation of data or breaches of security could adversely affect our business.

#### POTENTIAL IMPACTS

- Financial loss.
- Interruption of operations.
- Unauthorized disclosure of material confidential information.

#### KEY MITIGATION ACTIONS

- Identify and address cyber threats.
- Strengthening strategic and technical capabilities for mitigation and recovery.
- Increase awareness and provide training for incident resolution.





### Economic, political, and social conditions

#### MAIN RISKS

Adverse economic conditions, political and social events in the countries where we operate and elsewhere, and changes in governmental policies may adversely affect our business, financial condition, results of operations, and prospects.

#### POTENTIAL IMPACTS

- Affect and reduce consumer per capita income, which could result in decreased consumer purchasing power.
- Lower demand for our products, lower real pricing of our products or a shift to lower margin products.
- Negatively affect our company and materially affect our financial condition, results of operations, and prospects.

#### KEY MITIGATION ACTIONS

- Through a risk management strategy, hedge our exposure to interest rates, exchange rates, and raw material costs.
- Annually or more frequently evaluate, when the circumstances require, the possible financial effects of these conditions and, to the extent possible, anticipate mitigation measures.



### Regulations

#### MAIN RISKS

Taxes and changes in regulations in the regions where we operate could adversely affect our business.

#### POTENTIAL IMPACTS

- Increase in operating and compliance costs
- Restrictions imposed on our operations.

#### KEY MITIGATION ACTIONS

- Map regulatory risks and proposals of changes to regulations that directly affect our operation or financial condition.
- Advocacy work to provide advice on legislators' proposed regulatory changes.



### Legal proceedings

#### MAIN RISKS

Unfavorable results of legal proceedings could adversely impact our business.

#### POTENTIAL IMPACTS

Investigations and proceedings on tax, consumer protection, environmental, and labor matters.

#### KEY MITIGATION ACTIONS

Comply with applicable laws and regulations and comply with workplace rights policy.



### Acquisitions

#### MAIN RISKS

Inability to successfully integrate acquisitions or achieve expected synergies could adversely affect our operations.

#### POTENTIAL IMPACTS

Difficulties and unforeseen liabilities or additional costs in restructuring and integrating bottling operations.

#### KEY MITIGATION ACTIONS

Integrate acquired or merged businesses' operations in a timely and effective way, retaining key qualified and experienced professionals.



### Foreign exchange

#### MAIN RISKS

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

#### POTENTIAL IMPACTS

- Financial loss.
- Increase cost of some raw materials.
- Adversely affect our results, financial condition, and cash flows in future periods.

#### KEY MITIGATION ACTIONS

- Closely monitor developments that may affect exchange rates.
- Hedge our exposure to the U.S. dollar with respect to certain local currencies, our U.S. dollar-denominated debt obligations, and the purchase of certain U.S. dollar-denominated raw materials.



### Climate change

#### MAIN RISKS

Adverse weather conditions could adversely affect our business and results of operations.

#### POTENTIAL IMPACTS

- Negatively affect consumer patterns and reduce sales.
- Affect plants' installed capacity, road infrastructure, raw material supply and points of sale.

#### KEY MITIGATION ACTIONS

- Identify sources of our operations' CO<sub>2</sub> emissions
- Support and comply with climate change measures for adaptation and mitigation.
- Identify and reduce our environmental footprint through efficient use of water, energy, and materials.



### Social media

#### MAIN RISKS

Negative or inaccurate information on social media could adversely affect our reputation.

#### POTENTIAL IMPACTS

Damage to our brands or corporate reputation without affording us an opportunity for correction.

#### KEY MITIGATION ACTIONS

- Effective brand protection.
- Proactive external communication.



### Water

#### MAIN RISKS

Water shortages or failure to maintain our current water concessions could adversely affect our business.

#### POTENTIAL IMPACTS

- Water supply may be insufficient to meet our future production needs.
- Water supply may be adversely affected due to shortages or changes in governmental regulations or environmental changes.
- Water concessions or contracts may be terminated or not renewed.

#### KEY MITIGATION ACTIONS

- Efficient water usage.
- Execute water conservation and replenishment projects.
- Maintain 100% legal compliance.
- Develop Water Risk Index, including four issues that need to be assessed: Community and Public Perception Risks, Scarcity of Water and other Inputs, Regulatory Risks, and Legal Risks for each of our bottling plants.
- Update water risk assessment tool and work plans that contemplate aspects such as climate change, resilience to hydrological stress, media and social vulnerabilities, as well as regulations and production volumes for each of our bottling plants.
- Secure water concessions for our production facilities.



### Raw materials

#### MAIN RISKS

- Increases in the price of raw materials we use to manufacture our products could adversely affect our production costs.
- Insufficient availability of raw materials could limit the production of our beverages.

#### POTENTIAL IMPACTS

- Increase in our cost of goods sold.
- Shortage or insufficient availability of raw materials may adversely affect our capacity to ensure production continuity.
- Adjustments to our product portfolio according to availability.

#### KEY MITIGATION ACTIONS

- Implement measures to mitigate the negative effect of product pricing on our margins, such as hedging via derivative instruments.
- Proactively address risk of supply on our value chain
- Strictly comply with our Supplier Guiding Principles.
- Strategically adjust our product portfolio to enable us to minimize the impact of certain operating disruptions.

# EXECUTIVE *Officers*

**John Santa Maria Otazua**

CHIEF EXECUTIVE OFFICER

**Constantino Spas Motesinos**

CHIEF FINANCIAL OFFICER

**Rafael Ramos Casas**

SUPPLY CHAIN AND ENGINEERING OFFICER

**Xiemar Zarazua López**

COMMERCIAL DEVELOPMENT OFFICER

**Karina Paola Awad Pérez**

HUMAN RESOURCES OFFICER

**José Ramón Martínez**

CORPORATE AFFAIRS OFFICER

**Rafael Alberto Suárez Olaguibel**

INFORMATION TECHNOLOGY AND TRANSFORMATION OFFICER

**Fabricio Ponce García**

CHIEF OPERATING OFFICER - MEXICO

**Ian Marcel Craig Garcia**

CHIEF OPERATING OFFICER - BRAZIL

**Eduardo Guillermo Hernández Peña**

CHIEF OPERATING OFFICER - LATAM



# BOARD OF *directors*

## DIRECTORS APPOINTED BY SERIES A SHAREHOLDERS

**José Antonio Fernández Carbajal**  
Executive Chairman of the Board of Directors of FEMSA  
27 years as a Board Member

**Eduardo Padilla Silva**  
Chief Executive Officer of FEMSA  
4 years as a Board Member

**Federico Reyes García**  
Independent Consultant  
27 years as a Board Member  
Alternate: Javier Astaburuaga Sanjines

**John Santa Maria Otazua**  
Chief Executive Officer of Coca-Cola FEMSA  
6 years as a Board Member

**Ricardo Guajardo Touché**  
Chairman of the Board of Directors, SOLFI, S.A. de C.V.  
27 years as a Board Member

**Alfonso González Migoya<sup>1</sup>**  
Chairman of the Board of Directors of Controladora Vuela Compañía de Aviación, S.A.B. de C.V. (Volaris), and Managing Partner of Acumen Empresarial, S.A. de C.V.  
14 years as a Board Member

**Enrique F. Senior Hernández<sup>1</sup>**  
Managing Director of Allen & Company, LLC.  
16 years as a Board Member

**Luis Rubio Friedberg<sup>1</sup>**  
President of the Organization México Evalúa  
6 years as a Board Member  
Alternate: Jaime El Koury

**Daniel Servitje Montull<sup>1</sup>**  
Chief Executive Officer and Chairman of the Board of Directors of Bimbo  
22 years as a Board Member

**José Luis Cutrale**  
Chairman of the Board of Directors of Sucrotrícico Cutrale, LTDA.  
16 years as a Board Member  
Alternate: José Henrique Cutrale

**Luis Alfonso Nicolau Gutiérrez<sup>1</sup>**  
Partner at Ritch, Mueller, Heather y Nicolau, S.C., Law Firm; Member of the Firm's Executive Committee  
2 years as a Board Member

## DIRECTORS APPOINTED BY SERIES D SHAREHOLDERS

**José Octavio Reyes Lagunes**  
Retired  
4 years as a Board Member

**Charles H. McTier<sup>1</sup>**  
Retired  
22 years as a Board Member

**John Murphy**  
Executive Vice President and Chief Financial Officer of The Coca-Cola Company  
2 years as a Board Member  
Alternate: Sunil Krishna Ghatnekar

**Brian Smith**  
President and Chief Operating Officer of The Coca-Cola Company  
3 years as a Board Member  
Alternate: Marie D. Quintero-Johnson

## DIRECTORS APPOINTED BY SERIES L SHAREHOLDERS

**Herman Fleishman Cahn<sup>1</sup>**  
President of Grupo Tampico, S.A.P.I de C.V.  
8 years as a Board Member  
Alternate: Robert Alan Fleishman Cahn

**Victor Tiburcio Celorio<sup>1</sup>**  
Independent Consultant  
2 years as a Board Member

**Francisco Zambrano Rodríguez<sup>1</sup>**  
Managing Partner of Forte Estate Planning S.C.  
17 years as a Board Member

## SECRETARY OF BOARD

**Carlos Eduardo Aldrete Ancira**  
General Counsel of FEMSA  
27 years as a Secretary  
Alternate: Carlos Luis Díaz Sáenz

<sup>1</sup> Independent

# BOARD *Practices*

## FINANCE AND PLANNING COMMITTEE

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

## AUDIT COMMITTEE

The Audit Committee is responsible for reviewing the accuracy and integrity of quarterly and annual financial statements in accordance with accounting, internal control and auditing requirements. The Audit Committee is directly responsible for the

appointment, compensation, retention and oversight of the independent auditor, who reports directly to the Audit Committee, such appointment and compensation being subject to the approval of our Board of Directors; the internal auditing function also reports to the Audit Committee. The Audit Committee has implemented procedures for receiving, retaining and addressing complaints regarding accounting, internal control and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing matters. To carry out its duties, the Audit Committee may hire independent counsel and other advisors. As necessary, we compensate the independent auditor and any outside advisor hired by the Audit Committee and provide funding for ordinary administrative expenses incurred by the Audit Committee in the course of its duties. Victor Alberto Tiburcio Celorio is the chairman of the Audit Committee and the audit committee financial expert. Pursuant to the Mexican Securities Market Law, the chairman of the Audit Committee is elected at our share-

holders meeting. The other members are: Alfonso González Migoya, Charles H. McTier and Francisco Zambrano Rodríguez. Each member of the Audit Committee is an independent director, as required by the Mexican Securities Market Law and applicable New York Stock Exchange listing standards. The secretary nonmember of the Audit Committee is José González Ornelas, vice-president of FEMSA's internal corporate control department.

## CORPORATE PRACTICES COMMITTEE

The Corporate Practices Committee, which consists exclusively of independent directors, is responsible for preventing or reducing the risk of performing operations that could damage the value of our company or that benefit a particular group of shareholders. The committee may call a shareholders meeting and include matters on the agenda for that meeting that it deems appropriate, approve policies on related party transactions, approve the compensation plan of the chief executive officer and relevant officers, and support our board of directors in the elaboration of related re-

ports. The chairman of the Corporate Practices Committee is Daniel Servitje Montull. Pursuant to the Mexican Securities Market Law, the chairman of the Corporate Practices Committee is elected at our shareholders meeting. The other members include: Jaime A. El Koury, Luis Rubio Freidberg, Luis A. Nicolau Gutiérrez and two permanent non-member guests, Miguel Eduardo Padilla Silva and José Octavio Reyes Lagunes. The secretary non-member of the Corporate Practices Committee is Karina Awad Pérez.

## ADVISORY BOARD

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

# INTEGRAL *ethical system*

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

Our ethical management is based on:

- Prevent illicit behaviors that may affect our human capital and our heritage.
- Detect improper acts through open communication channels.
- Respond and provide feedback to our organization to build trust.
- Therefore, our system is comprised of three fundamental elements: the Code of Ethics, an Ethics Committee and the whistleblowing system known as KOF Ethics Line.

### Our Code of Ethics

It is the basis of our organizational culture, communicates our values, contemplates our main behaviors, promotes good behavior inside and outside our organization and guides our correct decision-making based on ethical

principles. Our Code, recently updated, includes important topics such as Human Rights, Inclusion and Diversity, Discrimination, Violence and Harassment, Conflicts of interests, Misuse of information and Anti-corruption.

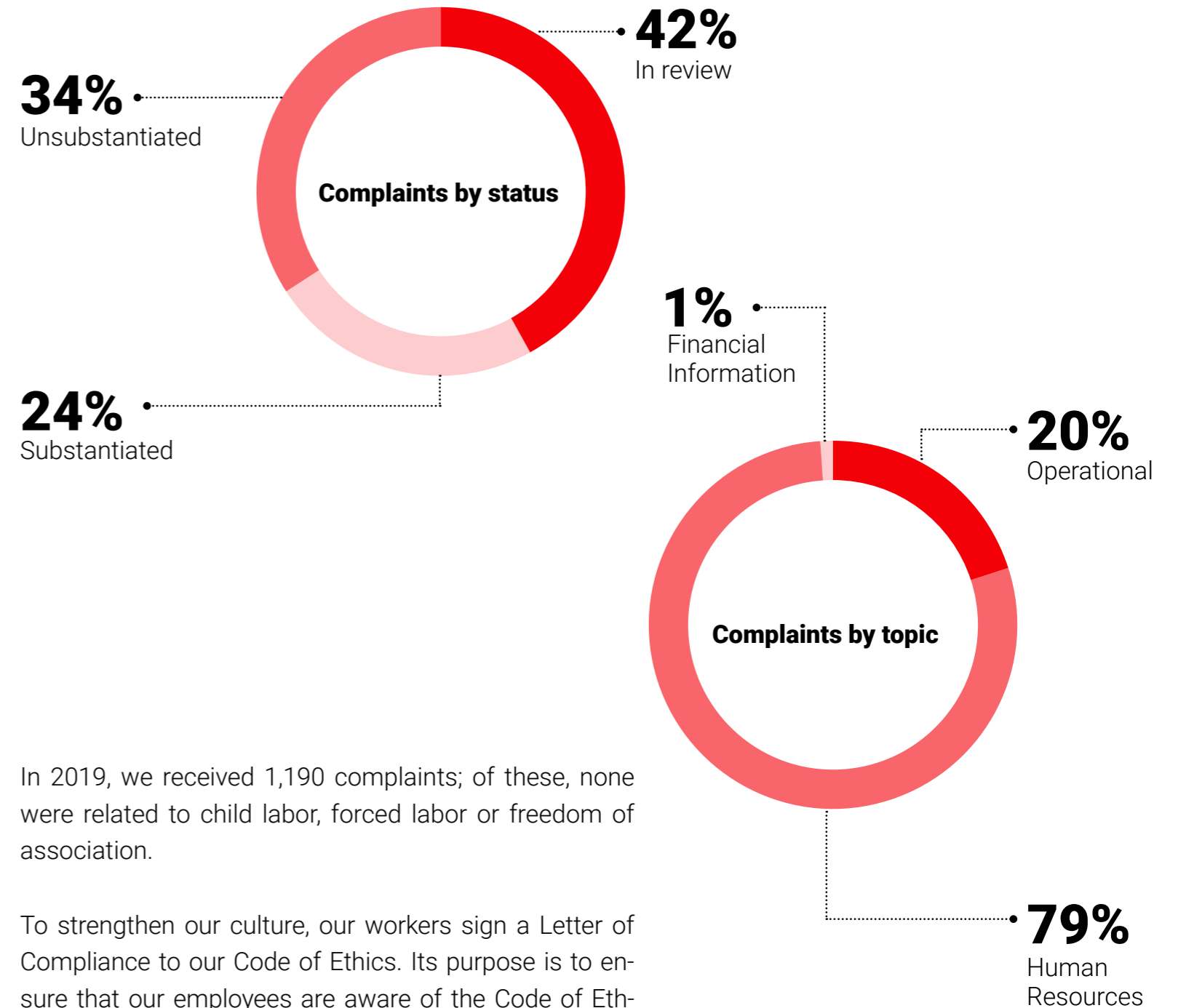
### Our Ethics Committee

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

### Our KOF Ethics Line whistleblowing system

Complaints about noncompliance with the Code of Ethics are received through the KOF Ethics Line, which is managed by a third-party. Employees, customers, suppliers, third parties or anyone who has a relationship with Coca-Cola FEMSA can use the system anonymously.

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



In 2019, we received 1,190 complaints; of these, none were related to child labor, forced labor or freedom of association.

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

## SHAREHOLDERS &amp; ANALYST

# information

## INVESTOR RELATIONS

Jorge Collazo  
Bryan Carlson  
Maite Vilchis  
Lorena Martin

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## SUSTAINABILITY &amp; CORPORATE COMMUNICATION

Juan Carlos Cortés  
Carlos Valle  
Pedro Incháustegui

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## LEGAL COUNSEL OF THE COMPANY

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

## INDEPENDENT ACCOUNTANTS

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A member firm of Ernst & Young Global  
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Colonia Granada 11520  
Ciudad de Mexico, México  
Phone:(5255) 5283 1400

## STOCK EXCHANGE INFORMATION

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

## TRANSFER AGENT AND REGISTRAR

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

## KOF

NEW YORK STOCK EXCHANGE  
Quarterly Stock Information

U.S. Dollars per ADS			2019
Quarter Ended	\$ High	\$ Low	\$ Close
dec-31	61.98	54.98	60.62
sep-30	63.12	57.27	60.62
jun-28	68.51	62.03	62.14
mar-29	66.75	58.29	66.00

U.S. Dollars per ADS			2018
Quarter Ended	\$ High	\$ Low	\$ Close
dec-31	64.59	56.99	60.84
sep-28	63.54	54.98	61.24
jun-29	69.25	54.72	56.43
mar-30	78.97	64.79	66.43

## KOFUBL

MEXICAN STOCK EXCHANGE  
Quarterly Stock Information

Mexican Pesos			2019
Quarter Ended	\$ High	\$ Low	\$ Close
dec-31	121.01	105.71	114.88
sep-30	122.57	112.93	120.09
jun-28	130.07	119.05	119.11
mar-29	128.31	114.28	128.31

Mexican Pesos			2018
Quarter Ended	\$ High	\$ Low	\$ Close
dec-31	128.25	114.60	119.15
sep-28	118.62	109.94	114.26
jun-29	125.21	111.49	112.46
mar-30	146.21	118.92	120.23



ABOUT OUR

# integrated report

From our headquarters in Mexico City, we present our Integrated Report 2019 edition. Developed following the guidelines of the International Integrated Reporting Council (IIRC) and in accordance with the GRI (Global Reporting Initiative) Standards. Similarly reporting the indicators of the Sector Supplement for Food Processing Companies of the same guide in its G4 version. Furthermore, this Report elaborates our Communication on Progress (COP) to the United Nations Global Compact included by FEMSA in its 2019 report.

The information contained corresponds to the period from January 1st to December 31st, 2019. It includes data from all the countries where Coca-Cola FEMSA, S.A.B. of C.V. has operations or a majority share. Its operations encompass franchise territories Mexico, Bra-

zil, Guatemala, Colombia, and Argentina, and, nationwide, in Costa Rica, Nicaragua, Panama and Uruguay.

For comparability purposes, the non-financial quantitative data for 2019 and 2018 is represented without Venezuela, since as of December 31, 2017 Venezuela is a deconsolidated operation reported as an investment in shares; while the 2017 information is represented without the Philippines.

**CHIEF FINANCIAL AND ADMINISTRATIVE OFFICER**  
Constantino Spas Montesinos

**CORPORATE AFFAIRS OFFICER**  
José Ramón Martínez Alonso

**Stock listing information: Mexican Stock Exchange, Ticker: KOFUBL | NYSE (ADS), Ticker: KOF | Ratio of KOFUBL to KOF = 10:1**

Coca-Cola FEMSA files reports, including annual reports and other information with the U.S. Securities and Exchange Commission, or the "SEC," and the Mexican Stock Exchange (Bolsa Mexicana de Valores, or the "BMV") pursuant to the rules and regulations of the SEC (that apply to foreign private issuers) and of the BMV. Filings we make electronically with the SEC and the BMV are available to the public on the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov), the BMV's website at [www.bmv.com.mx](http://www.bmv.com.mx), and our website at [www.coca-colafemsa.com](http://www.coca-colafemsa.com). Coca-Cola FEMSA, S.A.B. de C.V. is the largest Coca-Cola franchise bottler in the world by sales volume. The Company produces and distributes trademark beverages of The Coca-Cola Company, offering a wide portfolio of 129 brands to a population of more than 261 million. With over 80 thousand employees, the Company markets and sells approximately 3.4 billion unit cases through close to 2 million points of sale a year. Operating 49 manufacturing plants and 268 distribution centers, Coca-Cola FEMSA is committed to generating economic, social, and environmental value for all of its stakeholders across the value chain. The Company is a member of the Dow Jones Sustainability Emerging Markets Index, Dow Jones Sustainability MILA Pacific Alliance Index, FTSE4Good Emerging Index, and the Mexican Stock Exchange's IPC and Sustainability Indices, among others. Its operations encompass franchise territories in Mexico, Brazil, Guatemala, Colombia, and Argentina, and, nationwide, in Costa Rica, Nicaragua, Panama, Uruguay, and Venezuela through its investment in KOF Venezuela. For further information, please visit [www.coca-colafemsa.com](http://www.coca-colafemsa.com)

