As filed with the Securities and Exchange Commission on April 17, 2020.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

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

For the fiscal year ended December 31, 2019

Commission file number 1-12260

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

(Exact name of registrant as specified in its charter)

Not Applicable
(Translation of registrant's name into English)

United Mexican States
(Jurisdiction of incorporation or organization)

Calle Mario Pani No. 100,
Santa Fe Cuajimalpa,
Cuajimalpa de Morelos,
05348, Ciudad de México, México
(Address of principal executive offices)

Jorge Alejandro Collazo Pereda
Calle Mario Pani No. 100,
Santa Fe Cuajimalpa,
Cuajimalpa de Morelos,
05348 Ciudad de México, México
(52-55) 1519-6179
kofmxinves@kof.com.mx
(Name, telephone, e-mail and/or facsimile number and address of company contact person)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
American Depositary Shares, each representing 10 units	KOF	New York Stock Exchange, Inc.
Units, each consisting of 3 Series B shares and 5 Series L shares, without par value	-	New York Stock Exchange, Inc. (not for trading, for listing purposes only)
Series B shares, without par value	-	New York Stock Exchange, Inc. (not for trading, for listing purposes only)
Series L shares, without par value	-	New York Stock Exchange, Inc. (not for trading, for listing purposes only)
2.750% Senior Notes due 2030	-	New York Stock Exchange, Inc.

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

None

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

None

The number of outstanding shares of each class of capital or common stock as of December 31, 2019 was:

7,936,628,152	Series A shares, without par value
4,668,365,424	Series D shares, without par value
1,575,624,195	Series B shares, without par value
2,626,040,325	Series L shares, without par value

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

☒ Yes ☐ No

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

☐ Yes ☒ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

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

☒ Yes ☐ No

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

U.S. GAAP ☐ IFRS ☒ Other ☐

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

☐ Item 17 ☐ Item 18

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

☐ Yes ☒ No

TABLE OF CONTENTS

INTRODUCTION

References

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

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

As used in this annual report:

“Central America” refers to Guatemala, Nicaragua, Costa Rica and Panama.

“South America” refers to Argentina, Brazil, Colombia and Uruguay.

“sparkling beverages” refers to non-alcoholic carbonated beverages.

“still beverages” refers to non-alcoholic non-carbonated beverages.

“waters” refers to flavored and non-flavored waters, whether or not carbonated.

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

Currency Translations and Estimates

This annual report contains translations of certain Mexican peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from Mexican pesos at an exchange rate of Ps.18.86 to US$1.00, the exchange rate for Mexican pesos on December 31, 2019, according to the U.S. Federal Reserve Board. On April 10, 2020, this exchange rate was Ps.23.42 to US$1.00.

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

Sources

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

Forward-Looking Information

This annual report contains words such as “believe,” “expect,” “anticipate” and similar expressions that identify forward-looking statements. Use of these words reflects our views of future events and financial performance. Actual results could differ materially from those projected in these forward-looking statements as a result of various factors that may be beyond our control, including, but not limited to:

- effects on our company from changes in our relationship with The Coca-Cola Company;
- fluctuation in the prices of raw materials;
- competition;
- significant developments in Mexico, Central and South America;
- fluctuation in currency exchange and interest rates;

- our ability to implement our business expansion strategy, including our ability to successfully integrate mergers and acquisitions we have completed in recent years;
- economic or political conditions or changes in our regulatory or legal environment, including the impact of existing laws and regulations, changes thereto or the imposition of new taxes, environmental, health, energy, foreign investment and/or antitrust laws or regulations impacting our business, activities and investments; and
- natural disasters, health epidemics, pandemics and similar outbreaks, including the novel coronavirus COVID-19 ("COVID-19") pandemic.

Accordingly, we caution readers not to place undue reliance on these forward-looking statements. In any event, these statements speak only as of their respective dates, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

SELECTED CONSOLIDATED FINANCIAL DATA

We prepared our consolidated financial statements included in this annual report in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, or IASB, referred to herein as "IFRS."

This annual report includes (under Item 18) our audited consolidated statements of financial position as of December 31, 2019 and 2018 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2019, 2018 and 2017.

Pursuant to IFRS, the information in this annual report presents financial information in nominal terms and Mexican pesos. In the case of Argentina, on July 1, 2018 the economy satisfied the conditions to be treated as a hyperinflationary economy based on various economic factors, including that Argentina's cumulative inflation over the three-year period prior to such date exceeded 100%, according to available indexes in the country. Effective as of January 1, 2018, we adjusted the financial information of our Argentine operations to recognize inflationary effects. Functional currency was converted to Mexican pesos for the periods ended December 31, 2019 and 2018 using the exchange rates at the end of such periods. See Note 3.4 to our consolidated financial statements. Our non-Mexican subsidiaries maintain their accounting records in their local currency and in accordance with accounting principles generally accepted in the country where they are located. For presentation in our consolidated financial statements, we adjust these accounting records into IFRS and report in Mexican pesos under these standards.

Effective as of December 31, 2017, we deconsolidated our operations in Venezuela and as a result began accounting for the results of operations of Coca-Cola FEMSA de Venezuela, S.A., or KOF Venezuela, as an investment under the fair value method pursuant to IFRS 9, *Financial Instruments*. Effective as of January 1, 2018, we no longer include the results of operations of KOF Venezuela in our consolidated financial statements. See Notes 3.3 and 27 to our consolidated financial statements.

Commencing on February 1, 2017, we started consolidating the financial results of Coca-Cola FEMSA Philippines, Inc., or KOF Philippines, in our financial statements. In August 2018, our subsidiary Controladora de Inversiones en Bebidas Refrescantes, S.L., or CIBR, notified The Coca-Cola Company of its decision to exercise its option to sell its 51.0% stake in KOF Philippines and, on December 13, 2018, CIBR completed this sale. As a result, KOF Philippines was classified as an asset held for sale commencing on August 31, 2018 and as a discontinued operation for the year ended December 31, 2018, and the corresponding results for 2017 were restated for comparative purposes. Commencing on January 1, 2018, we stopped accounting for KOF Philippines and, specifically our Asia division, as a separate reporting segment. The net gain derived from the sale of KOF Philippines, as well as KOF Philippines' results of operations from January 1, 2018 through December 12, 2018 were recorded in our consolidated financial statements as part of our Mexico and Central America consolidated reporting segment. See Notes 5 and 27 to our consolidated financial statements.

Except when specifically indicated, information in this annual report on Form 20-F is presented as of December 31, 2019 and does not give effect to any transaction subsequent to that date.

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

	Year Ended December 31,					
	2019[1]	2019[2]	2018[3]	2017[4]	2016[5]	2015
		(in millions of Mexican pesos or millions of U.S. dollars, except ratio, share and per share data)				
Income Statement Data:						
Total revenues	US$ 10,311	Ps. 194,471	Ps. 182,342	Ps. 183,256	Ps. 177,718	Ps. 152,360
Cost of goods sold	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
Administrative expenses	447	8,427	7,999	7,693	7,423	6,405
Selling expenses	2,764	52,110	49,925	50,351	48,039	41,879
Other income	100	1,890	569	1,542	1,281	620
Other expenses	232	4,380	2,450	32,899[6]	5,093	2,368
Interest expenses	366	6,904	7,568	8,777	7,471	6,337
Interest income	65	1,230	1,004	791	715	414
Foreign exchange gain (loss), net	(17)	(330)	(277)	788	(1,792)	(1,459)
Gain (loss) on monetary position for subsidiaries in hyperinflationary economies	12	221	212	1,590	2,417	(33)
Market value gain (loss) on financial instruments	(15)	(288)	(314)	246	51	142
Income (loss) before income taxes and share of the profit 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) for continuing operations	670	12,630	11,704	(15,379)	10,527	14,725
Net income (loss) for discontinued operations	—	—	3,366	3,725	—	—
Consolidated net income (loss)	670	12,630	15,070	(11,654)	10,527	10,329
Attributable to:						
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 for continuing operations	28	529	768	679	457	94
Non-controlling interest for discontinued operations	—	—	391	469	—	—
Consolidated net income (loss)	670	12,630	15,070	(11,654)	10,527	10,329
Ratio to Revenues (%)						
Gross profit 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

	As of December 31,					
	2019[1]	2019[2]	2018[3]	2017[4]	2016[5]	2015
	(in millions of Mexican pesos or millions of U.S. dollars, except ratio, share and per share data)					
Balance Sheet Data:						
Cash and cash equivalents	US$ 1,086	Ps. 20,491	Ps. 23,727	Ps. 18,767	Ps. 10,476	Ps. 15,989
Accounts receivable, net, inventories, recoverable taxes, other current financial assets and other current assets	1,925	36,305	33,763	36,890	34,977	26,243
Total current assets	3,011	56,796	57,490	55,657	45,453	42,232
Investments in other entities	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
Right-of-use assets	73	1,382				
Intangible assets, net	5,941	112,050	116,804	124,243	123,964	90,754
Deferred tax assets, other non-current financial assets and other non-current assets	885	16,673	17,033	17,410	22,194	8,858
Total non-current assets	10,660	201,043	206,297	230,020	233,803	168,017
Total assets	13,671	257,839	263,787	285,677	279,256	210,249
Bank loans and notes payable	47	882	1,382	2,057	1,573	384
Current portion of non-current debt	562	10,603	10,222	10,114	1,479	3,086
Current portion of lease liabilities	26	483				
Interest payable	23	439	497	487	520	411
Suppliers, accounts payable, taxes payable and other current financial liabilities	2,047	38,603	33,423	42,936	36,296	26,599
Total current liabilities	2,705	51,010	45,524	55,594	39,868	30,480
Bank loans and notes payable	3,101	58,492	70,201	71,189	85,857	63,260
Long-term lease liabilities	48	900				
Post-employment and other non-current employee benefits, deferred tax liabilities, other non-current financial liabilities, provisions and other non-current liabilities	941	17,752	16,312	18,184	24,298	7,774
Total non-current liabilities	4,090	77,144	86,513	89,373	110,155	71,034
Total liabilities	6,795	128,154	132,037	144,967	150,023	101,514
Total equity	6,876	129,685	131,750	140,710	129,233	108,735
Equity attributable to equity holders of the parent	6,518	122,934	124,944	122,569[7]	122,137	104,749
Non-controlling interest in consolidated subsidiaries	358	6,751	6,806	18,141	7,096	3,986
Total liabilities and equity	13,671	257,839	263,787	285,677	279,256	210,249

	As of December 31,					
	2019[1]	2019[2]	2018[3]	2017[4]	2016[5]	2015
	(in millions of Mexican pesos or millions of U.S. dollars, except ratio, share and per share data)					
Financial Ratios (%)						
Current[8]	1.11	1.11	1.26	1.00	1.14	1.38
Leverage[9]	0.99	0.99	1.0	1.03	1.16	0.93
Capitalization[10]	0.37	0.37	0.41	0.39	0.41	0.39
Coverage[11]	5.51	5.51	4.22	4.20	4.80	3.92
Share Data[12]						
A Shares	7,936,628,152	7,936,628,152	7,936,628,152	7,936,628,152	7,936,628,152	7,936,628,152
D Shares	4,668,365,424	4,668,365,424	4,668,365,424	4,668,365,424	4,668,365,424	4,668,365,424
B Shares	1,575,624,195	1,575,624,195	1,575,624,195	1,575,624,195	1,491,894,096	1,491,894,096
L Shares	2,626,040,325	2,626,040,325	2,626,040,325	2,626,040,325	2,486,490,160	2,486,490,160
Number of outstanding shares	16,806,658,096	16,806,658,096	16,806,658,096	16,806,658,096	16,583,377,832	16,583,377,832
Per Share Data[12]						
Book Value[13]	0.39	7.31	7.43	7.29	7.37	6.32
Basic earnings (loss) per share from[14]:						
Continuing operations	0.04	0.72	0.65	(0.96)	0.61	0.62
Discontinued operations	—	—	0.18	0.19	—	—
Diluted earnings (loss) per share from[15]:						
Continuing operations	0.04	0.72	0.65	(0.96)	0.61	0.62
Discontinued operations	—	—	0.18	0.19	—	—

(1) Translation to U.S. dollar amounts at an exchange rate of Ps.18.86 to US$1.00 solely for the convenience of the reader.

(2) We adopted IFRS 16 on January 1, 2019 using the modified retrospective approach under which the comparable information is not restated. See Note 2.4.1 to our consolidated financial statements.

(3) Includes results of Alimentos y Bebidas Atlantida, S.A., or ABASA, and Comercializadora y Productora de Bebidas Los Volcanes, S.A., or Los Volcanes, from May 2018 and of Montevideo Refrescos S.R.L., or Monresa, from July 2018. **See "Item 4. Information on the Company—The Company—Corporate History."**

(4) Our consolidated statements of income for 2017 were restated for comparative purposes, as a result of the sale of our equity participation in KOF Philippines. For further information **see "Item 5. Operating and Financial Review and Prospects—General—Sale of Equity Participation in KOF Philippines."**

(5) Includes results of Vonpar S.A., or Vonpar, from December 2016. **See "Item 4. Information on the Company—The Company—Corporate History."**

(6) See Note 20 to our consolidated financial statements.

(7) See Note 3.3 to our consolidated financial statements.

(8) Computed by dividing total current assets by total current liabilities.

(9) Computed by dividing total liabilities by total equity.

(10) Computed by adding current bank loans and notes payable, current portion of non-current debt and non-current bank loans and notes payable, and dividing such sum by the sum of total equity and non-current bank loans and notes payable.

(11) Computed by dividing net cash flows from operating activities by the difference between interest expense and interest income.

(12) Share data and per share data has been restated to give effect to the stock split described in **"Item 4. Information on the Company—The Company—Capital Stock."**

(13) Based on 16,806.7 million shares as of December 31, 2019, 2018 and 2017, and 16,583.4 million shares as of December 31, 2016 and 2015.

(14) Computed on the basis of the weighted average number of shares outstanding during the period: 16,806.7 million in 2019 and 2018, 16,730.8 million in 2017, and 16,598.7 million in 2016, and 2015.

(15) The diluted earnings per share calculation was computed on the basis of the diluted weighted average number of shares outstanding during the period: 16,806.7 million in 2019 and 2018, 16,730.8 million in 2017, 16,598.7 million in 2016 (which reflects the commitment to deliver Series L shares to the sellers of Vonpar, without changing the number of shares for 2016) and 16,583.4 million in 2015. For further information see Note 3.26 to our consolidated financial statements.

DIVIDENDS AND DIVIDEND POLICY

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

Fiscal Year with Respect to which Dividend was Declared(1)	Date Dividend Paid or To Be Paid	Mexican Pesos per Share or Unit, as applicable (Nominal)(2)	U.S. Dollars per Share or Unit, as applicable(3)
2015	May 3, 2016	1.670	0.097
	November 1, 2016	1.680	0.089
2016	May 3, 2017	1.680	0.086
	November 1, 2017	1.670	0.087
2017	May 3, 2018	1.680	0.088
	November 1, 2018	1.670	0.083
2018	May 3, 2019	1.770(4)	0.093
	November 1, 2019	1.770(4)	0.093
2019	May 5, 2020	2.430(5)	—(5)(6)
	November 3, 2020	2.430(5)	—(5)(6)

(1) The dividends declared for each fiscal year were divided into two payments.
(2) Based on the number of shares outstanding at the time the dividend is paid.
(3) Expressed in U.S. dollars using the applicable exchange rate when the dividend was paid.
(4) Dividend declared prior to the eight-for-one stock split described in **"Item 4. Information on the Company—The Company—Capital Stock.**" As a result of the stock split, the dividend was Ps.0.4425 per share, or the amount of the dividend declared divided by eight.
(5) Dividend declared per unit. The dividend was Ps.0.6075 per share, or the amount of the dividend declared divided by eight.
(6) Because the dividend declared for the fiscal year 2019 has not been paid at the time of this annual report, the U.S. dollar per share amount has not been determined.

The declaration, amount and payment of dividends are subject to the approval by holders of a majority of our shares (except for our Series L shares, which do not grant the right to vote on the declaration, amount and payment of dividends); provided that, if the amount of dividends exceeds 20.0% of the preceding years' consolidated net profits, the approval by holders of a majority of our Series D shares is also required. The declaration, amount and payment of dividends is also subject to and dependent generally upon the recommendation of our board of directors, and upon our results, financial condition, capital requirements, general business conditions and the requirements of Mexican law. Accordingly, our historical dividend payments are not necessarily indicative of future dividends. **See "Item 10. Additional Information — Bylaws—Dividend Rights."**

At our general ordinary shareholders meeting of March 17, 2020, after conducting an analysis of our capital allocation strategy, cash flow generation and leverage profile, we approved an increase of 37.0% on the dividend payment for the fiscal year 2020 compared to the dividend payment for the fiscal year 2019, highlighting our commitment to total shareholder return.

We pay all cash dividends in Mexican pesos. Exchange rate fluctuations affect the U.S. dollar amounts received by holders of ADSs as a result of the conversion by the ADS depositary of cash dividends paid on the Series L shares and Series B shares underlying our units represented by such ADSs. In addition, exchange rate fluctuations between the Mexican peso and the U.S. dollar affect the market price of the ADSs.

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

RISK FACTORS

Risks Related to Our Company

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

Substantially all of our sales are derived from sales of *Coca-Cola* trademark beverages. We produce, market, sell and distribute *Coca-Cola* trademark beverages through standard bottler agreements in the territories where we operate, which we refer to as "our territories." We are required to purchase concentrate for all *Coca-Cola* trademark beverages from affiliates of The Coca-Cola Company, which price may be unilaterally determined from time to time by The Coca-Cola Company in all such territories. We are also required to purchase sweeteners and other raw materials only from companies authorized by The Coca-Cola Company. Increases in the cost, disruption of supply or shortage of ingredients for concentrate could have an adverse effect on our business. **See "Item 4. Information on the Company—The Company—Our Territories."**

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

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

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

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

The Coca-Cola Company and Fomento Económico Mexicano, S.A.B. de C.V., which we refer to as FEMSA, have substantial influence on the conduct of our business. As of the date of this report, The Coca-Cola Company indirectly owned 27.8% of our outstanding capital stock, representing 32.9% of our capital stock with full voting rights. The Coca-Cola Company is entitled to appoint up to five of our maximum of 21 directors and the vote of at least two of them is required to approve certain actions by our board of directors. As of the date of this report, FEMSA indirectly owned 47.2% of our outstanding capital stock, representing 56.0% of our capital stock with full voting rights. FEMSA is entitled to appoint up to 13 of our maximum of 21 directors and all of our executive officers. The Coca-Cola Company and FEMSA together, or only FEMSA in certain circumstances, have the power to determine the outcome of all actions requiring approval by our board of directors, and FEMSA and The Coca-Cola Company together, or only FEMSA in certain circumstances, have the power to determine the outcome of all actions requiring approval of our shareholders. **See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—The Shareholders Agreement."** The interests of The Coca-Cola Company and FEMSA may be different from the interests of our other shareholders, which may result in us taking actions contrary to the interests of such other shareholders.

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

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

Changes in laws and regulations relating to beverage containers and packaging may adversely affect our business.

We currently offer nonrefillable and refillable containers across our territories, among other product presentations. Certain legislative and regulatory reforms have been proposed in some of the territories where we operate to restrict the sale of single-use plastics and similar legislation or regulations may be proposed or enacted in the future elsewhere. **See "Item 4. Information on the Company—Regulation—Other Regulation."** Consumers' increased concerns and changing attitudes about the solid waste streams and environmental responsibility and the related publicity could result in the adoption of such legislation or regulations. If these types of requirements are adopted and implemented on a large scale in any of our territories, they could affect our costs or require changes in our distribution model and packaging, which could reduce our net operating revenues and profitability.

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

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

If we are unable to protect our information systems against service interruption, misappropriation of data or breaches of security, our operations could be disrupted, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We rely on networks, information systems and other technology, or "IT systems", including the Internet and third-party hosted platforms and services, to support a variety of business processes and activities, including procurement and supply chain, manufacturing, distribution, invoicing and collection of payments and to store client and employee personal data. We use IT systems to process financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting and legal and tax requirements. Because IT systems are critical to many of our operating activities, our business may be impacted by system shutdowns, service disruptions or security breaches. In addition, such incidents could result in unauthorized disclosure of material confidential information or regulated individual personal data. We could be required to spend significant financial and other resources to remedy the damage caused by a security breach or to repair or replace networks and IT systems. Any severe damage, disruption or shutdown in our IT systems could have a material adverse effect on our business, financial condition, results of operations and prospects.

In order to address risks to our IT systems, we continue to make investments in personnel, technologies, cyber insurance and training of our personnel. We maintain an IT risk management program that is supervised by our senior management. Reports on such IT risk management program are presented to the Audit Committee of our board of directors on a quarterly basis. As part of this program, we have a cybersecurity framework, internal policies and cross-functional surveillance.

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

In recent years, there has been a marked increase in the use of social media and similar platforms, including weblogs (blogs), social media websites, and other forms of Internet-based communications which allow individual access to a broad audience of consumers and other interested persons. Negative or inaccurate information concerning or affecting us or the *Coca-Cola* trademarks may be posted on such platforms at any time. This information may harm our reputation without affording us an opportunity for redress or correction, which could in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

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

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

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

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

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

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

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

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

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

Prices for *Coca-Cola* trademark beverages concentrate are determined by The Coca-Cola Company as a percentage of the weighted average retail price in local currency, net of applicable taxes. The Coca-Cola Company has the right to unilaterally change concentrate prices or change the manner in which such prices are calculated. In the past, The Coca-Cola Company has increased concentrate prices for *Coca-Cola* trademark beverages in some of the countries where we operate. We may not be successful in negotiating or implementing measures to mitigate the negative effect this may have in the pricing of our products or our results.

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

Our most significant packaging raw material costs arise from the purchase of PET resin, the price of which is related to crude oil prices and global PET resin supply. Crude oil prices have a cyclical behavior and are determined with reference to the U.S. dollar; therefore, high currency volatility may affect our average price for PET resin in local currencies. In addition, since 2010, international sugar prices have been volatile due to various factors, including shifting demand, availability and climate issues affecting production and distribution. In all of the countries where we operate, other than Brazil, sugar prices are subject to local regulations and other barriers to market entry that cause us to purchase sugar above international market prices. **See "Item 4. Information on the Company—The Company—Raw Materials."** We cannot assure you that our raw material prices will not further increase in the future or that we will be successful in mitigating any such increase through derivative instruments or otherwise. Increases in the prices of raw materials would increase our cost of goods sold and adversely affect our business, financial condition, results of operations and prospects.

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

We are subject to several laws and regulations in each of the territories where we operate. The principal areas in which we are subject to laws and regulations are anti-corruption, anti-bribery, anti-money laundering, water, environment, labor, taxation, health, antitrust and price controls. **See "Item 4. Information on the Company—Regulation."** Changes in existing laws and regulations, the adoption of new laws or regulations, or a stricter interpretation or enforcement thereof in the countries where we operate may increase our operating and compliance costs or impose restrictions on our operations which, in turn, may adversely affect our financial condition, business, results of operations and prospects.

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries where we operate. **See "Item 4. Information on the Company—Regulation—Price Controls."** We cannot assure you that existing or future laws and regulations in the countries where we operate relating to goods and services (in particular, laws and regulations imposing statutory price controls) will not affect our products, our ability to set prices for our products, or that we will not need to implement price restraints, which could have a negative effect on our business, financial condition, results of operations and prospects.

We operate in multiple territories and are subject to complex regulatory frameworks with increased enforcement activities. We maintain a compliance program that is supervised by our senior management. Reports on such compliance program are presented to the Audit Committee of our board of directors on a semi-annual basis. Despite our internal governance and compliance processes, we may be subject to unexpected breaches by our employees, contractors or other agents to our code of ethics, anti-corruption policies and business conduct protocols, including instances of fraudulent behavior, corrupt practices and dishonesty by any of them. Our failure to comply with applicable laws and other standards could harm our reputation, subject us to substantial fines, sanctions or penalties and adversely affect our business. There is no assurance that we will be able to comply with changes in any laws and regulations within the timelines established by the relevant regulatory authorities.

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

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

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

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

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

Weather conditions, natural disasters and public health crises may adversely affect our business, financial condition, results of operations and prospects.

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

The recent outbreak of COVID-19 has negatively affected global and regional economic conditions. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its duration, the full impact of COVID-19 on our business is unknown at this time and difficult to predict. Nevertheless, we expect that the imposition of measures and regulations in the territories where we operate aimed at containing the outbreak may have a negative impact on our full year financial and operating results. To date, these measures and regulations have included the direction to refrain from dining at restaurants, the cancellation of major sporting and entertainment events, material reduction in travel, the promotion of social distancing, the adoption of work-from-home policies and, in certain territories, compulsory lockdowns. Any prolonged outbreak of COVID-19 could result in the imposition of more restrictive measures in the territories in which we operate, further quarantines or closures, supply-chain disruptions, travel and transportation restrictions and/or import and export restrictions which could further adversely affect our business.

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

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

An impairment in the carrying value of distribution rights under our bottler agreements and goodwill of acquired businesses could negatively affect our financial condition and results of operations.

We periodically review the carrying value of our intangible assets, including distribution rights under our bottler agreements and goodwill of acquired businesses, to determine whether there is any indication that such assets have suffered an impairment. An impairment is recognized and the asset is reduced to fair value via a charge to earnings, when the carrying value of such asset exceeds its recoverable amount, which is the higher of its fair value *less* the cost to sell the asset, and its value in use. Events and conditions that could result in an impairment include changes in the industry in which we operate, including competition, changes in consumer preferences, and other factors leading to reduction in expected sales or profitability. An impairment on the value of the distribution rights under our bottler agreements or goodwill of acquired territories could have a material adverse effect on our financial condition and results of operations.

Risks Related to the units and the ADSs

Our Series L shares have limited voting rights.

Our Series L shares grant the right to vote only in certain circumstances. In general terms, they grant the right to elect up to three of our maximum of 21 directors and only grant the right to vote on specific matters, including certain changes in our corporate form, mergers involving our company when our company is the merged entity or when the principal corporate purpose of the merged entity is not related to the corporate purpose of our company, the cancellation of the registration of our shares on the *Bolsa Mexicana de Valores* (Mexican Stock Exchange, or BMV) or any other foreign stock exchange, and those matters for which the *Ley del Mercado de Valores* (Mexican Securities Market Law) expressly grants the right to vote to classes of shares with limited voting rights. As a result, holders of units will not be able to influence our business or operations with respect to the Series L shares they indirectly hold. **See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders"** and **"Item 10. Additional Information—Bylaws—Voting Rights, Transfer Restrictions and Certain Minority Rights."**

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

Our units, which are comprised of 3 Series B shares and 5 Series L shares, trade on the New York Stock Exchange (NYSE) in the form of ADSs, each representing 10 units. Holders of ADSs may not receive notice of Series L or Series B shareholder meetings from the ADS depositary in sufficient time to enable such holders to return voting instructions to the ADS depositary in a timely manner.

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

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

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

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

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

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

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

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

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

Risks Related to the Countries Where We Operate

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

We are a Mexican corporation and our Mexican operations are our single most important geographic territory. We also conduct an important part of our operations in Brazil. For the year ended December 31, 2019, approximately 78.6% of our total revenues were attributable to Mexico and Brazil. Our results are affected by the economic conditions in the countries where we conduct operations. Consumer demand and preferences, real prices and the costs of raw materials are heavily influenced by macroeconomic conditions, which vary by country and may not be correlated. In addition, adverse economic conditions may affect and reduce consumer per capita income, thereby adversely affecting consumer demand for our products as a result of a decrease in consumer purchasing power. Deterioration or prolonged periods of weak economic conditions in the countries where we conduct operations may have, and in the past have had, a negative effect on our company and a material adverse effect on our business, financial condition, results of operations and prospects.

Some of the countries where we conduct operations are influenced by the U.S. economy. Deterioration in economic conditions in the U.S. economy may affect these economies. In particular, economic conditions in Mexico are correlated with economic conditions in the United States as a result of the North American Free Trade Agreement. On November 30, 2018, Mexico, Canada and the United States signed a new free trade agreement, the U.S.-Mexico-Canada Agreement, or USMCA. On June 19, 2019, Mexico became the first country to ratify the USMCA. On January 29, 2020, President Donald Trump signed the USMCA into U.S. law, and on March 13, 2020, the Canadian Parliament ratified it. The three countries are currently working on regulations related to the USMCA's implementation, and the trade agreement will enter into force after such regulations are in place. Any adverse event affecting the relationship between Mexico and the United States, including the termination of any free trade agreement between these two countries, may have a significant adverse effect on the Mexican economy.

Our business may also be significantly affected by interest rates, inflation rates and exchange rates of the local currencies of the countries where we operate. Decreases in growth rates, periods of negative growth and/or increases in inflation or interest rates may result in lower demand for our products, lower real pricing of our products or a shift to lower margin products. **See "Item 11. Quantitative and Qualitative Disclosures about Market Risk."** In addition, an increase in interest rates would increase the cost to us of variable rate funding (which, after giving effect to our swap contracts, and calculated by weighting each year's outstanding debt balance mix, constituted approximately 12.4% of our total debt as of December 31, 2019), which would have an adverse effect on our financial position. A continued and prolonged increase in inflation rates in any of the countries where we operate may result in such country being categorized as a hyperinflationary economy for accounting purposes, which would change the manner in which we present and report financial information related to our operations in such country. **See "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Interest Rate Risk."**

Since July 1, 2018, Argentina's economy has satisfied the conditions to be treated as a hyperinflationary economy based on various economic factors, including Argentina's cumulative inflation over the past three-year period exceeding 100%, according to available indexes in the country. Continuing hyperinflation in Argentina may adversely affect our financial position and results of our operations.

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

Depreciation of local currencies relative to the U.S. dollar increases our cost of some of the raw materials we acquire, the price of which may be paid in or determined with reference to U.S. dollars, and of our debt obligations denominated in U.S. dollars and may therefore negatively affect our results, financial position and equity. In addition, depreciation of local currencies of the countries where we operate relative to the U.S. dollar may also potentially increase inflation rates in such countries. Significant fluctuations of local currencies relative to the U.S. dollar have occurred in the past and may continue in the future, negatively affecting our results. Future currency devaluations or the imposition of exchange controls in any of the countries where we operate may potentially increase our operating costs, which could have an adverse effect on our financial position and results of operations. **See "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Exchange Rate Risk."**

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

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

In recent years, some of the governments in the countries where we operate have implemented and may continue to implement significant changes in laws, public policy or regulations that could affect the political and social conditions in these countries. Any such changes, and similar changes in other countries such as the U.S., may have an adverse effect on our business, results of operations, prospects and financial condition. Furthermore, national presidential and legislative elections took place in 2019 or are scheduled to take place in 2020 in several of the countries where we operated in 2019, including Argentina, Guatemala, Panama and Uruguay. We cannot assure you that political or social developments in the countries where we operate or elsewhere, such as the election of new administrations, changes in laws, public policy or regulations, political disagreements, civil disturbances and the rise in violence and perception of violence, over which we have no control, will not have a corresponding adverse effect on the local or global markets or on our business, financial condition, results of operations and prospects.

Item 4. Information on the Company

THE COMPANY

Overview

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

- Mexico—a substantial portion of central Mexico, the southeast and northeast of Mexico.
- Guatemala.
- Nicaragua.
- Costa Rica.
- Panama.
- Colombia—most of the country.
- Brazil—a major part of the states of São Paulo and Minas Gerais, the states of Parana, Santa Catarina and Mato Grosso do Sul and part of the states of Rio de Janeiro, Rio Grande do Sul and Goias.
- Argentina—Buenos Aires and surrounding areas.
- Uruguay.

We also operate in Venezuela through our investment in KOF Venezuela.

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

The following is an overview of our operations by consolidated reporting segment in 2019.

Operations by Consolidated Reporting Segment—Overview
Year Ended December 31, 2019

	Total Revenues		Gross Profit	
	(in millions of Mexican pesos, except percentages)			
Mexico and Central America(1)	Ps. 109,249	56.2%	Ps. 52,384	59.9%
South America(2)	85,222	43.8%	35,123	40.1%
Consolidated	194,471	100.0%	87,507	100.0%

(1) Includes Mexico, Guatemala, Nicaragua, Costa Rica and Panama.
(2) Includes Colombia, Brazil, Argentina and Uruguay.

Corporate History

We are a subsidiary of FEMSA, a leading company that participates in the beverage industry through us, and in the beer industry as a shareholder of Heineken, a brewer with operations in over 70 countries. FEMSA also participates in the retail industry through FEMSA Comercio, which is comprised of (i) a proximity division operating OXXO, a small-format store chain, (ii) a health division which includes drugstores and related operations and (iii) a fuel division, which operates OXXO Gas, a chain of retail fuel service stations. Additionally, FEMSA, through its strategic businesses unit, provides logistics services, point-of-sale refrigeration solutions and plastics solutions to FEMSA's business units and third-party clients. Through its business units, FEMSA has more than 295,000 employees in 12 countries.

We commenced operations in 1979, when a subsidiary of FEMSA acquired certain sparkling beverage bottlers in Mexico City and surrounding areas. In 1991, FEMSA transferred its ownership in the bottlers to FEMSA Refrescos, S.A. de C.V., our corporate predecessor. In June 1993, a subsidiary of The Coca-Cola Company subscribed for 30.0% of our capital stock in the form of Series D shares. In September 1993, FEMSA sold Series L shares that represented 19.0% of our capital stock to the public, and we listed these shares on the Mexican Stock Exchange and, in the form of ADSs, on the NYSE.

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

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

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

In December 2007 and May 2008, we sold most of our proprietary brands to The Coca-Cola Company. The proprietary brands are now being licensed back to us by The Coca-Cola Company pursuant to our bottler agreements.

In May 2008, we entered into a transaction with The Coca-Cola Company to acquire its wholly owned bottling franchise Refrigerantes Minas Gerais, Ltda., or REMIL, located in the State of Minas Gerais in Brazil.

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

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

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

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

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

In October 2011, we merged with Administradora de Acciones del Norte, S.A.P.I. de C.V., or Grupo Tampico, a Mexican bottler with operations in the states of Tamaulipas, San Luis Potosi, and Veracruz, as well as in parts of the states of Hidalgo, Puebla and Queretaro.

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

In May 2012, we merged with Grupo Fomento Queretano, S.A.P.I. de C.V., or Grupo Fomento Queretano, a Mexican bottler with operations mainly in the state of Queretaro, as well as in parts of the states of Mexico, Hidalgo and Guanajuato. As part of our merger with Grupo Fomento Queretano, we increased our minority equity interest in PIASA.

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

In January 2013, we acquired, through CIBR, a 51.0% stake in KOF Philippines from The Coca-Cola Company. In December 2018, CIBR completed the sale of its stake in KOF Philippines back to The Coca-Cola Company through the exercise of CIBR’s option to sell.

In May 2013, we merged with Grupo Yoli, S.A. de C.V., a Mexican bottler with operations mainly in the state of Guerrero, as well as in parts of the state of Oaxaca. As part of our merger with Grupo Yoli, we increased our minority equity interest in PIASA.

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

In October 2013, we acquired Spaipa S.A. Industria Brasileira de Bebidas, or Spaipa, a Brazilian bottler with operations in the state of Parana and in parts of the state of São Paulo. As part of our acquisition of Spaipa, we increased our minority equity interest in Leão Alimentos and acquired a 50.0% stake in Fountain Água Mineral Ltda., a joint venture to develop water and non-carbonated beverages together with The Coca-Cola Company.

In 2016 and 2017, we entered into certain distribution agreements with Monster Energy Company to sell and distribute *Monster* trademark energy drinks in most of our territories. These agreements have a ten-year term and are automatically renewed for up to two five-year terms.

In August 2016, we acquired, through Leão Alimentos, an indirect participation in Laticínios Verde Campo Ltda., a producer of milk and dairy products in Brazil.

In December 2016, we acquired Vonpar, a Brazilian bottler of *Coca-Cola* trademark products with operations in the states of Rio Grande do Sul and Santa Catarina in Brazil. As part of our acquisition of Vonpar, we increased our minority equity interest in Leão Alimentos.

In March 2017, we acquired together with The Coca-Cola Company, through our Mexican, Brazilian, Argentine, Colombian subsidiaries and also through our interest in Jugos del Valle in Mexico, a participation in the AdeS plant-based beverage businesses. As a result of this acquisition, we have exclusive distribution rights of AdeS plant-based beverages in our territories.

In April 2018, Compañía Inversionista en Bebidas del Norte, S.L., one of our subsidiaries, acquired from The Coca-Cola Company ABASA, a Guatemalan bottler of *Coca-Cola* trademark products with operation in the northeast region of Guatemala.

In April 2018, Compañía de Inversiones Moderna, S.L., one of our subsidiaries, acquired from The Coca-Cola Company Los Volcanes, a Guatemalan bottler of *Coca-Cola* trademark products with operations in the southwest region of Guatemala.

In June 2018, Inversiones en Bebidas Refrescantes Ibérica, S.L., one of our subsidiaries, acquired from The Coca-Cola Company, Monresa, the Uruguayan bottler of *Coca-Cola* trademark products.

Capital Stock

On April 11, 2019, we completed an eight-for-one stock split, or the “Stock Split”, whereby (a) for each Series A share, holders of Series A shares received eight new Series A shares, (b) for each Series D share, holders of Series D shares received eight new Series D shares and (c) for each Series L share, holders of Series L shares received one unit (each consisting of 3 Series B shares (with full voting rights) and 5 Series L shares (with limited voting rights)). Effective on April 11, 2019, our units were listed for trading on the Mexican Stock Exchange and ADSs, each representing 10 units, were listed for trading on the NYSE.

As of the date of this report, (1) FEMSA indirectly owned Series A shares equal to 47.2% of our capital stock (56.0% of our capital stock with full voting rights), and (2) The Coca-Cola Company indirectly owned Series D shares equal to 27.8% of our capital stock (32.9% of our capital stock with full voting rights). Series L shares with limited voting rights constituted 15.6% of our capital stock, and Series B shares constituted the remaining 9.4% of our capital stock (the remaining 11.1% of our capital stock with full voting rights).

*Series L and Series B shares are listed and trade in the form of units (each unit consisting of 3 Series B shares and 5 Series L shares) in the Mexican Stock Exchange under the trading symbol "KOF UBL" and in the form of ADSs in the NYSE under the trading symbol "KOF" (each ADS represents 10 units)

Business Strategy

We operate with a large geographic footprint in Latin America. To consolidate our position as a global leader in the beverage business, we continue to expand our robust portfolio of beverages, transforming and enhancing our operational capabilities, inspiring a cultural evolution, and embedding sustainability throughout our business to create economic, social and environmental value for all of our stakeholders.

Our view on sustainable development is a comprehensive part of our business strategy. We base our efforts in our ethics and values, focusing on (i) our people, (ii) our communities and (iii) our planet, and we take a responsible and disciplined approach to the use of resources and capital allocation.

To maximize growth and profitability and driven by our centers of excellence's initiatives, we plan on continuing to execute the following key strategies: (i) accelerate revenue growth, (ii) increase our business scale and profitability across categories, (iii) continue our expansion through organic growth and strategic joint ventures, mergers and acquisitions, (iv) accelerate our end-to-end transformation through the digitization of our processes, (v) empower people to lead this transformation and (vi) create a leaner and more efficient organization focused on value creation.

We seek to accelerate our revenue growth through the introduction of new categories, products and presentations that better meet our consumers' needs and preferences, while maintaining our core products and improving our profitability. To address our consumers' diverse lifestyles, we have developed new products through innovation and have expanded the availability of low- and non-caloric beverages by reformulating and broadening our product portfolio to reduce added sugar and offering smaller presentations of our products. As of December 31, 2019, approximately 37.2% of our brands were low- or non-caloric beverages, and we continue to expand our product portfolio to offer more options to our consumers so they can satisfy their hydration and nutrition needs. **See "—Our Products" and "—Packaging."** In addition, we inform our consumers through front labeling on the nutrient composition and caloric content of our beverages. We have been pioneers in the introduction of the Guideline Daily Amounts (GDA), and we perform responsible advertising practices and marketing. We voluntarily adhere to national and international codes of conduct in advertising and marketing, including communications targeted to minors who are developed based on the Responsible Marketing policies and Global School Beverage Guidelines of The Coca-Cola Company, achieving full compliance with all such codes and guidelines in all of the countries where we operate.

We view our relationship with The Coca-Cola Company as integral to our business, and together we have developed marketing strategies to better understand and address our consumer needs. **See "—Marketing."**

Our Territories

The following map shows our territories, giving estimates in each case of the population to which we offer products and the number of retailers of our beverages as of December 31, 2019:

Our Products

We produce, market, sell and distribute *Coca-Cola* trademark beverages. The *Coca-Cola* trademark beverages include: sparkling beverages (colas and flavored sparkling beverages), waters and still beverages (including juice drinks, coffee, teas, milk, value-added dairy, sports drinks, energy drinks and plant-based drinks). In addition, we distribute and sell *Heineken* beer products in our Brazilian territories.

Our most important brand, *Coca-Cola*, together with its line of low-calorie products, accounted for 62.4%, 62.2% and 60.8% (excluding sales volume of KOF Philippines) of our total sales volume in 2019, 2018 and 2017, respectively.

The following table sets forth the trademarks of the main products we distributed in 2019:

Colas:
Coca-Cola
Coca-Cola Sin Azúcar
Coca-Cola Light

Flavored Sparkling Beverages:

Crush	*Kuat*	*Schweppes*
Fanta	*Mundet*	*Sprite*
Fresca	*Quatro*	*Yoli*

Still Beverages:

AdeS	*FUZE Tea*	*Leão*	*Santa Clara*
Cepita	*Hi-C*	*Monster*	*Valle Fresh*
Del Valle	*Kapo*	*Powerade*	*Valle Frut*

Water:

Alpina	*Brisa*	*Dasani*	*Topo chico*
Aquarius	*Ciel*	*Manantial*	
Bonaqua	*Crystal*	*Kin*	

Packaging

We produce, market, sell and distribute *Coca-Cola* trademark beverages in each of our territories in containers authorized by The Coca-Cola Company, which consist primarily of a variety of returnable and non-returnable presentations in the form of glass bottles, cans and plastic bottles mainly made of PET resin. We use the term presentation to refer to the packaging unit in which we sell our products. Presentation sizes for our *Coca-Cola* trademark beverages range from a 6.5-ounce personal size to a 3-liter multiple serving size. For all of our products excluding water, we consider a multiple serving size as equal to, or larger than, 1.0 liter. In general, personal sizes have a higher price per unit case as compared to multiple serving sizes. We offer both returnable and non-returnable presentations, which allow us to offer portfolio alternatives based on convenience and affordability to implement revenue management strategies and to target specific distribution channels and population segments in our territories. In addition, we sell some *Coca-Cola* trademark beverage syrups in containers designed for soda fountain use, which we refer to as fountain. We also sell bottled water products in bulk sizes, which refer to presentations equal to or larger than 5.0 liters and up to 20.0 liters, which have a much lower average price per unit case than our other beverage products.

Sales Volume and Transactions Overview

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

The following table illustrates our historical sales volume and number of transactions for each of our consolidated reporting segments, as well as our unit case and transaction mix by category.

	Sales Volume[1]		Transactions[1]	
	2019	2018	2019	2018
	(Million of unit cases or millions of single units, except percentages)			
Mexico	1,838.3	1,850.2	9,584.6	9,728.2
Central America[2]	236.9	214.7	1,945.0	1,779.3
Mexico & Central America	**2,075.3**	**2,065.0**	**11,529.6**	**11,507.5**
Growth	0.5%	2.3%	0.2%	2.5%
Colombia	265.5	271.4	1,967.9	2,060.3
Brazil[3]	846.5	787.4	5,726.2	5,125.4
Argentina	139.3	175.3	782.9	920.1
Uruguay [4]	42.4	22.7	214.0	112.4
South America	**1,293.6**	**1,256.8**	**8,691.0**	**8,218.2**
Growth[6]	2.9%	1.7%	5.8%	3.7%
Total	**3,368.9**	**3,321.8**	20,220.6	**19,725.7**
Growth[6]	1.4%	0.1%	2.5%	0.7%

The following table illustrates the multiple serving presentations and returnable packaging for sparkling beverages volume:

	Multiple Serving Presentations[1]		Returnable packaging[1]	
	2019	2018	2019	2018
Mexico	66.2%	66.4%	38.0%	35.8%
Central America[2]	49.3%	52.1%	41.4%	43.7%
Colombia	74.6%	71.4%	31.3%	35.2%
Brazil[3]	79.3%	77.5%	18.5%	18.1%
Argentina	78.7%	80.3%	27.5%	25.9%
Uruguay[4]	81.5%	82.5%	23.6%	23.7%
Total	69.9%	69.6%	31.8%	31.0%

The following table illustrates our historical sales volume and number of transactions performance by category for each of our operations and our reporting segments for 2019 as compared to 2018:

	Year Ended December 31, 2019				
	Sparkling	Stills	Water	Bulk	Total
Sales Volume Growth[1]					
Mexico	(0.2)%	(1.7)%	(7.9)%	0.5%	(0.6)%
Central America[2]	11.8%	(0.9)%	8.4%	(4.1)%	10.3%
Mexico and Central America	1.2%	(1.6)%	(6.3)%	0.5%	0.5%
Colombia	(0.5)%	(17.4)%	(5.3)%	(2.4)%	(2.2)%
Brazil[3]	6.7%	17.1%	10.1%	6.5%	7.5%
Argentina	(21.0)%	(21.4)%	(18.0)%	(16.3)%	(20.6)%
Uruguay[4]	86.1%	9.5%	116.9%	—	87.1%
South America	3.2%	2.6%	2.2%	(2.3)%	2.9%
Total	2.0%	(0.2)%	(2.5)%	(0.2)%	1.4%
Number of Transactions Growth[1]					
Mexico	(0.6)%	(4.4)%	(6.9)%	—	(1.5)%
Central America[2]	10.1%	(4.5)%	45.3%	—	9.3%
Mexico and Central America	1.0%	(4.5)%	(2.9)%	—	0.2%
Colombia	(1.8)%	(18.4)%	(8.2)%	—	(4.5)%
Brazil[3]	11.6%	11.6%	12.8%	—	11.7%
Argentina	(15.4)%	(16.9)%	(9.1)%	—	(14.9)%
Uruguay[4]	87.7%	208.6%	109.3%		90.4%
South America	6.7%	1.1%	2.4%	—	5.8%
Total	3.4%	(2.3)%	(0.1)%	—	2.5%

The following table illustrates our unit case mix by category for each of our operations and our consolidated reporting segments for 2019:

	Sparkling Beverages		Stills		Water[5]	
	Years Ended December 31,					
	2019	2018	2019	2018	2019	2018
Unit Case Mix by Category						
Mexico	73.2%	72.9%	6.4%	6.5%	20.4%	20.6%
Central America[2]	86.1%	85.0%	8.6%	9.6%	5.3%	5.4%
Mexico and Central America	**74.7%**	**74.2%**	**6.6%**	**6.8%**	**18.7%**	**19.1%**
Colombia	77.8%	76.5%	5.5%	6.5%	16.7%	17.1%
Brazil[3]	86.8%	87.5%	6.1%	5.6%	7.1%	6.9%
Argentina	80.0%	80.4%	7.0%	7.1%	13.0%	12.6%
Uruguay[4]	91.1%	91.6%	0.9%	1.5%	8.0%	6.9%
South America	**84.4%**	**84.2%**	**5.9%**	**5.9%**	**9.7%**	**9.9%**
Total[1]	78.4%	78.0%	6.4%	6.5%	15.2%	15.6%

(1) Our sales volume and number of transactions for 2018 exclude the sales volume and transactions of KOF Philippines and KOF Venezuela.
(2) Includes sales volume and transactions from Guatemala (including the operations of ABASA and Los Volcanes from May 2018), Nicaragua, Costa Rica and Panama.
(3) Excludes beer sales volume and transactions.
(4) Includes sales volume and transactions of Monresa from July 2018.
(5) Includes bulk water volume and transactions.
(6) Our total sales volume and total number of transactions for 2017 included KOF Venezuela.

Seasonality

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

Marketing

We, in conjunction with The Coca-Cola Company, have developed a marketing strategy to promote the sale and consumption of our products. We rely extensively on advertising, sales promotions and retailer support programs to target the particular preferences of our consumers. Our consolidated marketing expenses in 2019 were Ps.6,748 million, net of Ps.2,274 million contributed by The Coca-Cola Company.

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

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

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

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

Multi-Segmentation. We have implemented a multi-segmentation strategy in all of our markets. These strategies consist of the definition of a strategic market cluster or group and the implementation and assignment of different product/price/package portfolios and service models to such market cluster or group. These clusters are defined based on consumption occasion, competitive environment, income level, and types of distribution channels.

Product Sales and Distribution

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

	As of December 31, 2019	
	Mexico and Central America(1)	South America(2)
Distribution centers	196	72
Retailers	1,043,837	884,427

(1) Includes Mexico, Guatemala, Nicaragua, Costa Rica and Panama.
(2) Includes Colombia, Brazil, Argentina and Uruguay.

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

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

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

As a result of the COVID-19 outbreak, we are reinforcing our presence in digital sales channels, such as food aggregators, digital platforms and telemarketing, in an effort to safeguard the health of our workforce and business partners. This reinforcement is aligned with our overall digitization and omnichannel strategies.

In 2019, no single customer accounted for more than 10.0% of our consolidated total sales.

Our distribution centers range from large warehousing facilities to small cross-docking facilities. In addition to our fleet of trucks, we distribute our products in certain locations through electric carts and hand-trucks in order to comply with local environmental and traffic regulations. In some of our territories, we rely on third parties to transport our finished products from our bottling plants to our distribution centers and, in some cases, directly to our customers.

Mexico. We contract with a subsidiary of FEMSA, Solistica, S.A. de C.V., for the transportation of finished products from our bottling plants to our distribution centers in Mexico. **See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions."** From the distribution centers, we distribute our finished products to retailers mainly through our own fleet of trucks. In designated areas in Mexico, third-party distributors deliver our products to retailers and consumers, allowing us to access these areas on a cost-effective basis.

In Mexico, we sell a majority of our beverages at small retail stores to consumers who may take the beverages for consumption at home or elsewhere. We also sell products through modern distribution channels, the "on-premise" consumption segment, home delivery, supermarkets and other locations. Modern distribution channels include large and organized chain retail outlets such as wholesale supermarkets, discount stores and convenience stores that sell fast-moving consumer goods, where retailers can buy large volumes of products from various producers. The "on-premise" consumption segment consists of sales through points-of-sale where products are consumed at the establishment from which they were purchased. This includes retailers such as restaurants and bars as well as stadiums, auditoriums and theaters.

Brazil. In Brazil, we distribute our finished products to retailers through a combination of our own fleet of trucks and third party distributors, while maintaining control over the selling activities. In designated zones in Brazil, third-party distributors purchase our products and resell them to retailers. In Brazil, we sell a majority of our beverages at small retail stores. We also sell products through modern distribution channels and "on-premise" consumption. The "on-premise" consumption segment consists of sales through points-of-sale where products are consumed at the establishment from which they were purchased. This includes retailers such as restaurants and bars as well as stadiums, auditoriums and theaters. Modern distribution channels in Brazil include large and organized chain retail outlets such as wholesale supermarkets and discount stores that sell fast-moving consumer goods.

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

In the weeks leading up to the date of this report, a larger proportion of our sales have been made through modern distribution channels in all of our territories, as the imposition of measures and regulations aimed at containing the COVID-19 outbreak have tilted consumer preferences towards these channels.

Principal Competitors

We are leaders in the beverage market, being the largest franchise bottler of *Coca-Cola* trademarks in the world by sales volume. During 2019, we produced and sold 11.1 % of the Coca-Cola system's volume worldwide.

The characteristics of our territories are very diverse. Central Mexico and our territories in Argentina are densely populated and have a large number of competing beverage brands as compared to the rest of our territories. Our territories in Brazil are densely populated but have lower consumption of beverage products as compared to Mexico. Uruguay has a high per capita consumption and low population density. Portions of southern Mexico, Central America and Colombia are large and mountainous areas with low population density, low per capita income and low consumption of beverages.

Our principal competitors are local Pepsi bottlers and other bottlers and distributors of local beverage brands. We also face competition in many of our territories from producers of low price beverages, commonly referred to as "B brands." A number of our competitors in Central America, Brazil, Argentina and Colombia offer beer in addition to sparkling beverages, still beverages and water, which may enable them to achieve distribution efficiencies.

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

Mexico and Central America. Our principal competitors in Mexico are bottlers of *Pepsi* products. We compete with Organización Cultiba, S.A.B. de C.V., a joint venture formed by Grupo Embotelladoras Unidas, S.A.B. de C.V., the former *Pepsi* bottler in central and southeast Mexico, a subsidiary of PepsiCo and Empresas Polar, S.A., a beer distributor and *Pepsi* bottler. Our main competition in the juice category in Mexico is Grupo Jumex. In the water category, our main competitor is *Bonafont*, a water brand owned by Danone. In addition, we compete with Cadbury Schweppes in sparkling beverages and with other local brands in our Mexican territories, as well as "B brand" producers, such as Ajemex, S.A. de C.V. (*Big Cola* bottler) and Consorcio AGA, S.A. de C.V. (*Red Cola* bottler), that offer various presentations of sparkling and still beverages.

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

South America. Our principal competitor in Colombia is Postobón, a local bottler (*Manzana Postobón* and *Colombiana* bottler). Postobón sells *Pepsi* products and is a vertically integrated producer, the owners of which hold other significant commercial and industrial interests in Colombia. We also compete with low-price producers, such as Ajecolombia S.A., the producers of *Big Cola*, which principally offer multiple serving size presentations in the sparkling and still beverage industry.

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

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

In Uruguay, our main competitor is *Salus*, a water brand owned by Danone. We also compete against Fábricas Nacionales de Cerveza S.A. (FNC), a *Pepsi* bottler and distributor that is partially owned by Argentina's principal brewery, Quilmes Industrial S.A., and indirectly controlled by AmBev. In addition, we compete with low-priced regional producers, as well as many other generic and imported products.

Raw Materials

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

In the past, The Coca-Cola Company has increased concentrate prices for Coca-Cola trademark beverages in some of the countries where we operate. For example, The Coca-Cola Company (i) gradually increased concentrate prices for certain *Coca-Cola* trademark beverages in Costa Rica and Panama beginning in 2014 and through 2018; (ii) gradually increased concentrate prices for flavored water in Mexico beginning in 2015 and through 2018; (iii) increased concentrate prices for certain *Coca-Cola* trademark beverages in Colombia in 2016 and 2017; and (iv) began to gradually increase concentrate prices for certain *Coca-Cola* trademark beverages in Mexico beginning in 2017 and through 2019. The Coca-Cola Company may continue to unilaterally increase concentrate prices in the future, and we may not be successful in negotiating or implementing measures to mitigate the negative effect this may have in the prices of our products or our results. **See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Cooperation Framework with The Coca-Cola Company."**

In addition to concentrate, we purchase sweeteners, carbon dioxide, PET resin and preforms to make plastic bottles, finished plastic and glass bottles, cans, caps and fountain containers, as well as other packaging materials and raw materials. Our bottler agreements provide that these materials may be purchased only from suppliers approved by The Coca-Cola Company. Prices for certain raw materials, including those used in the bottling of our products, mainly PET resin, finished plastic bottles, aluminum cans, HFCS and certain sweeteners, are paid in or determined with reference to the U.S. dollar, and therefore local prices in a particular country may increase based on changes in the applicable exchange rates. Our most significant packaging raw material costs arise from the purchase of PET resin, the price of which is related to crude oil prices and global PET resin supply. The average price that we paid for PET resin in U.S. dollars in 2019 decreased 4.7% as compared to 2018 in all our territories. In addition, given that high currency volatility has affected and continues to affect most of our territories, the average price for PET resin in local currencies was lower in 2019 in Mexico, Colombia and Brazil and higher in Argentina. In 2019, we purchased certain raw materials in advance, implemented a price fixing strategy and entered into certain derivative transactions, which helped us capture opportunities with respect to raw material costs and currency exchange rates.

Under our agreements with The Coca-Cola Company, we may use raw or refined sugar and HFCS in our products. Sugar prices in all of the countries where we operate, other than Brazil, are subject to local regulations and other barriers to market entry that, in certain countries, often cause us to pay for sugar in excess of international market prices. In recent years, international sugar prices experienced significant volatility. Across our territories, our average price for sugar in U.S. dollars, taking into account our financial hedging activities, decreased by approximately 11.0% in 2019 as compared to 2018; however, the average price for sugar in local currency was higher in Argentina and Colombia.

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

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

Mexico and Central America. In Mexico, we mainly purchase PET resin from Indorama Ventures Polymers México, S. de R.L. de C.V. and DAK Resinas Americas Mexico, S.A. de C.V., which Alpla México, S.A. de C.V., known as Alpla, and Envases Universales de México, S.A.P.I. de C.V. manufacture into non-returnable plastic bottles for us. Also, we have introduced into our business Asian global suppliers, such as Far Eastern New Century Corp., known as FENC and SFX – Jiangyin Xingyu New Material Co. Ltd., which support our PET resin strategy and are known as the top PET global suppliers.

We purchase all of our cans from Crown Envases México, S.A. de C.V., formerly known as Fábricas de Monterrey, S.A. de C.V., and Envases Universales de México, S.A.P.I. de C.V. We mainly purchase our glass bottles from Vitro America, S. de R.L. de C.V., FEVISA Industrial, S.A. de C.V., known as FEVISA, and Glass & Silice, S.A. de C.V.

We purchase sugar from, among other suppliers, PIASA, Beta San Miguel, S.A. de C.V. or Beta San Miguel, Ingenio La Gloria, S.A. and Impulsora Azucarera del Trópico, S.A. de C.V., all of them sugar cane producers. As of April 10, 2020, we held a 36.4% and 2.7% equity interest in PIASA and Beta San Miguel, respectively. We purchase HFCS from Ingredion México, S.A. de C.V. and Almidones Mexicanos, S.A. de C.V., known as Almex.

Sugar prices in Mexico are subject to local regulations and other barriers to market entry that often cause us to pay higher prices than those paid in the international market. As a result, prices in Mexico have no correlation to international market prices. In 2019, sugar prices in local currency in Mexico increased approximately 4.0% as compared to 2018.

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

South America. In Colombia, we use sugar as a sweetener in all of our caloric beverages, which we buy from several domestic sources. Sugar prices in Colombia remained flat in U.S. dollars and increased 11.0% in local currency, as compared to 2018. We purchase non-returnable plastic bottles from Amcor Rigid Plastics de Colombia, S.A. and Envases de Tocancipa S.A.S. (affiliate of Envases Universales de México, S.A.P.I. de C.V.). We have historically purchased all of our non-returnable glass bottles from O-I Peldar and other global suppliers in the Middle East. We purchase all of our cans from Crown Envases México, S.A. de C.V. and Crown Colombiana, S.A. Grupo Ardila Lulle (owners of our competitor Postobón) owns a minority equity interest in certain of our suppliers, including O-I Peldar and Crown Colombiana, S.A.

In Brazil, we also use sugar as a sweetener in all of our caloric beverages. Sugar is available at local market prices, which historically have been similar to international prices. Sugar prices in Brazil decreased approximately 9.0% in U.S. dollars and 1.0% in local currency as compared to 2018. Taking into account our financial hedging activities, our sugar prices in Brazil decreased approximately 8.3% in U.S. dollars. **See "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Commodity Price Risk."** We purchase non-returnable glass bottles, plastic bottles and cans from several domestic and international suppliers. We mainly purchase PET resin from local suppliers such as Indorama Ventures Polímeros S.A.

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

In Uruguay, we also use sugar as a sweetener in all of our caloric beverages, which is available at Brazil's local market prices. Sugar prices in Uruguay decreased approximately 8.0% in U.S. dollars and increased 5.8% in local currency as compared to 2018. Our main supplier of sugar is Nardini Agroindustrial Ltda., which is based in Brazil. We purchase PET resin from several Asian suppliers, such as SFX – Jiangyin Xingyu New Material Co. Ltd. and India Reliance Industry (a joint venture with DAK Resinas Americas Mexico, S.A. de C.V.), and we purchase non-returnable plastic bottles from global PET converters, such as Cristalpet S.A. (affiliate of Envases Universales de México, S.A.P.I. de C.V.).

REGULATION

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

Price Controls

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries where we operate. Currently, there are no price controls on our products in any of the territories where we operate, except for voluntary price restraints in Argentina, where authorities directly supervise certain of our products sold through supermarkets as a measure to control inflation. Any changes to applicable law affecting prices could have an adverse effect on our business. **See "Item 3. Key Information—Risk Factors—Risks Related to Our Company—Regulatory developments may adversely affect our business financial condition, results of operations and prospects."**

Taxation of Beverages

All the countries where we operate, except for Panama, impose value-added tax on the sale of sparkling beverages, with a rate of 16.0% in Mexico, 12.0% in Guatemala, 15.0% in Nicaragua, an average percentage of 15.9% in Costa Rica, 19.0% in Colombia, 21.0% in Argentina, 22.0% in Uruguay, and in Brazil 16.0% in the state of Parana, 17.0% in the states of Goias and Santa Catarina, 18.0% in the states of São Paulo, Minas Gerais and Rio de Janeiro, and 20.0% in the states of Mato Grosso do Sul and Rio Grande do Sul. The states of Rio de Janeiro, Minas Gerais and Parana also charge an additional 2.0% on sales as a contribution to a poverty eradication fund. In Brazil the value-added tax is grossed-up and added, along with federal sales tax, at the taxable basis. In addition, we are responsible for charging and collecting the value-added tax from each of our retailers in Brazil, based on average retail prices for each state where we operate, defined primarily through a survey conducted by the government of each state, which in 2019 represented to us an average taxation of approximately 17.6% over net sales.

Several of the countries where we operate impose excise or other taxes, as follows:

- Mexico imposes an excise tax of Ps.1.2616 per liter on the production, sale and import of beverages with added sugar and HFCS as of January 1, 2020 (until December 31, 2019 the excise tax was Ps.1.17 per liter). This excise tax is applied only to the first sale, and we are responsible for charging and collecting it. The excise tax will be subject to annual increases based on the previous year's inflation figures starting on January 1, 2021.

- Guatemala imposes an excise tax of 0.18 cents in local currency (Ps.0.44 as of December 31, 2019) per liter of sparkling beverage.

- Costa Rica imposes a specific tax on non-alcoholic carbonated bottled beverages based on the combination of packaging and flavor, currently assessed at 19.44 colones (Ps.0.64 as of December 31, 2019) per 250 ml, and an excise tax currently assessed at 6.783 colones (approximately Ps.0.22 as of December 31, 2019) per 250 ml.

- Since January 1, 2020, Nicaragua imposes a 13.0% tax on beverages, except for water (before March 1, 2019, the excise tax was 9.0% and from March 1, 2019 to December 31, 2019 the excise tax was 11.0%), and municipalities impose a 1.0% tax on our Nicaraguan gross income.

- Until November 17, 2019, Panama imposed an excise tax of 5.0% on carbonated beverages and imported non-carbonated beverages and a 10.0% selective consumption tax on syrups, powders and concentrate used to produce sugary drinks. On November 18, 2019, Panama replaced such excise tax with an excise tax of 7.0% on carbonated beverages with more than 7.5 grams of sugar or any caloric sweetener per 100 ml, and a 10.0% tax on syrups, powders and concentrate used to produce sugary drinks. Since January 1, 2020, Panama imposes an excise tax of 5.0% on non-carbonated beverages with more than 7.5 grams of sugar or any caloric sweetener per 100 ml, whether imported or produced locally. Beverages derived from dairy products, grains or cereals, nectars, fruit juices and vegetables with natural fruit concentrates are exempt from this tax.

- Argentina imposes an excise tax of 8.7% on sparkling beverages containing less than 5.0% lemon juice or less than 10.0% fruit juice, and an excise tax of 4.2% on sparkling water and flavored sparkling beverages with 10.0% or more fruit juice, although this excise tax is not applicable to some of our products.
- Brazil assesses an average production tax of approximately 4.2% and an average sales tax of approximately 12.1% over net sales. Except for sales to wholesalers, this production and sales taxes apply only to the first sale, and we are responsible for charging and collecting these taxes from each of our retailers. For sales to wholesalers, they are entitled to recover the sales tax and charge this tax again upon the resale of our products to retailers.

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

- Uruguay imposes an excise tax of 19.0% on sparkling beverages, an excise tax of 12.0% on beverages containing less than 5.0% lemon juice or less than 10.0% fruit juice, and an excise tax of 8.0% on sparkling water and still water.

Tax Reforms

The Brazilian federal production tax rates and federal sales tax rates increased in 2017 and 2018 and remained flat in 2019. In early 2017, the Supreme Court decided that the value-added tax would not be used as the basis for calculating the federal sales tax, resulting in a reduction of the federal sales tax. The Brazilian tax authorities have appealed the Supreme Court's decision and such appeal is in process. However, our Brazilian subsidiaries commenced legal proceedings to ascertain their ability to calculate federal sales tax without using the value-added tax as a basis, in accordance with the Supreme Court's ruling, and obtained a final favorable resolution in 2019. In 2019, the federal production and sales taxes together resulted in an average of 16.3% tax over net sales.

In recent years, the excise tax rate on concentrate in Brazil has undergone recurrent temporary fluctuations. The excise tax rate was reduced from 20.0% to 4.0% from September 1, 2018 to December 31, 2018, was increased from 4.0% to 12.0% from January 1, 2019 to June 30, 2019, was reduced to 8.0% from July 1, 2019 to September 30, 2019 and was increased to 10.0% from October 1, 2019 to December 31, 2019. The excise tax rate was reduced to 4.0% from January 1, 2020 to May 31, 2020, will increase to 8.0% from June 1, 2020 to November 30, 2020 and will be reduced again to 4.0% on December 1, 2020. The tax credit that we may recognize in our Brazilian operations in connection with purchases of concentrate in the Manaus Free Trade Zone will be affected accordingly.

On January 1, 2018, a tax reform became effective in Argentina. This reform reduced the income tax rate from 35.0% to 30.0% for 2018 and 2019, and then to 25.0% for the following years. In addition, such reform imposed a new tax on dividends paid to non-resident stockholders and resident individuals at a rate of 7.0% for 2018 and 2019, and then to 13.0% for the following years. The tax reform decreased the sales tax rate in the province of Buenos Aires from 1.75% to 1.5% in 2018. However, the reform increased the sales tax rate in the City of Buenos Aires from 1.0% to 2.0% in 2018, and scheduled a reduction to 1.5% in 2019, to 1.0% in 2020, to 0.5% in 2021 and to 0.0% in 2022. Nonetheless, the Argentine government issued an executive decree with an order to maintain the sales taxes rate in the City of Buenos Aires at a rate of 1.5% through 2020, without ruling on whether the scheduled reductions for 2021 and 2022 will occur.

On December 23, 2019, Argentina enacted a new tax reform that became effective as of January 1, 2020. This reform maintained the income tax at a rate of 30.0% and the withholding tax on dividends paid to non-resident stockholders and resident individuals at a rate of 7.0% for two more years. In addition, beginning on January 1, 2020, taxpayers may deduct 100.0% of the negative or positive inflation adjustment annually, instead of deducting such inflation adjustment through a period of six years.

On January 1, 2019, the Mexican government eliminated the right to offset any tax credit against any payable tax (universal offset or *compensación universal*). Effective as of such date, tax credits were only offset against taxes of the same nature, and it is not possible to offset tax credits against taxes withheld to third parties.

On January 1, 2020, a tax reform became effective in Mexico. The most relevant changes are: (i) a limitation on taxpayers' annual net interest expense deduction equal to 30.0% of the taxpayer's adjusted taxable income (comparable to EBITDA), provided that (x) any interest expenses of a company below Ps.20 million (approximately US$1 million) are not subject to the rule and can therefore be deducted in their entirety and (y) any deductible interest that is not allowed to be deducted in a given year because of the 30.0% limit, may be carried forward for the subsequent 10 years; (ii) stringent rules to categorize certain foreign income and foreign subsidiaries that are subject to low levels of taxation as subject to Mexican income tax; (iii) an inflation-related increase in the excise tax applicable to the production, sale and import of beverages with added sugar and HFCS from Ps.1.17 to Ps.1.2616 per liter, which excise tax will be subject to an annual increase based on the previous year's inflation figures starting on January 1, 2021; (iv) an expansion of the definition of "energy drink" to apply an excise tax of 25.0% on beverages that include a mix of caffeine and any other stimulants; and (v) a modification of the Mexican Federal Tax Code to (a) increase the number of events that may trigger the joint and several liability of partners, shareholders, directors, managers or any other person responsible for the management of a business, (b) add a new disclosure obligation of certain reportable transactions to tax authorities, and (c) increase the tax authorities' discretion to limit tax benefits or attributes in situations where authorities believe the tax benefit, rather than a business reason or an alternative economic benefit, is the primary factor behind a transaction or legal structure.

On January 1, 2019, a new tax reform became effective in Colombia. This reform reduced the previous income tax rate of 33.0% for 2019 to 32.0% for 2020, to 31.0% for 2021 and to 30.0% for 2022. The minimum assumed income tax (*renta presuntiva sobre el patrimonio*) was also reduced from 3.5% for 2018 to 1.5% for 2019 and 2020, and to 0.0% for 2021. In addition, the thin capitalization ratio was adjusted from 3:1 to 2:1, and was modified to apply only to transactions between related parties. Commencing on January 1, 2019, value-added tax, which was applied only to the first sale in the supply chain prior to December 31, 2018, began to be applied and transferred throughout the entire supply chain, which in our case results in charging value-added tax on the sales price of our finished goods (applicable to our Colombian subsidiary located in the free trade zone). For companies located in free trade zones, the value-added tax is charged on the cost of imported raw materials of national and foreign origin, which we are able to credit against the value-added tax on the sales price of our products. The municipality sales tax is 50.0% deductible against payable income tax in 2019 and will be 100.0% deductible in 2020. Finally, the value-added tax paid on acquired fixed assets will be credited against income tax or the minimum assumed income tax. Additionally, this tax reform increased the tax rate on dividends paid to foreign individuals and non-resident entities from 5.0% to 7.5%. The tax reform also imposed a tax rate of 7.5% on dividends paid to Colombian companies. This tax is charged only on the first distribution of dividends from one Colombian corporate entity to another, and a credit resulting from the tax withholding is carried forward until a Colombian company makes a distribution to a shareholder that is an individual residing in Colombia or a non-resident individual or entity.

In October 2019, the Colombian courts declared the tax reform that became effective on January 1, 2019 unconstitutional. On December 27, 2019, the Colombian government enacted a new tax reform, which became effective on January 1, 2020. In general, the reform maintained the provisions introduced on the previous tax reform and included some additional changes, as follows: (i) the minimum assumed income tax rate (*renta presuntiva sobre el patrimonio*) was reduced from 1.5% to 0.5% for 2020 and reduced to 0.0% for the year 2021 and beyond; (ii) the tax rate on dividends paid to Colombian resident individuals was reduced from 15.0% to 10.0%; (iii) the tax rate on dividends paid to foreign individuals and non-resident entities was increased from 7.5% to 10.0%; (iv) the possibility to deduct 100.0% of the municipality sales tax against payable income tax was postponed to 2022; and (v) taxpayers were granted more flexibility to credit or recover the value-added tax of imported goods from free trade zones.

On July 1, 2019, a tax reform became effective in Costa Rica. This reform allowed tax credits on sales taxes to be recorded on goods, administrative services and general expenses. The value-added tax rate of 13.0% on services provided within Costa Rica now applies to both domestic and foreign service providers. Capital gains taxes are now imposed at a rate of 15.0% on sales of assets located in Costa Rica. New income tax withholding rates are now imposed on salaries and other employee benefits at the rates of 25.0% and 20.0%, depending on the salary bracket. Finally, a new thin capitalization rule provides that interest expenses paid to entities other than members of the Costa Rican financial system that exceed 20.0% of a company's EBITDA are not deductible for income tax purposes.

Until November 17, 2019, Panama imposed an excise tax of 5.0% on carbonated beverages and imported non-carbonated beverages and a 10.0% selective consumption tax on syrups, powders and concentrate used to produce sugary drinks. On November 18, 2019, Panama replaced such excise tax with an excise tax of 7.0% on carbonated beverages with more than 7.5 grams of sugar or any caloric sweetener per 100 ml, and a 10.0% tax on syrups, powders and concentrate used to produce sugary drinks. As of January 1, 2020, Panama imposes an excise tax of 5.0% on non-carbonated beverages with more than 7.5 grams of sugar or any caloric sweetener per 100 ml, whether imported or produced locally. Beverages derived from dairy products, grains or cereals, nectars, fruit juices and vegetables with natural fruit concentrates are exempt from this tax. On March 1, 2019, a tax reform became effective in Nicaragua, increasing the excise tax for all beverages (except for water) from 9.0% to 11.0%; to 13.0% on January 1, 2020; and to 15.0% starting on January 1, 2021. Besides, starting on March 1, 2019, the minimum alternative income tax increased from 1.0% to 3.0%.

Water Supply

As a beverage bottler, efficient water management is essential to our business and our communities. As a result, we are committed to improve our overall water use ratio to 1.5 liters of water per liter of beverage produced by 2020. In 2019, we used 1.52 liters of water per liter of beverage produced. In addition, our goal is to reduce our water consumption and to return to the environment and our communities the same amount of water used to produce our beverages by 2020. All our bottling plants have their own or have contracted services for waste water treatment to ensure the quality of the waste water discharge.

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

In addition, the 1992 Water Law provides that plants located in Mexico must pay a fee either to the local governments for the discharge of residual waste water to drainage or to the federal government for the discharge of residual waste water into rivers, oceans or lakes. Pursuant to this law, certain local and federal authorities test the quality of the waste water discharge and charge plants an additional fee for measurements that exceed certain standards published by the National Water Commission. In the case of non-compliance with the law, penalties, including closures, may be imposed. All of our bottling plants located in Mexico meet these standards. **See "—Description of Property, Plant and Equipment."**

In Brazil, we obtain water and mineral water from wells pursuant to concessions granted by the Brazilian government for each bottling plant. According to the Brazilian Constitution and the National Water Resources Policy, water is considered an asset of common use and can only be exploited for the national interest by Brazilians or companies formed under Brazilian law. Concessionaires and users can be held responsible for any damage to the environment. The exploitation and use of mineral water is regulated by the Code of Mining, Decree Law No. 227/67 (*Código de Mineração*), the Mineral Water Code, Decree Law No. 7841/1945 (*Código de Águas Minerais*), the National Water Resources Policy, Decree No. 24.643/1934 and Law No. 9433/97 and by regulations issued thereunder. The companies that exploit water are supervised by the National Mining Agency (*Agência Nacional de Mineração* —ANM) and the National Water Agency (*Agência Nacional de Águas*) in connection with federal health agencies, as well as state and municipal authorities. In the Jundiai, Marilia, Curitiba, Maringa, Porto Alegre, Antonio Carlos and Itabirito bottling plants, we do not exploit spring water.

In Colombia, in addition to natural spring water for *Manantial*, we obtain water directly from wells and from utility companies. We are required to have a specific concession to exploit water from natural sources. Water use in Colombia is regulated by Decree No. 1076 of 2015. In addition, Decree No. 303 of 2012 requires us to apply for water concessions and for authorization to discharge our water into public waterways. The Ministry of Environment and Sustainable Development and Regional Autonomous Corporations supervises companies that use water as a raw material for their businesses. Furthermore, in Colombia, Law No. 142 of 1994 provides that public sewer services are charged based on volume (usage). The Water and Sewerage Company of the City of Bogota has interpreted this rule to be the volume of water captured, and not the volume of water discharged by users.

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

In Uruguay, we acquire water from the local water system, which is managed by the Organism of Sanitary Works (*Obras Sanitarias del Estado*). Additionally, we are required by the Uruguayan federal government to discharge all of our water excess to the sanitation system for recollection.

In Nicaragua, the use of water is regulated by the National Water Law (*Ley General de Aguas Nacionales*), and we obtain water directly from wells. In November 2017, we obtained a permit to increase our monthly amount of water used for production in Nicaragua and renewed our concession for the exploitation of wells for five more years, extending the expiration date to 2022. In Costa Rica, the use of water is regulated by the Water Law (*Ley de Aguas*). In both of these countries, we exploit water from wells granted to us through governmental concessions. In Guatemala, no license or permits are required to exploit water from the private wells in our own bottling plants. In Panama, we acquire water from a state water company, and the use of water is regulated by the Panama Use of Water Regulation (*Reglamento de Uso de Aguas de Panamá*).

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

Environmental Matters

We have internal environmental policies and procedures that intend to identify, address and minimize environmental risks, as well as to implement appropriate strategies for the use of clean and renewable energy, efficient use of water and waste management throughout the value chain of all of our operations. We have programs that seek to reduce energy consumption and diversify our portfolio of clean and renewable energy sources in order to reduce greenhouse gas emissions and contribute to the fight against climate change. In addition, we establish short-, medium-, and long-term goals and indicators for the use, management and confinement of energy, air emissions, water discharges, solid waste and disposal of hazardous materials.

During 2019, 70.7% of our total energy requirements were obtained from clean energy sources. Additionally, as part of our waste management strategies, in 2019, 23.7% of our PET resin packaging was comprised of recycled materials and we recycled 95.7% of the total waste generated.

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

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

In our Mexican operations, we established a partnership with The Coca-Cola Company and Alpla, our supplier of plastic bottles in Mexico, to create Industria Mexicana de Reciclaje (IMER), a PET recycling facility located in Toluca, Mexico. In 2019, this facility recycled 11,909 tons of PET resin. We have also continued contributing funds to ECOCE, A.C., a nationwide collector of containers and packaging materials. In 2019, ECOCE collected 56.0% of the total PET resin waste in Mexico.

All of our bottling plants located in Mexico have received a Certificate of Clean Industry (*Certificado de Industria Limpia*).

Our Central American operations are subject to several federal and state laws and regulations related to the protection of the environment and the disposal of hazardous and toxic materials, as well as water usage. Our Costa Rican operations have participated in a joint effort along with the local division of The Coca-Cola Company, Misión Planeta, for the collection and recycling of non-returnable plastic bottles. In Guatemala, we joined the Foundation for Water (*Fundación para el Agua*), through which we have direct participation in several projects related to the sustainable use of water. Our bottling plants in Central America are certified for ISO 14001.

Our Colombian operations are subject to several Colombian federal and state laws and regulations related to the protection of the environment and the disposal of treated water and hazardous materials. These laws include the control of atmospheric emissions, noise emissions, disposal of treated water and strict limitations on the use of chlorofluorocarbons. In addition, on February 6, 2012, Colombia promulgated Decree No. 303, which requires us to apply for an authorization to discharge our water into authorized waterways. We are engaged in nationwide reforestation programs and campaigns for the collection and recycling of glass and plastic bottles, among other programs with positive environmental impacts. We have also obtained and maintained the ISO 9001, ISO 14001, OHSAS 18001, FSSC 22000 and PAS 220 certifications for our bottling plants located in Medellin, Cali, Bogota, Barranquilla, Bucaramanga and La Calera, as recognition for the highest quality and food harmlessness in our production processes, which is evidence of our strict level of compliance with relevant Colombian regulations. Our bottling plant located in Tocancipa obtained the Leadership in Energy and Environmental Design (LEED 2009) certification in April 2017, as well as the ISO 9001, ISO 14001, OHSAS 18001, FSSC 22000 and PAS 220 certifications.

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

Our bottling plant located in Jundiai has been recognized by the Brazilian authorities for its compliance with environmental regulations and for having standards well above those imposed by applicable law. This bottling plant has been certified for GAO-Q and GAO-E. In 2017, the Itabirito bottling plant was certified for ISO 9001 and the Leadership in Energy and Environmental Design, which is a globally recognized certification of sustainability achievement. In addition, the bottling plants of Jundiai, Mogi das Cruzes, Campo Grande, Marilia, Maringa, Curitiba and Bauru have been certified for (i) ISO 9001; (ii) ISO 14001 and; (iii) norm OHSAS 18001. The Jundiai, Campo Grande, Bauru, Marilia, Curitiba, Maringa, Porto Alegre, Antonio Carlos and Mogi das Cruzes bottling plants are certified in standard FSSC 22000. Mogi das Cruzes bottling plant has also obtained the ISO 50001 (Energy Management System) certification.

In May 2008, a municipal regulation of the City of São Paulo, implemented pursuant to Law 13.316/2002, came into effect requiring us to collect for recycling a specified annual percentage of plastic bottles made from PET resin sold in the City of São Paulo. Since May 2011, we are required to collect 90.0% of PET resin bottles sold. Currently, we are not able to collect the entire required volume of PET resin bottles we sell in the City of São Paulo. Since we do not meet the requirements of this regulation, which we believe to be more onerous than those imposed by the countries with the highest recycling standards, we could be fined and be subject to other sanctions, such as the suspension of operations in any of our bottling plants and/or distribution centers located in the City of São Paulo. In May 2008, when this law came into effect, we and other bottlers in the City of São Paulo, through the Brazilian Soft Drink and Non-Alcoholic Beverage Association, or ABIR (*Associação Brasileira das Indústrias de Refrigerantes e de Bebidas Não-alcoólicas*), filed a motion requesting a court to overturn this regulation due to the impossibility of compliance. In November 2009, in response to a request by a municipal authority to provide evidence of the destination of the PET resin bottles sold in São Paulo, we filed a motion presenting all of our recycling programs and requesting a more reasonable timeline to comply with the requirements imposed. In October 2010, the municipal authority of São Paulo levied a fine on our Brazilian operating subsidiary of 250,000 Brazilian reais (Ps.1.2 million as of December 31, 2019) on the grounds that the report submitted by our Brazilian operating subsidiary did not comply with the 75.0% proper disposal requirement for the period from May 2008 to May 2010. We filed, through an administrative procedure, an appeal against this fine, which was denied by the municipal authority in May 2013. This resolution by the municipal authority is final and not subject to appeal. However, in July 2012, the State Appellate Court of São Paulo rendered a decision on an interlocutory appeal filed on behalf of ABIR staying the requirement to pay the fines and other sanctions imposed on ABIR's associated companies, including our Brazilian subsidiary, pending the final resolution of the appeal. We are still awaiting the final resolution of the appeal filed on behalf of ABIR. In November 2016, the municipal authority filed a tax enforcement claim against our Brazilian subsidiary in order to try to collect the fine imposed in October 2010. In February 2017, we filed a motion for a stay of execution against the collection of the fine based on the decision rendered by the State Appellate Court of São Paulo in July 2012. We cannot assure you that these measures will have the desired effect or that we will prevail in any judicial challenge that our Brazilian subsidiary may pursue.

In August 2010, Law No. 12.305/2010 was enacted, establishing the Brazilian National Solid Waste Policy to regulate the recycling and correct management of solid waste, which policy is regulated by Federal Decree No. 7.404/2010. The Brazilian National Solid Waste Policy is based on the principle of shared responsibility between the government, companies and consumers; it provides for the post-consumption return of products and requires public authorities to implement waste management programs. In order to comply with the Brazilian National Solid Waste Policy, in December 2012, an agreement proposal was created by almost 30 associations involved in the packaging sector, including ABIR in its capacity as representative for The Coca-Cola Company, our Brazilian subsidiary and other bottlers, and was provided to the Ministry of the Environment. The agreement proposed the creation of a "coalition" to implement systems for packaging waste reverse logistics. The proposal described strategies for sustainable development and the improvement of the management of solid waste to increase recycling rates and decrease incorrect disposal. The Ministry of Environment approved and signed this agreement in November 2015. Notwithstanding the signing of this agreement, in August 2016, the public prosecutor's office of the state of São Paulo filed a class action against the parties that signed the agreement, challenging the validity of certain terms of the agreement and the effectiveness of the mandatory measures to be taken by the companies of the packaging sector to comply with the Brazilian National Solid Waste Policy. In addition, the public prosecutor's office of the state of Mato Grosso do Sul filed several class actions against the parties that signed the agreement, requiring the payment of certain dues in exchange for the state's provision of selective waste management services. Due to the large number of class actions involving the same parties, same cause of action and same pleas, a motion for resolution of repetitive claims was filed with the purpose of suspending all the class actions until the motion is resolved, and the competent court is appointed. ABIR and other associations are leading the defense.

Our Argentine operations are subject to federal and municipal laws and regulations relating to the protection of the environment. The most significant of these are regulations concerning waste management, which is regulated by federal Law 24.051 and Law 9111/78, and waste water discharge. Such regulations are enforced by the Ministry of Natural Resources and Sustainable Development (*Secretaría de Ambiente y Desarrollo Sustentable*) and the Provincial Organization for Sustainable Development (*Organismo Provincial para el Desarrollo Sostenible*) for the province of Buenos Aires. Our Alcorta bottling plant is in compliance with environmental standards and we have been, and continue to be, certified for ISO 14001:2004 for the bottling plants and operative units in Buenos Aires.

In Uruguay, we are subject to laws and regulations relating to the protection of the environment, including regulations concerning waste management and waste water discharge and disposal of hazardous and toxic materials, among others. We own a water treatment plant to reuse water in certain processes. We have established a program for recycling solid wastes and are currently certified for ISO 14001:2015 for our bottling plant in Montevideo and for our distribution center in Paysandú.

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

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

Other Regulations

In June 2014, the Brazilian government enacted Law No. 12,997 (Law of Motorcycle Drivers), which requires employers to pay a premium of 30.0% of the base salary to all employees that are required to drive a motorcycle to perform their job duties. This premium became enforceable in October 2014, when the related rules and regulations were issued by the Ministry of Labor and Employment. We believe that these rules and regulations (Decree No. 1.565/2014) were unduly issued because such Ministry did not comply with all the requirements of applicable law (Decree No. 1.127/2003). In November 2014, our Brazilian subsidiary, in conjunction with other bottlers of the Coca-Cola system in Brazil and through the ABIR, filed a claim before the Federal Court to stay the effects of such decree. ABIR's associated companies, including our Brazilian subsidiary, were granted a preliminary injunction staying the effects of the decree and exempting us from paying the premium. The Ministry of Labor and Employment filed an interlocutory appeal against the preliminary injunction in order to restore the effects of Decree No. 1.565/2014. This interlocutory appeal was denied. In October 2016, a decision was rendered by the Federal Court declaring Decree No. 1.565/2014 to be null and void and requesting the Ministry of Labor and Employment to revise and reissue its regulations under Law No. 12,997. The Ministry of Labor and Employment, with the participation of all interested parties, is in the process of revising Decree No. 1.565/2014. Such revision has not concluded, therefore we cannot assure you that any changes made to Decree No. 1.565/2014 will not have an adverse effect on our business; however, we are currently not responsible for paying such 30.0% premium.

In July 2017, the Brazilian government issued Law No. 13,467 (Labor Reform Law), which resulted in significant changes to labor regulations. This law extends the workday from 8 hours to 12 hours, provided that there is a 36-hour break afterwards. With regard to negotiations with any labor union, Law No. 13,467 provides that certain rights, such as constitutional rights and women's rights, cannot be part of the negotiations, as the Constitution and existing law prevails over any collective bargaining agreement. In addition, Law No. 13,467 allows companies to outsource any activity, including the company's principal activity and activities that a company's own employees are carrying out. Furthermore, the law provides that a claimant seeking to enforce his or her rights under this law will have to pay all costs and expenses related to the lawsuit and limits any compensation for moral damages to certain thresholds. We are currently in compliance with these labor regulations.

In November 2017, the Panamanian government enacted Law No. 75, which regulates the sale of food and beverages in public and private schools (from elementary school through high school). Law No. 75 prohibits the sale in schools of all sparkling beverages and certain still beverages with high amounts of sugar or calories. In addition, the Ministry of Education issued a decree with certain products that they recommend should be sold in schools; the products mentioned do not include sparkling beverages, teas and still beverages with high amounts of sugar. We cannot assure you that these restrictions or any further restrictions will not have an adverse impact on our results of operations.

In December 2017, the Argentine government enacted Law No. 27,401 (Corporate Criminal Liability Law), which introduced a criminal liability regime for corporate entities who engage in corruption and bribery with governmental agencies. The main purpose of this law is to make corporate entities liable for corruption and bribery carried out directly or indirectly by such corporate entity, either through its direct participation, on its behalf or to its benefit. Although we believe we are in compliance with this law, if we were found liable for any of these practices, this law could have an adverse effect on our business.

In August 2018, the Uruguayan government enacted Decree No. 272/018, which imposes an obligation to label certain food and beverage products that contain sodium, sugar, fats or saturated fats with health warnings. We began complying with these requirements on February 29, 2020, as dictated by the Decree.

In August 2018, the Brazilian government enacted Law No. 13,709/2018 (Personal Data Protection Law), which imposes control measures and other rights and obligations with respect to the processing of personal data by natural persons and legal entities, including by digital means. This law aims to create higher levels of certainty and transparency for data owners, containing obligations to display evidence of compliance and strict penalties for perpetrators who cause damage as a result of their violation of the law. Although this law is already enacted, we are not required to comply with it until August 2020.

In June 2019, the government of the state of Oaxaca, Mexico amended the Law for the Prevention and Management of Solid Waste (*Ley para la Prevención y Gestión Integral de los Residuos Sólidos*) to prohibit the use, sale and distribution of single-use PET bottles for water and all other beverages in the state of Oaxaca. As a result of this amendment, on July 30, 2019, two of our Mexican subsidiaries filed a legal recourse against the amended law that is still pending resolution.

In December 2019, the Costa Rican government enacted Law No. 233, which requires that companies who sell, distribute or produce plastic bottles made of single use plastics comply with at least one of the following obligations: (a) produce plastic bottles that contain a percentage of recycled resin (such percentage to be defined in a separate regulation not yet enacted), (b) implement a recycling or collection program of the plastic bottles sold by such company (such programs to be defined in a separate regulation not yet enacted), (c) participate in waste management programs appropriate to the relevant industry or product, (d) use or produce packaging or products that minimize the generation of solid waste, or (e) establish strategic partnerships with at least one municipality to improve its collection and waste management programs. Although this law is already enacted, we are not required to comply with it until December 2020.

In March 2020, the Mexican government amended the existing Official Mexican Standard (NOM-051), which regulates the labeling of prepackaged food and non-alcoholic beverages ("Products"), to introduce a new labeling system for Products sold in Mexico. The amended regulation sets forth that Products' nutrition facts labels must include protein, sugar, added sugar, sodium, saturated fat and other fat contents per 100 grams or 100 milliliters. Nutrition facts labels must also include complementary nutritional information by means of octagonal seals, which shall apply to Products that exceed the NOM-051 parameters regarding recommended sugar, calorie, sodium, saturated fat and other fat contents, as well as warnings for any Products that contain caffeine or non-caloric sweeteners. Additionally, the amended regulation provides that any Product that contains non-caloric sweeteners, sugar, sodium, saturated fats and other fats shall not include any cartoon, animation, celebrity, athlete or any other feature that aims to promote or encourages the consumption of such Product by children. In accordance with the amended NOM-051, our entire portfolio (except for water) is required to comply with the new labeling guidelines by October 1, 2020. We are currently analyzing all the measures necessary to comply with the new NOM-051 within the required timeframe, including with regards to our containers and packaging suppliers' capacity, among other technical difficulties. We cannot assure that these amendments will not have an adverse impact on our business and results of operations in Mexico.

In recent years, the Colombian government has enacted regulations addressing corporate policies for the prevention of money laundering and finance of terrorism, as well as cross-border anti-bribery programs. The regulations require the implementation of internal policies including know-your-counterparty procedures, anti-money laundering and finance of terrorism clauses in agreements and reporting of suspicious operations. The regulations also require companies' anti-bribery programs to comply with basic requirements, such as performing due diligence in merger and acquisition transactions and including clauses regarding delivery of gifts, remuneration to contractors, political contributions, donations, whistleblowing channels and anti–corruption in agreements. The Colombian authorities conduct audits to ensure the effectiveness of these policies and compliance with relevant regulations, and may impose fines and penalties in the event these policies and regulations are not observed.

BOTTLER AGREEMENTS

Coca-Cola Bottler Agreements

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

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

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

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

- maintain plant and equipment, staff and distribution facilities capable of manufacturing, packaging and distributing the *Coca-Cola* trademark beverages in authorized containers in accordance with our bottler agreements and in sufficient quantities to satisfy fully the demand in our territories;
- undertake adequate quality control measures established by The Coca-Cola Company;
- develop, stimulate and satisfy fully the demand for *Coca-Cola* trademark beverages using all approved means, which includes the investment in advertising and marketing plans;

- maintain a sound financial capacity as may be reasonably necessary to assure performance by us and our subsidiaries of our obligations to The Coca-Cola Company; and
- submit annually to The Coca-Cola Company our marketing, management, promotional and advertising plans for the ensuing year.

The Coca-Cola Company contributed a significant portion of our total marketing expenses in our territories during 2019 and has reiterated its intention to continue providing such support as part of our cooperation framework. Although we believe that The Coca-Cola Company will continue to provide funds for advertising and marketing, it is not obligated to do so. Consequently, future levels of advertising and marketing support provided by The Coca-Cola Company may vary materially from the levels historically provided. **See "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—The Shareholders Agreement"** and **"Item 7. Major Shareholders and Related Party Transactions—Major Shareholders—Cooperation Framework with The Coca-Cola Company."**

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

As of the date of this report we had:

- four bottler agreements in Mexico: (i) the agreement for the Valley of Mexico territory, which is up for renewal in June 2023, (ii) the agreement for the southeast territory, which is up for renewal in June 2023, (iii) the agreement for the Bajio territory, which is up for renewal in May 2025, and (iv) the agreement for the Gulf territory, which is up for renewal in May 2025;
- two bottler agreements in Brazil, which are up for renewal in October 2027;
- three bottler agreements in Guatemala, one of which is up for renewal in March 2025 and two in April 2028;
- one bottler agreement in Argentina, which is up for renewal in September 2024;
- one bottler agreement in Colombia, which is up for renewal in June 2024;
- one bottler agreement in Costa Rica, which is up for renewal in September 2027;
- one bottler agreement in Nicaragua, which is up for renewal in May 2026;
- one bottler agreement in Panama, which is up for renewal in November 2024; and
- one bottler agreement in Uruguay, which is up for renewal in June 2028.

As of the date of this report, our investee KOF Venezuela had one bottler agreement, which is up for renewal in August 2026.

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

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

DESCRIPTION OF PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2019, we owned 49 bottling plants. By country, as of such date, we had 17 bottling plants and 5 secondary facilities for a total of 22 in Mexico, 7 in Central America, 7 in Colombia, 10 in Brazil, 2 in Argentina, and 1 in Uruguay. In 2018, we changed the criteria to account for bottling plants in Mexico to include small capacity bottling facilities mainly for bulk water. In addition, our investee KOF Venezuela owned 4 bottling plants as of December 31, 2018.

As of December 31, 2019, we operated 268 distribution centers, approximately 53.0% of which were in our Mexican territories. As of such date, we owned more than 79.9% of these distribution centers and leased the remainder. **See "—The Company—Product Sales and Distribution."**

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

Certain factors may affect utilization levels of our bottling plants, such as seasonality of demand for our products, supply chain planning due to different geographies and different packaging capacities of our production lines. In particular, seasonality and peak months of demand for our products may lead us to have excess capacity during certain months in certain countries.

The table below summarizes installed capacity, average annual utilization and utilization during peak month of our bottling plants by country:

Bottling Plants Summary
As of December 31, 2019

Country	Installed Capacity (thousands of unit cases)	Average Annual Utilization(1)(2) (%)	Utilization in Peak Month(1) (%)
Mexico	2,858,533	63	78
Guatemala	105,000	79	86
Nicaragua	100,114	51	56
Costa Rica	89,447	53	62
Panama	72,241	46	61
Colombia	664,429	40	44
Brazil	1,518,682	63	72
Argentina	417,263	28	34
Uruguay	135,181	30	36

(1) Calculated based on each bottling plant's theoretical capacity assuming total available time in operation and without taking into account ordinary interruptions, such as planned downtime for preventive maintenance, repairs, sanitation, set-ups and changeovers for different flavors and presentations. Additional factors that affect utilization levels include seasonality of demand for our products, supply chain planning due to different geographies and different packaging capacities.
(2) Annualized rate.

The table below summarizes our main bottling plants in terms of installed capacity, including their location and facility area:

Main Bottling Plant by Location
As of December 31, 2019

Country	Plant	Facility Area (thousands of sq. meters)
Mexico	Toluca, Estado de México	317
	León, Guanajuato	124
	Morelia, Michoacán	50
	Ixtacomitán, Tabasco	117
	Apizaco, Tlaxcala	80
	Coatepec, Veracruz	142
	La Pureza Altamira, Tamaulipas	300
	San Juan del Río, Querétaro	84
Guatemala	Guatemala City	46
Nicaragua	Managua	54
Costa Rica	Calle Blancos, San José	52
Panama	Panama City	29
Colombia	Barranquilla, Atlántico	37
	Bogotá, DC	105
	Tocancipá, Cundinamarca	298
Brazil	Jundiaí, São Paulo	191
	Marília, São Paulo	159
	Curitiba, Paraná	119
	Itabirito, Minas Gerais	320
	Porto Alegre, Rio Grande do Sul	196
Argentina	Alcorta, Buenos Aires	73
Uruguay	Montevideo, Montevideo	120

SIGNIFICANT SUBSIDIARIES

The table below sets forth all of our direct and indirect significant subsidiaries and the percentage of equity of each subsidiary we owned directly or indirectly as of December 31, 2019:

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

For further information regarding our investment in associates and joint ventures, see Note 10 to our consolidated financial statements.

Item 4.A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

General

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

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

Effects of Changes in Economic Conditions. Our results are affected by changes in economic conditions in Mexico, Brazil and in the other countries where we operate. For the year ended December 31, 2019, approximately 78.6% of our total revenues were attributable to Mexico and Brazil. Our results are affected by the economic conditions in the countries where we conduct operations. Some of these economies continue to be influenced by the U.S. economy, and therefore, deterioration in economic conditions in the U.S. economy may affect these economies. Deterioration or prolonged periods of weak economic conditions in the countries where we conduct operations may have, and in the past have had, a negative effect on our company and a material adverse effect on our results and financial condition. Our business may also be significantly affected by the interest rates, inflation rates and exchange rates of the local currencies of the countries where we operate. Decreases in growth rates, periods of negative growth and/or increases in inflation or interest rates may result in lower demand for our products, lower real pricing of our products or a shift to lower margin products. In addition, an increase in interest rates would increase the cost to us of variable rate funding, which would have an adverse effect on our financial position.

Outbreak of Novel Coronavirus COVID-19. As of the date of this report, the currencies of most of the countries where we operate have suffered significant depreciation with respect to the U.S. dollar, as compared to exchange rates on December 31, 2019. In addition, the measures and restrictions that have been put in place as a result of COVID-19 in the territories where we operate have had an impact on our business. We will continue to monitor the impact of the outbreak in our financial position, results of operations and cash flows.

Changes to the Accounting Method for our Venezuelan Operations. Effective as of December 31, 2017, we determined that deteriorating conditions in Venezuela had led us to no longer meet the accounting criteria to consolidate the results of operations of KOF Venezuela. As a result, we changed the method of accounting for the results of operations of KOF Venezuela from consolidation to fair value method. See Notes 3.3 and 10 to our consolidated financial statements.

We reported the results of operations of KOF Venezuela as a consolidated reporting segment for the periods ended December 31, 2017. Since January 1, 2018, we no longer include the results of operations of KOF Venezuela in our consolidated financial statements.

Treatment of Argentina as a Hyperinflationary Economy. On July 1, 2018, Argentina's economy satisfied the conditions to be treated as a hyperinflationary economy based on various economic factors, including that Argentina's cumulative inflation over the three-year period prior to such date exceeded 100%, according to available indexes in the country. Effective as of January 1, 2018, we adjusted the financial information of our Argentine operations to recognize inflationary effects and functional currency was converted to Mexican pesos for the periods ended December 31, 2019 and 2018 using the exchange rates at the end of such periods. See Note 3.4 to our consolidated financial statements.

Sale of Equity Participation in KOF Philippines. In August 2018, our subsidiary, CIBR, notified The Coca-Cola Company of its decision to exercise its option to sell its 51.0% stake in KOF Philippines and, on December 13, 2018, CIBR completed this sale. As a result, KOF Philippines was classified as an asset held for sale commencing on August 31, 2018 and as a discontinued operation for the year ended December 31, 2018, and the corresponding results for 2017 were restated for comparative purposes. Commencing on January 1, 2018, we stopped accounting for KOF Philippines and, specifically our Asia division, as a separate reporting segment. The net gain derived from the sale of KOF Philippines, as well as KOF Philippines' results of operations from January 1, 2018 through December 12, 2018 were recorded in our consolidated financial statements as part of our Mexico and Central America consolidated reporting segment. See Notes 5 and 27 to our consolidated financial statements.

Recent Developments Relating to Our Indebtedness.

In August 2019, we entered into certain bank loans in Mexican pesos for an aggregate principal amount of Ps.9,400 million. Additionally, during 2019 we entered into certain bank loans in Uruguayan, Colombian and Argentine pesos for an aggregate principal amount of Ps.1,471 million.

In 2019, we prepaid (i) certain bank loans in Mexican pesos for an aggregate amount of Ps.10,100 million and (ii) certain bank loans in U.S. dollars for an aggregate amount of US$205 million.

In December 2019, the three-year promissory note related to the acquisition of Vonpar matured and was repaid in full in cash.

In January 2020, we issued US$1,250 million aggregate principal amount of 2.750% senior notes due January 22, 2030. The net proceeds from the sale of such notes were used to repay and redeem in full our 3.875% Notes due 2023, and the remaining net proceeds were used for general corporate purposes.

In February 2020, we issued (i) Ps.3,000 million aggregate principal amount of 8-year fixed rate *certificados bursátiles* bearing an annual interest rate of 7.35% and due January 2028, and (ii) Ps.1,727 million aggregate principal amount of 5.5-year floating rate *certificados bursátiles*, priced at 28-day *Tasa de Interés Interbancaria de Equilibrio* (Equilibrium Interbank Interest Rate, or TIIE) plus 0.08% and due August 2025.

Our 4.625% Notes due 2020 matured and were repaid in full on February 15, 2020.

In March 2020, we entered into certain short-term bank loans in Mexican pesos for an aggregate principal amount of Ps.10,000 million.

Critical Accounting Judgments and Estimates

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

New Accounting Pronouncements

For a description of the new IFRS and amendments to IFRS adopted during 2019, see Note 2.4 to our consolidated financial statements. In addition, for a description of the recently issued accounting standards effective in 2020, see Note 28 to our consolidated financial statements.

Results

The following table sets forth our consolidated income statements for the years ended December 31 2019, 2018 and 2017.

	Year Ended December 31,			
	2019[1]	2019[2]	2018[3]	2017[4]
	(in millions of Mexican pesos or millions of U.S. dollars, except per share data)			
Revenues:				
Net sales	US$ 10,198	Ps. 192,342	Ps. 181,823	Ps. 182,850
Other operating revenues	113	2,129	519	406
Total revenues	10,311	194,471	182,342	183,256
Cost of goods sold	5,671	106,964	98,404	99,748
Gross profit	4,640	87,507	83,938	83,508
Costs and expenses:				
Administrative expenses	447	8,427	7,999	7,693
Selling expenses	2,764	52,110	49,925	50,351
Other income	100	1,890	569	1,542
Other expenses	232	4,380	2,450	32,899[5]
Interest expenses	366	6,904	7,568	8,777
Interest income	65	1,230	1,004	791
Foreign exchange gain (loss), net	(17)	(330)	(277)	788
Gain on monetary position for subsidiaries in hyperinflationary economies	12	221	212	1,590
Market value gain (loss) on financial instruments	(15)	(288)	(314)	246
Income (loss) before income taxes and share of the profit of associates and joint ventures accounted for using the equity method	976	18,409	17,190	(11,255)
Income taxes	299	5,648	5,260	4,184
Share in the (loss) profit of equity accounted investees, net of taxes	(7)	(131)	(226)	60
Net income (loss) for continuing operations	670	12,630	11,704	(15,379)
Net income (loss) for discontinued operations	—	—	3,366	3,725

	Year Ended December 31,			
	2019[1]	2019[2]	2018[3]	2017[4]
	(in millions of Mexican pesos or millions of U.S. dollars, except per share data)			
Consolidated net income (loss)	670	12,630	15,070	(11,654)
Attributable to:				
Equity holders of the parent for continuing operations	642	12,101	10,936	(16,058)
Equity holders of the parent for discontinued operations	—	—	2,975	3,256
Non-controlling interest for continuing operations	28	529	768	679
Non-controlling interest for discontinued operations	—	—	391	469
Consolidated net income (loss)	670	12,630	15,070	(11,654)
Per share data[6]:				
Basic earnings (loss) per share from[7]:				
Continuing operations	0.04	0.72	0.65	(0.96)
Discontinued operations	—	—	0.18	0.19
Diluted earnings (loss) per share from[8]:				
Continuing operations	0.04	0.72	0.65	(0.96)
Discontinued operations	—	—	0.18	0.19

(1) Translation to U.S. dollar amounts at an exchange rate of Ps.18.86 to US$1.00 solely for the convenience of the reader.

(2) We adopted IFRS 16 on January 1, 2019 using the modified retrospective approach under which the comparable information is not restated. See Note 2.4.1 to our consolidated financial statements.

(3) Includes results of ABASA and Los Volcanes from May 2018 and Monresa from July 2018. See "**Item 4. Information on the Company—The Company—Corporate History**."

(4) Our consolidated statements of income for 2017 were restated for comparative purposes, as a result of the sale of our equity participation in KOF Philippines. For further information **see "—General—Sale of Equity Participation in KOF Philippines."**

(5) See Note 20 to our consolidated financial statements.
(6) Per share data has been restated to give effect to the Stock Split.
(7) Computed on the basis of the weighted average number of shares outstanding during the period: 16,806.7 million in 2019, 16,806.7 million in 2018, and 16,730.8 million in 2017.
(8) The diluted earnings per share calculation was computed on the basis of the diluted weighted average number of shares outstanding during the period: 16,806.7 million in 2019, 16,806.7 million in 2018 and 16,730.8 million in 2017. For further information see Note 3.26 to our consolidated financial statements.

Operations by Consolidated Reporting Segment

The following table sets forth certain financial information for each of our consolidated reporting segments for the years ended December 31, 2019, 2018 and 2017. See Note 27 to our consolidated financial statements for additional information about all of our consolidated reporting segments.

	Year Ended December 31,		
	2019	2018	2017
	(in millions of Mexican pesos)		
Total revenues			
Mexico and Central America(1)	109,249	100,162	92,643
South America(2)	85,222	82,180	86,608
Venezuela(3)	—	—	4,005
Gross profit			
Mexico and Central America(1)	52,384	48,162	45,106
South America(2)	35,123	35,776	37,756
Venezuela(3)	—	—	646

(1) Includes Mexico, Guatemala, Nicaragua, Costa Rica and Panama. Includes results of ABASA and Los Volcanes from May 2018.
(2) Includes Colombia, Brazil, Argentina and Uruguay. Includes results of Monresa from July 2018.
(3) We stopped consolidating our Venezuelan operations commencing on January 1, 2018.

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 and acquisitions, 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. For the convenience of the reader, we have included a discussion of the financial information below on a comparable basis, not giving effect to these factors. To translate the full-year results of Argentina for the years ended December 31, 2019 and 2018, we used the exchange rate at December 31, 2019 of 59.89 Argentine pesos per U.S. dollar and the exchange rate at December 31, 2018 of 37.70 Argentine pesos per U.S. dollar, respectively. The depreciation of the exchange rate of the Argentine peso at December 31, 2019, as compared to the exchange rate at December 31, 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: 0.1% for the Mexican peso, 7.9% for the Brazilian real, and 11.0% for the Colombian 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, 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 other operating revenues related to an entitlement to reclaim tax payments in Brazil. See Note 25.2.1 to our consolidated financial statements. On a comparable basis, total revenues would have increased by 10.8% in 2019 as compared to 2018, 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.

- In 2019, sales volume of our sparkling beverage portfolio increased by 2.0%, sales volume of our colas portfolio increased by 1.9%, and sales volume of our flavored sparkling beverage portfolio increased by 2.5%, in each case as compared to 2018. On a comparable basis, sales volume of our sparkling beverage portfolio would have increased by 1.8% in 2019 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% in 2019 as compared to 2018, 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% in 2019 as compared to 2018.

- Sales volume of our still beverage portfolio remained flat in 2019 as compared to 2018. On a comparable basis, sales volume of our still beverage portfolio would have increased by 0.9% in 2019 as compared to 2018, driven by volume growth in Brazil.

- Sales volume of our bottled water category, excluding bulk water, decreased by 2.5% in 2019 as compared to 2018. On a comparable basis, sales volume of our water portfolio would have decreased by 2.2% in 2019 as compared to 2018, 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 in 2019 as compared to 2018. On a comparable basis, sales volume of our bulk water portfolio would have increased by 0.5% in 2019 as compared to 2018, mainly as a result of volume growth in Brazil and Mexico, partially offset by volume 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 as compared to 2018, 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 as compared to 2018; 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 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 increase was mainly as a result of severance payments related to the implementation of our efficiency program to create a leaner and more agile organization, which was 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., or Compañía Panameña de Bebidas, along with provisions related to contingencies in Brazil. For more information, see Note 10 to our consolidated financial statements.

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 certain 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 and the date it is repaid, 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, net, due to a reduction of debt during the year, 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. Our effective income tax rate remained stable in 2019 as compared to 2018, as the non-deductible charge related to the impairment of our investment in Compañía Panameña de Bebidas was partially offset by the increase in profits arising from our Mexican operations, coupled with certain tax efficiencies across our operations. For more information, see Note 25 to our consolidated financial statements.

Share in the (Loss) Profit of Equity Accounted Investees, Net of Taxes. In 2019, we recorded a loss of Ps.131 million in the share in the profit (loss) of equity accounted investees, net of taxes, mainly due to a loss in our investment in Compañía Panameña de Bebidas, which was partially offset by gains in our Jugos Del Valle joint venture and our non-carbonated beverages 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 a Ps.13,911 million in 2018. This 13.0% decrease was mainly driven by the results of discontinued operations related to the sale of KOF Philippines, and an impairment of Ps.948 million in our investment in Compañía Panameña de Bebidas discussed above.

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% in 2019 as compared to 2018, 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 in 2019 as compared to 2018, driven by stable performance in both our colas and flavored sparkling beverage portfolios.

- Sales volume of our still beverage portfolio decreased by 1.6% in 2019 as compared to 2018, 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% in 2019 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% in 2019 as compared to 2018, 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% in 2019 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% in 2019 as compared to 2018.

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 in 2019 as compared to 2018, 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% in 2019 as compared to 2018.

- Sales volume of bottled water, excluding bulk water, decreased by 7.9% in 2019 as compared to 2018.

- Sales volume of our bulk water portfolio increased by 0.5% in 2019 as compared to 2018.

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% in 2019 as compared to 2018, 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, in 2019, sales volume of our sparkling beverage portfolio would have increased by 1.8%, sales volume of our colas portfolio would have increased by 1.8%, and sales volume of our flavored sparkling beverage portfolio would have increased by 1.7%, in each case as compared to 2018.

- Sales volume of our still beverage portfolio decreased by 0.9% in 2019 as compared to 2018. On a comparable basis, sales volume of our still beverage portfolio would have decreased by 3.0% in 2019 as compared to 2018.

- Sales volume of bottled water, excluding bulk water, increased by 8.4% in 2019 as compared to 2018. On a comparable basis, sales volume of our bottled water portfolio would have increased by 4.0% in 2019 as compared to 2018.

- Sales volume of our bulk water portfolio declined by 4.1% in 2019 as compared to 2018.

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 as compared to 2018. 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 the 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% in 2019 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. This figure includes other operating revenues related to an entitlement to reclaim tax payments in Brazil. See Note 25.2.1 to our consolidated financial statements. Total revenues for beer amounted to Ps.15,619 million in 2019. On a comparable basis, total revenues would have increased by 14.8% in 2019 as compared to 2018, 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 Monresa in Uruguay, which 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% in 2019 as compared to 2018. On a comparable basis, sales volume of our sparkling beverage portfolio would have increased by 4.9% in 2019 as compared to 2018, mainly due to a 2.5% growth in our colas portfolio and 5.5% growth in our flavored sparkling beverage portfolio.

- Sales volume of our still beverage portfolio increased by 2.6% in 2019 as compared to 2018. On a comparable basis, sales volume of our still beverage portfolio would have increased by 7.1% in 2019 as compared to 2018, 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% in 2019 as compared to 2018. On a comparable basis, sales volume of our bottled water category, excluding bulk water, would have increased by 4.7% in 2019 as compared to 2018, mainly driven by growth in Brazil and Colombia.

- Sales volume of our bulk water portfolio decreased by 2.3% in 2019 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% in 2019 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% in 2019 as compared to 2018.
- Sales volume of our bottled water, excluding bulk water, increased by 10.1% in 2019 as compared to 2018.
- Sales volume of our bulk water portfolio increased by 6.5% in 2019 as compared to 2018.

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 in 2019 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% in 2019 as compared to 2018.
- Sales volume of bottled water, excluding bulk water, decreased by 5.3% in 2019 as compared to 2018.
- Sales volume of our bulk water portfolio decreased by 2.4% in 2019 as compared to 2018.

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% in 2019 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% in 2019 as compared to 2018.
- Sales volume of bottled water, excluding bulk water, decreased by 18.0% in 2019 as compared to 2018.
- Sales volume of our bulk water portfolio decreased by 16.3% in 2019 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 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% in 2019 as compared to 2018.

Results for the Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

Consolidated Results

The comparability of our financial and operating performance in 2018 as compared to 2017 was affected by the following factors: (1) the ongoing integration of mergers, acquisitions, and divestitures 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; (3) our results in Argentina, which effective as of January 1, 2018 has been considered a hyperinflationary economy; (4) the deconsolidation of our Venezuelan operations effective as of December 31, 2017; and (5) the classification of KOF Philippines as a discontinued operation effective as of January 1, 2018 and the restatement for comparative purposes of the corresponding results for 2017 to exclude the results of KOF Philippines, as if such operation had been discontinued as of February 1, 2017, the date we commenced consolidating the financial results of KOF Philippines in our financial statements. For the convenience of the reader, the presentation of the financial information below includes comparable figures not giving effect to these factors. To translate the full-year results of Argentina for the year ended December 31, 2018, we used the exchange rate at December 31, 2018 of 37.70 Argentine pesos per U.S. dollar. The depreciation of the Argentine peso at December 31, 2018, as compared to the average exchange rate for 2017, was 127.7%. In addition, the average depreciation of currencies used in our main operations relative to the U.S. dollar in 2018, as compared to 2017, were: 14.5% for the Brazilian real, 1.6% for the Mexican peso, 0.2% for the Colombian peso and 7.2% for the Uruguayan peso.

Total Revenues. Our consolidated total revenues decreased by 0.5% to Ps.182,342 million in 2018 as compared to 2017, mainly as a result of the depreciation of the Argentine peso, the Brazilian real and the Colombian peso, in each case as compared to the Mexican peso, and the deconsolidation of KOF Venezuela effective as of December 31, 2017, which were partially offset by price increases aligned with or above inflation and volume growth in key territories. On a comparable basis, total revenues would have increased by 5.9% in 2018 as compared to 2017, mainly as a result of an increase in the average price per unit case across our operations and volume growth in Brazil, Central America and Colombia.

Total sales volume remained flat at 3,321.8 million unit cases in 2018 as compared to 2017. On a comparable basis, total sales volume would have increased by 1.3% in 2018 as compared to 2017.

- In 2018, sales volume of our sparkling beverage portfolio remained flat, sales volume of our colas portfolio increased by 2.3%, and sales volume of our flavored sparkling beverage portfolio declined by 8.2%, in each case as compared to 2017. On a comparable basis, sales volume of our sparkling beverage portfolio would have increased by 1.0% in 2018 as compared to 2017, driven by growth across all of our operations (except for Mexico which had a flat performance). Sales volume of our colas portfolio would have increased by 2.8% in 2018 as compared to 2017, mainly due to volume growth in most of our territories, and sales volume of our flavored sparkling beverages portfolio would have declined by 5.6% in 2018 as compared to 2017.

- Sales volume of our still beverage portfolio increased by 3.1% in 2018 as compared to 2017. On a comparable basis, sales volume of our still beverage portfolio would have increased by 5.8% in 2018 as compared to 2017, driven by growth in Brazil, Central America and Mexico, which was partially offset by a volume contraction in Colombia.

- Sales volume of our bottled water category, excluding bulk water, increased by 1.9% in 2018 as compared to 2017. On a comparable basis, sales volume of our water portfolio would have increased by 7.2% in 2018 as compared to 2017, driven by growth in Brazil, Colombia and Mexico, which was partially offset by a volume contraction in Central America.

- Sales volume of our bulk water category declined by 2.0% in 2018 as compared to 2017. On a comparable basis, sales volume of our bulk water portfolio would have decreased by 2.6% in 2018 as compared to 2017, mainly as a result of volume contraction in Mexico, which was partially offset by volume growth in Brazil, Central America and Colombia.

Consolidated average price per unit case decreased by 1.4% to Ps.50.57 in 2018, as compared to Ps.51.31 in 2017, mainly as a result of the negative translation effect resulting from depreciation of the Argentine peso and the Brazilian real relative to the Mexican peso, which was partially offset by the positive translation effect resulting from the appreciation of the Colombian peso relative to the Mexican peso. On a comparable basis, average price per unit case would have increased by 3.1% in 2018 as compared to 2017, driven by average price per unit case increases in local currency in Mexico and Brazil.

Gross Profit. Our gross profit increased by 0.5% to Ps.83,938 million in 2018 as compared to 2017; with a gross margin expansion of 40 basis points to reach 46.0% in 2018 as compared to 2017. On a comparable basis, our gross profit would have increased by 5.5% in 2018 as compared to 2017. Our pricing initiatives, together with lower sweetener prices in most of our operations, were offset by higher PET resin costs across most of our operations, higher concentrate costs in Mexico, and the depreciation in the average exchange rate of all 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 decreased by 0.2% to Ps.57,924 in 2018 as compared to 2017. Our administrative and selling expenses as a percentage of total revenues increased by 10 basis points to 31.8% in 2018 as compared to 2017, mainly as a result of an increase in labor and freight costs, which were partially offset by the effects of favorable foreign exchange translations. In 2018, 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.1,880 million in 2018 as compared to Ps.31,357 million in 2017, which decrease was mainly as a result of a one-time non-cash charge related to the deconsolidation of KOF Venezuela as of December 31, 2017. Our non-operating expenses net in 2018 were mainly comprised of an impairment of Ps.432 million of our investment in Compañía Panameña de Bebidas along with provisions related to contingencies in Brazil and Colombia. For more information, see Notes 3.3 and 10 to our consolidated financial statements.

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 and the date it is repaid, 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 2018 recorded an expense of Ps.6,943 million as compared to an expense of Ps.5,362 million in 2017. This 29.5% increase was mainly driven by a foreign exchange loss of Ps.277 million in 2018 as compared to a foreign exchange gain of Ps.788 million in 2017, as a result of the depreciation of the Mexican peso relative to the U.S. dollar as applied to our U.S. dollar-denominated cash position, that included US$715 million of proceeds received from the sale of our equity interest in KOF Philippines. This foreign exchange loss was partially offset by a 13.8% decrease in interest expense in 2018 as compared to 2017. In 2018 we recognized a Ps.212 million gain in monetary position in hyperinflationary subsidiaries related to our operations in Argentina, as compared to a gain of Ps.1,591 million in 2017 related to our operations in Venezuela prior to the deconsolidation.

Income Taxes. In 2018, our effective income tax rate was 31.0%, reaching Ps.5,260 million in 2018, as compared to Ps.4,184 million in 2017. This increase was mainly driven by higher tax rates in Brazil as compared to tax rates in other jurisdictions where we operate, considering the relative weight of Brazil's profits in our consolidated results, as well as the deconsolidation of KOF Venezuela, which had deferred taxes in 2017. For more information, see Note 25 to our consolidated financial statements.

Share in the (Loss) Profit of Equity Accounted Investees, Net of Taxes. In 2018, we recorded a loss of Ps.226 million in the share in the profit (loss) of equity accounted investees, net of taxes, mainly due to a loss in Compañía Panameña de Bebidas and Jugos del Valle; this loss was partially offset by gains in our joint ventures in Brazil.

Net Income (Equity holders of the parent). We reported a net controlling interest income of Ps.13,911 million in 2018, as compared to a net controlling interest loss of Ps.12,802 million in 2017. This was mainly driven by a decrease in other non-operating expenses net as described above. Our net controlling interest income from continuing operations was Ps.10,936 million in 2018, as compared to a net controlling interest loss from continuing operations of Ps.16,058 million in 2017.

Results by Consolidated Reporting Segment

Mexico and Central America

Total Revenues. Total revenues in our Mexico and Central America consolidated reporting segment increased by 8.1% to Ps.100,162 million in 2018 in 2018 as compared to 2017, mainly as a result of an increase in the average price per unit case in Mexico and the consolidation of our acquisitions of ABASA and Los Volcanes in Guatemala.

Total sales volume in our Mexico and Central America consolidated reporting segment increased by 2.3% to 2,065.0 million unit cases in 2018 as compared to 2017, as a result of volume growth in Central America.

- Sales volume of our sparkling beverage portfolio increased by 2.9% in 2018 as compared to 2017, mainly driven by a 3.6% increase in our colas portfolio, which was partially offset by a flat performance of our flavored sparkling beverage portfolio. On a comparable basis, sales volume of our sparkling beverage portfolio would have increased by 0.5% in 2018 as compared to 2017, driven by growth across all of our operations. Sales volume of our colas portfolio would have increased by 0.8% in 2018 as compared to 2017, while sales volume of our flavored sparkling beverage portfolio would have declined by 0.9% in 2018 as compared to 2017.

- Sales volume of our still beverage portfolio increased by 7.4% in 2018 as compared to 2017, mainly due to growth in both Mexico and Central America. On a comparable basis, sales volume of our still beverage portfolio would have increased by 6.9% in 2018 as compared to 2017, driven by growth across all of our territories.

- Sales volume of bottled water, excluding bulk water, increased by 4.8% in 2018 as compared to 2017, as Mexico and Central America had a positive performance. On a comparable basis, sales volume of our bottled water portfolio would have increased by 3.9% in 2018 as compared to 2017, driven by growth in Mexico.

- Sales volume of our bulk water portfolio declined 3.5% in 2018 as compared to 2017.

Sales volume in Mexico slightly increased by 0.3% to 1,850.2 million unit cases in 2018, as compared to 1,845.0 million unit cases in 2017.

- Sales volume of our sparkling beverage portfolio increased by 0.2% in 2018 as compared to 2017, driven by a 0.3% increase in our colas portfolio, which was partially offset by a 0.2% decrease in sales volume of our flavored sparkling beverage portfolio.

- Sales volume of our still beverage portfolio increased by 7.3% in 2018 as compared to 2017.

- Sales volume of bottled water, excluding bulk water, increased by 4.7% in 2018 as compared to 2017.
- Sales volume of our bulk water portfolio decreased by 3.6% in 2018 as compared to 2017.

Sales volume in Central America increased by 24.2% to 214.8 million unit cases in 2018, as compared to 173.0 million unit cases in 2017, mainly as a result of the acquisitions of ABASA and Los Volcanes in Guatemala.

- Sales volume of our sparkling beverage portfolio increased by 27.8% in 2018 as compared to 2017, driven by a 37.1% increase in sales volume of our colas portfolio and a 0.7% 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 3.0%, sales volume of our colas portfolio would have increased by 6.0%, and sales volume of our flavored sparkling beverage portfolio would have declined by 5.7% in each case in 2018 as compared to 2017.
- Sales volume of our still beverage portfolio increased by 7.8% in 2018 as compared to 2017. On a comparable basis, sales volume of our still beverage portfolio would have increased by 4.4% in 2018 as compared to 2017.
- Sales volume of bottled water, excluding bulk water, increased by 5.8% in 2018 as compared to 2017. On a comparable basis, sales volume of our bottled water portfolio would have decreased by 2.8% in 2018 as compared to 2017.
- Sales volume of our bulk water portfolio grew by 1.5% in 2018 as compared to 2017.

Gross Profit. Our gross profit in this consolidated reporting segment increased by 6.8% to Ps.48,162 million in 2018 as compared to 2017; however, gross profit margin decreased by 60 basis points to 48.1% in 2018 as compared to 2017. Gross profit margin decreased mainly as a result of higher PET resin prices, increases in concentrate prices in Mexico and the depreciation of the average exchange rates of the Mexican peso, the Guatemalan quetzal, the Costa Rican colon and the Nicaraguan cordoba, in each case as applied to our U.S. dollar-denominated raw material costs, which factors were partially offset by our pricing initiatives, a favorable currency hedging position and the decline of sweeteners costs.

Administrative and Selling Expenses. Administrative and selling expenses as a percentage of total revenues in this consolidated reporting segment increased by 50 basis points to 33.7% in 2018 as compared to 2017. Administrative and selling expenses, in absolute terms, increased 9.7% in 2018 as compared to 2017driven mainly by increases in freight and labor costs in Mexico.

South America

Total Revenues. Total revenues in our South America consolidated reporting segment decreased by 5.1% to Ps.82,180 million in 2018 as compared to 2017, mainly as a result of 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. These effects were partially offset by volume growth in Brazil and Colombia together with average price per unit case growth across our territories and the consolidation of our new acquisition in Uruguay. Total revenues for beer amounted to Ps.13,849 million in 2018 as compared to 2017. On a comparable basis, total revenues would have increased by 6.9% in 2018 as compared to 2017, driven by volume growth 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 1.7% to 1,256.8 million unit cases in 2018 as compared to 2017, mainly as a result of volume growth in Brazil and Colombia, which was partially offset by volume contraction in Argentina. On a comparable basis, total sales volume would have increased by 2.8% in 2018 as compared to 2017, as a result of volume growth in all of our South America operations.

- Sales volume of our sparkling beverage portfolio increased by 1.1% in 2018 as compared to 2017. On a comparable basis, sales volume of our sparkling beverage portfolio would have increased by 1.9% in 2018 as compared to 2017, mainly due to volume growth of our colas portfolio in all our South American territories, and a volume contraction in our flavored sparkling beverages in Brazil and Colombia.
- Sales volume of our still beverage portfolio decreased by 1.1% in 2018 as compared to 2017. On a comparable basis, sales volume of our still beverage portfolio would have increased by 3.4% in 2018 as compared to 2017, mainly driven by volume growth in Brazil, which was partially offset by volume decline in Colombia.
- Sales volume of our bottled water category, excluding bulk water, increased by 8.0% as compared to 2017. On a comparable basis, sales volume of our bottled water category, excluding bulk water, would have increased by 12.8% in 2018 as compared to 2017, with volume expansions in Brazil and Colombia.
- Sales volume of our bulk water portfolio increased by 10.5% in 2018 as compared to 2017. On a comparable basis, sales volume of our bulk water portfolio would have increased by 8.3% in 2018 as compared to 2017, mainly driven by a volume growth in Colombia and Brazil.

Sales volume in Brazil increased by 2.9% to 787.4 million unit cases in 2018, as compared to 765.1 million unit cases in 2017.

- Sales volume of our sparkling beverage portfolio increased by 1.2% in 2018 as compared to 2017, as a result of a 4.7% increase in our colas portfolio, which was partially offset by a 8.5% decrease in sales volume of our flavored sparkling beverage portfolio.
- Sales volume of our still beverage portfolio increased by 18.2% in 2018 as compared to 2017.
- Sales volume of our bottled water, excluding bulk water, increased by 15.0% in 2018 as compared to 2017.
- Sales volume of our bulk water portfolio increased by 16.1% in 2018 as compared to 2017.

Sales volume in Colombia increased by 2.4% to 271.4 million unit cases in 2018, as compared to 265.0 million unit cases in 2017.

- Sales volume of our sparkling beverage portfolio increased by 4.0% in 2018 as compared to 2017, mainly driven by an 11.4% increase in our colas portfolio, which was partially offset by a 29.4% decrease of sales volume of our flavored sparkling beverages portfolio.
- Sales volume of our still beverage portfolio decreased by 21.4% in 2018 as compared to 2017.
- Sales volume of bottled water, excluding bulk water, increased by 9.0% in 2018 as compared to 2017.
- Sales volume of our bulk water portfolio increased by 5.6% in 2018 as compared to 2017.

Sales volume in Argentina decreased by 14.9% to 175.3 million unit cases in 2018, as compared to 205.9 million unit cases in 2017.

- Sales volume of our sparkling beverage portfolio decreased by 15.2% in 2018 as compared to 2017, mainly driven by a decrease in sales volume of our colas portfolio and our flavored sparkling beverage portfolio.
- Sales volume of our still beverage portfolio decreased by 20.5% in 2018 as compared to 2017.
- Sales volume of bottled water, excluding bulk water, decreased by 14.9% in 2018 as compared to 2017.
- Sales volume of our bulk water portfolio increased by 25.6% in 2018 as compared to 2017.

Sales volume in Uruguay amounted to 22.7 million unit cases in 2018. Our sparkling beverage category represented 91.6% of our total sales volume. Our still beverage category represented 1.5% of our total sales volume. Our water portfolio represented 6.9% of our total sales volume.

Gross Profit. Gross profit in this consolidated reporting segment amounted to Ps.35,776 million, a decrease of 5.2% in 2018 as compared to 2017, with a 110 basis point margin contraction to 43.5% in 2018 as compared to 2017. This decrease in gross profit was mainly driven by higher PET resin prices in the segment, an unfavorable raw material hedging position in Brazil, and the depreciation of the Argentine peso, Brazilian real and the Colombian peso as applied to U.S. dollar-denominated raw material costs, which factors were partially offset by lower sweetener prices, a favorable currency hedging position in the segment and our pricing initiatives.

Administrative and Selling Expenses. Administrative and selling expenses as a percentage of total revenues in this consolidated reporting segment increased by 10 basis points to 29.5% in 2018 as compared to 2017. Administrative and selling expenses, in absolute terms, decreased by 4.8% in 2018 as compared to 2017, driven mainly by operating expense efficiencies in Brazil.

Liquidity and Capital Resources

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

Our total indebtedness was Ps.69,977 million as of December 31, 2019, as compared to Ps.81,805 million as of December 31, 2018. Short-term debt and long-term debt were Ps.11,485 million and Ps.58,492 million, respectively, as of December 31, 2019, as compared to Ps.11,604 million and Ps.70,201 million, respectively, as of December 31, 2018. Total debt decreased by Ps.11,828 million in 2019, compared to year-end 2018. As of December 31, 2019, our cash and cash equivalents were Ps.20,491 million, as compared to Ps.23,727 million as of December 31, 2018. We had cash outflows in 2019 mainly resulting from repayment of debt and dividend payments, which were partially offset by generation of cash from operating activities. As of December 31, 2019, our cash and cash equivalents were comprised of 55.0% U.S. dollars, 23.0% Mexican pesos, 13.0% Brazilian reais, 4.0% Colombian pesos, 1.0% Argentine pesos and 4.0% other legal currencies. We believe that these funds, in addition to the cash generated by our operations, are sufficient to meet our operating requirements.

Future currency devaluations or the imposition of exchange controls in any of the countries where we have operations could have an adverse effect on our financial position and liquidity.

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

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

Our financing, treasury and derivatives policies provide that our planning and finance committee is responsible for determining the company's overall financial strategy, including the dividends policy, investments of our funds, cash flow and working capital strategies, mergers and acquisitions, debt and equity issuances, repurchases of stock, financial derivative instruments strategies (only for hedging purposes), purchase and lease of assets and indebtedness of the company, among others; which is ultimately approved by our board of directors and implemented by our corporate finance department.

Sources and Uses of Cash. The following table summarizes the sources and uses of cash for the years ended December 31, 2019, 2018 and 2017, from our consolidated statements of changes in cash flows:

	Year Ended December 31,		
	2019	2018	2017
	(in millions of Mexican pesos)		
Net cash flows from operating activities			
Continuing operations	31,289	27,581	26,536
Discontinued operations	—	1,962	6,700
Net cash flows used in investing activities(1)			
Continuing operations	(10,744)	(8,291)(2)	(13,710)
Discontinued operations	—	(962)	2,820
Net cash flows used in financing activities			
Continuing operations	(22,794)	(14,235)	(10,290)
Discontinued operations	—	(37)	(485)
Dividends paid	(7,440)	(7,038)	(6,992)

(1) Includes purchases of property, plant and equipment, the payment of the purchase price for our acquisitions of ABASA, Los Volcanes and Monresa in 2018 and investments in other assets.
(2) Includes cash for the sale of KOF Philippines, net of cash balances in KOF Philippines.

Contractual Obligations

The table below sets forth our contractual obligations as of December 31, 2019:

	As of December 31, 2019				
	Maturity less than 1 year	Maturity 1 – 3 years	Maturity 4 – 5 years	Maturity in excess of 5 years	Total
	(in millions of Mexican pesos)				
Debt[1]					
Mexican pesos	—	3,958	7,496	17,847	29,301
U.S. dollars	9,421	—	16,840	11,314	37,575
Brazilian reais	302	191	58	—	551
Colombian pesos	1,063	—	—	—	1,063
Argentine pesos	158	—	—	—	158
Uruguayan pesos	541	788	—	—	1,329
Interest Payments on Debt[2]					
Mexican pesos	2,168	3,924	3,039	2,598	11,729
U.S. dollars	1,302	1,899	1,221	12,625	17,047
Brazilian reais	35	29	7	—	71
Colombian pesos	26	—	—	—	26
Argentine pesos	38	—	—	—	38
Uruguayan pesos	96	56	—	—	152
Cross Currency Swaps					
U.S. dollars to Mexican pesos[3]	211	—	40	843	1,094
U.S. dollars to Brazilian reais[4]	(695)	—	554	—	(141)
Interest Rate Swaps					
Brazilian variable interest rate to fixed rate[5]	142	—	—	—	142
Options					
U.S. dollars to Colombian pesos[6]	(2)	—	—	—	(2)
Forwards					
U.S. dollars to Mexican pesos[7]	243	—	—	—	243
U.S. dollars to Brazilian reais[8]	5	—	—	—	5
U.S. dollars to Colombian pesos[9]	17	—	—	—	17
U.S. dollars to Argentine pesos[10]	30	—	—	—	30
Commodity Hedge Contracts					
Sugar[11]	(53)	(15)	—	—	(68)
Aluminum[12]	(4)	—	—	—	(4)
PET resin[13]	28	—	—	—	28
Treasury Lock Contracts[14]					
U.S. dollars	(102)	—	—	—	(102)
Lease obligations (IFRS 16)	484	263	473	185	1,405
Expected Benefits to be Paid for Pension and Retirement Plans, Seniority Premiums and Post-employment	353	375	536	2,141	3,405

(1) Excludes the effect of cross currency swaps.

(2) Interest was calculated using the contractual debt and nominal interest rates as of December 31, 2019. Liabilities denominated in U.S. dollars were converted to Mexican pesos at an exchange rate of Ps.18.85 per U.S. dollar, the exchange rate reported by *Banco de México* quoted to us by dealers for the settlement of obligations in foreign currencies on December 31, 2019.

(3) Cross-currency swaps used to convert U.S. dollar-denominated debt into Mexican peso-denominated debt with a notional amount of Ps.17,714 million. These cross-currency swaps are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2019.

(4) Cross-currency swaps used to convert U.S. dollar-denominated debt into Brazilian real-denominated debt with a notional amount of Ps.13,411 million. These cross-currency swaps are considered hedges for accounting purposes and the amounts shown in the table are fair value figures (gain)/loss as of December 31, 2019.

(5) Reflects the market value as of December 31, 2019 of the interest rate swaps used to hedge Brazilian interest rate variation. These interest rate swaps are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2019.

(6) Reflects the market value as of December 31, 2019 of a collar option derivative instrument used to hedge against fluctuation in the Colombian peso. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2019.
(7) Reflects the market value as of December 31, 2019 of forward derivative instruments used to hedge against fluctuation in the Mexican peso. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2019.
(8) Reflects the market value as of December 31, 2019 of forward derivative instruments used to hedge against fluctuation in the Brazilian real. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2019.
(9) Reflects the market value as of December 31, 2019 of forward derivative instruments used to hedge against fluctuation in the Colombian peso. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2019.
(10) Reflects the market value as of December 31, 2019 of forward derivative instruments used to hedge against fluctuation in the Argentine peso. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2019.
(11) Reflects the market value as of December 31, 2019 of futures contracts used to hedge sugar cost. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2019.
(12) Reflects the market value as of December 31, 2019 of futures contracts used to hedge aluminum cost. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2019.
(13) Reflects the market value as of December 31, 2019 of futures contracts used to hedge PET resin cost. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2019.
(14) Reflects the market value as of December 31, 2019 of treasury lock contracts used to hedge U.S. treasuries' interest rate variation. These contracts are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2019.

Debt Structure

The following chart sets forth the debt breakdown of our company and its subsidiaries by currency and interest rate type as of December 31, 2019:

Currency	Percentage of Total Debt(1)(2)	Average Nominal Rate(3)	Average Adjusted Rate(1)(4)
Mexican pesos	68.3%	7.4%	8.3%
U.S. dollars	9.2%	4.5%	3.9%
Brazilian reais	18.9%	6.8%	9.9%
Colombian pesos	1.5%	5.0%	5.0%
Argentine pesos	0.2%	61.7%	61.7%
Uruguayan pesos	1.9%	10.1%	10.1%

(1) Includes the effects of our derivative contracts as of December 31, 2019, including cross currency swaps from U.S. dollars to Mexican pesos and U.S. dollars to Brazilian reais.
(2) Due to rounding, these figures may not add up to 100.0%.
(3) Annual weighted average interest rate per currency as of December 31, 2019.
(4) Annual weighted average interest rate per currency as of December 31, 2019 after giving effect to interest rate swaps and cross currency swaps. **See "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Interest Rate Risk."**

Summary of Significant Debt Instruments

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

Mexican Peso-Denominated Bonds (Certificados Bursátiles).

On April 18, 2011, we issued Ps.2,500 million aggregate principal amount of 10-year fixed rate *certificados bursátiles* bearing an annual interest rate of 8.27% and due April 2021. This series of *certificados bursátiles* is guaranteed by Propimex, our main operating subsidiary in Mexico, Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Distribuidora y Manufacturera del Valle de Mexico, S. de R.L. de C.V., Yoli de Acapulco, S. de R.L. de C.V. and Controladora Interamericana de Bebidas, S. de R.L. de C.V., or the Guarantors.

On May 24, 2013, we issued Ps.7,500 million aggregate principal amount of *certificados bursátiles* bearing an annual interest rate of 5.46% and due May 2023. This series of *certificados bursátiles* is guaranteed by the Guarantors.

On June 30, 2017, we issued (i) Ps.8,500 million aggregate principal amount of 10-year fixed rate *certificados bursátiles* bearing an annual interest rate of 7.87% and due June 2027, and (ii) Ps.1,500 million aggregate principal amount of 5-year floating rate *certificados bursátiles*, priced at 28-day TIIE plus 0.25% and due June 2022. These series of *certificados bursátiles* are guaranteed by the Guarantors.

On February 7, 2020, we issued (i) Ps.3,000 million aggregate principal amount of 8-year fixed rate *certificados bursátiles* bearing an annual interest rate of 7.35% and due January 2028, and (ii) Ps.1,727 million aggregate principal amount of 5.5-year floating rate *certificados bursátiles*, priced at 28-day TIIE plus 0.08% and due August 2025. These series of *certificados bursátiles* are guaranteed by the Guarantors.

As of the date of this annual report, we had the following *certificados bursátiles* outstanding in the Mexican securities market:

Issue Year	Maturity	Amount		Rate
2020	January 28, 2028	Ps.	3,000 million	7.35%
2020	August 15, 2025	Ps.	1,727 million	28-day TIIE + 0.08%
2017	June 18, 2027	Ps.	8,500 million	7.87%
2017	June 24, 2022	Ps.	1,500 million	28-day TIIE + 0.25%
2013	May 12, 2023	Ps.	7,500 million	5.46%
2011	April 5, 2021	Ps.	2,500 million	8.27%

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

U.S. Dollar-Denominated Bonds

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

2.750% Notes due 2030. On January 22, 2020, we issued US1,250 million aggregate principal amount of 2.750% senior notes due January 22, 2030. These notes are guaranteed by the Guarantors. The indenture governing these notes imposes, among others, certain conditions upon a consolidation or merger by us and restricts the incurrence of liens and the entering into sale and leaseback transactions by us and our significant subsidiaries.

For more information about our 2.750% Notes due 2030, see Exhibit 2.12—Description of Securities Registered under Section 12 of the Exchange Act.

Other U.S. Dollar-Denominated Bonds. In January 2020, we repurchased and redeemed in full our 3.875% Notes due 2023. Our 4.625% Notes due 2020 were repaid in full at maturity on February 15, 2020.

Bank Loans

In August 2019, we entered into certain bank loans in Mexican pesos for an aggregate principal amount of Ps.9,400 million. Additionally, during 2019 we entered into certain bank loans in Uruguayan, Colombian and Argentine pesos for an aggregate principal amount of Ps.1,471 million.

As of December 31, 2019, we had a number of bank loans in Colombian pesos, Brazilian reais, Argentine pesos, Mexican pesos and Uruguayan pesos with an aggregate principal amount of Ps.12,459 million. Our bank loans in Mexican pesos are guaranteed by the Guarantors.

In 2019, we prepaid (i) certain bank loans in Mexican pesos for an aggregate amount of Ps.10,100 million and (ii) certain bank loans in U.S. dollars for an aggregate amount of US$205 million.

Promissory Note (Vonpar Acquisition). As part of the purchase price paid for our acquisition of Vonpar, we issued and delivered a three-year promissory note to the sellers for a total amount of 1,166 million Brazilian reais, which was partially offset on November 14, 2018 as a result of the occurrence of certain contingencies for which the sellers agreed to indemnify us. The promissory note was linked to the performance of the exchange rate between the Brazilian real and the U.S. dollar. As a result, the principal amount under the promissory note increased or decreased based on the depreciation or appreciation of the Brazilian real relative to the U.S. dollar. On December 6, 2019, this promissory note matured and was paid in full in cash for the outstanding amount of 1,002 million Brazilian reais, which was at the time equivalent to US$236 million (Ps.4,670 million as of December 31, 2019). For further information, **see "Item 7. Major Shareholders and Related Party Transactions—Major Shareholders".**

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

Off-Balance Sheet Arrangements

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

Contingencies

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

We have various losses related to tax, labor and other legal proceedings. We periodically assess the probability of loss for such contingencies and accrue a provision and/or disclose the relevant circumstances, as appropriate. If the potential loss of any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a provision for the estimated loss. See Note 26 to our consolidated financial statements. We use outside legal counsel for certain complex legal proceedings. The following table displays the nature and amount of the loss contingencies recorded as of December 31, 2019:

	As of December 31, 2019
	(in millions of Mexican pesos)
Tax	Ps. 4,696
Labor	2,222
Legal	1,065
Total	Ps. 7,983

In recent years, our Mexican subsidiaries have been required to submit certain information to relevant authorities regarding alleged monopolistic practices. Such proceedings are a normal occurrence in the beverage industry and we do not expect any significant liability to arise from these contingencies.

As is customary in Brazil, we have been required by the relevant authorities to collateralize tax contingencies currently in litigation amounting to Ps.10,471 million, Ps.7,739 million, and Ps.9,433 million as of December 31, 2019, 2018 and 2017, respectively, by pledging fixed assets, or providing bank guarantees.

In connection with our acquisitions, sellers normally agree to indemnify us against certain contingencies that may arise as a result of the management of the businesses prior to the acquisition, subject to survival provisions and other limitations.

Capital Expenditures

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

	Year Ended December 31,		
	2019	2018	2017[(1)]
	(in millions of Mexican pesos)		
Mexico and Central America[(2)]	6,677	6,574	8,245
South America[(3)]	4,788	4,495	4,686
Capital expenditures, net	11,465	11,069	12,931

(1) Excludes the capital expenditures made by KOF Philippines in 2017.
(2) Includes Mexico, Guatemala, Nicaragua, Costa Rica and Panama. Includes capital expenditures of ABASA and Los Volcanes from May 2018.
(3) Includes Colombia, Brazil, Argentina and Uruguay. Includes capital expenditures of Monresa from July 2018.

In 2019, 2018, and 2017, we focused our capital expenditures on investments in (i) increasing production capacity; (ii) placing coolers with retailers; (iii) returnable bottles and cases; (iv) improving the efficiency of our distribution infrastructure; and (v) information technology.

We have budgeted approximately US$648 million (Ps.12,212 million as of December 31, 2019) for our capital expenditures in 2020. Our capital expenditures in 2020 are primarily intended for:

- investments in production capacity;
- market investments;
- returnable bottles and cases;
- improvements throughout our distribution network; and
- investments in information technology.

We estimate that of our projected capital expenditures for 2020, approximately 38.0% will be for our Mexican territories and the remaining will be for our non-Mexican territories. We believe that internally generated funds will be sufficient to meet our budgeted capital expenditure for 2020. Our capital expenditure plan for 2020 may change based on market and other conditions, such as the recent outbreak of COVID-19, our results and financial resources.

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

Hedging Activities

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

The following table provides a summary of the fair value of derivative instruments as of December 31, 2019. The fair market value is estimated using market prices that would apply to terminate the contracts at the end of the period and are confirmed by external sources, which generally are also our counterparties to the relevant contracts.

	Fair Value as of December 31, 2019				
	Maturity less than 1 year	Maturity 1 – 3 years	Maturity 4 – 5 years	Maturity in excess of 5 years	Total fair value
	(in millions of Mexican pesos)				
Cross Currency Swaps					
U.S. dollars to Mexican pesos	211	—	40	843	1,094
U.S. dollars to Brazilian reais	(695)	—	554	—	(141)
Interest Rate Swaps					
Brazilian variable interest rate to fixed rate	142	—	—	—	142
Options					
U.S. dollars to Colombian pesos	(2)	—	—	—	(2)
Forwards					
U.S. dollars to Mexican pesos	243	—	—	—	243
U.S. dollars to Brazilian reais	5	—	—	—	5
U.S. dollars to Colombian pesos	17	—	—	—	17
U.S. dollars to Argentine pesos	30	—	—	—	30
Commodity Hedge Contracts					
Sugar	(53)	(15)	—	—	(68)
Aluminum	(4)	—	—	—	(4)
PET resin	28	—	—	—	28
Treasury Lock Contracts					
U.S. dollars	(102)	—	—	—	(102)

Item 6. Directors, Senior Management and Employees

Directors

Management of our business is vested in our board of directors and in our chief executive officer. In accordance with our bylaws and Article 24 of the Mexican Securities Market Law, our board of directors will consist of no more than 21 directors, elected at the annual ordinary shareholders meeting for terms of one year. Up to 13 directors may be elected by the Series A shares voting as a class; up to five directors may be elected by the Series D shares voting as a class; and up to three directors may be elected by the Series L shares voting as a class. Directors may only be elected by a majority of shareholders of the appropriate series, voting as a class. Our bylaws further provide that for every 10.0% of issued and paid Series B shares held by shareholders, either individually or as a group, such shareholders shall have the right to appoint and revoke one director and her corresponding alternate, pursuant to Article 50 of the Mexican Securities Market Law. The shareholders meeting will decide, in the event the Series B shares, individually or as a group, are entitled to appoint a director, which series of shares is to reduce the number of directors that such series is entitled to appoint; provided that, the number of directors entitled to be appointed by the Series D shares shall remain unchanged, unless otherwise agreed. In accordance with our bylaws and Article 24 of the Mexican Securities Market Law, at least 25.0% of the members of our board of directors must be independent (as defined by the Mexican Securities Market Law). The board of directors may designate interim directors in the case that a director is absent or an elected director and corresponding alternate are unable to serve; the interim directors serve until the next shareholders meeting, at which the shareholders elect a replacement.

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

At our general ordinary shareholders meeting held on March 17, 2020, the following directors were appointed or confirmed: 10 directors were appointed or confirmed by the Series A shares, four directors were appointed or confirmed by the Series D shares and three directors were appointed or confirmed by the Series L shares. Our board of directors is currently comprised of 17 members.

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

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

Series A Directors

José Antonio Vicente Fernández Carbajal *Chairman*	Born:	February 1954
	Gender:	Male
	First elected:	1993, as director; 2001 as chairman.
	Term expires:	2021
	Principal occupation:	Executive Chairman of the board of directors of FEMSA.
	Other directorships:	Chairman of the board of directors of Fundación FEMSA, A.C. and Instituto Tecnológico y de Estudios Superiores de Monterrey, or ITESM. Member of the board of directors of Heineken Holding, N.V. and vice-chairman of the supervisory board of Heineken, N.V. Chairman of the America’s committee and member of the preparatory committee and selection and appointment committee of Heineken, N.V. Member of the board of directors of Industrias Peñoles, S.A.B. de C.V. and member of the board of trustees of the Massachusetts Institute of Technology Corporation.
	Business experience:	Joined the strategic planning department of FEMSA in 1988, after which he held managerial positions at FEMSA Cerveza’s commercial division and OXXO. He was appointed Deputy Chief Executive Officer of FEMSA in 1991 and Chief Executive Officer in 1995, a position he held until December 31, 2013. As of January 1, 2014, he was appointed Executive Chairman of the board of directors of FEMSA.
	Education:	Holds a degree in Industrial Engineering and a Master in Business Administration, or MBA, from ITESM.
Federico José Reyes García *Director*	Born:	September 1945
	Gender:	Male
	First elected:	1993
	Term expires:	2021
	Principal occupation:	Independent consultant.
	Other directorships:	Alternate member of the board of directors of FEMSA, and member of the board of directors of Fundación FEMSA and Tec Salud.
	Business experience:	At FEMSA, he held the position of Executive Vice-President of Corporate Development from 1992 to 1993, Chief Financial Officer from 1999 to 2006, and Corporate Development Officer from 2006 to 2015.
	Education:	Holds a degree in Business and Finance from ITESM.
	Alternate director:	Javier Gerardo Astaburuaga Sanjines
John Anthony Santa Maria Otazua *Director*	Born:	August 1957
	Gender:	Male
	First elected:	2014
	Term expires:	2021
	Principal occupation:	Our Chief Executive Officer.
	Business experience:	Has served as our Strategic Planning and Business Development Officer and Chief Operating Officer of our Mexican operations. Has served as Strategic Planning and Commercial Development Officer and Chief Operating Officer of our South America division. He also has experience in several areas of our company, namely development of new products and mergers and acquisitions. Has experience with different bottlers in Mexico in areas such as Strategic Planning and General Management.
	Other directorships:	Member of the board of directors of Gentera, S.A.B. de C.V., or Gentera and member of the board of directors and commercial committee of Banco Compartamos, S.A., Institución de Banca Múltiple.
	Education:	Holds a Bachelor’s degree in Business Administration and an MBA with a major in Finance from Southern Methodist University.

Ricardo Guajardo Touché	Born:	May 1948
Independent Director	Gender:	Male
	First elected:	1993
	Term expires:	2021
	Principal occupation:	Chairman of the board of directors of Solfi, S.A. de C.V.
	Other directorships:	Member of the board of directors of FEMSA, Grupo Financiero BBVA Bancomer, BBVA Bancomer, S.A., Institución de Banca Múltiple, or BBVA Bancomer, Grupo Aeroportuario del Sureste, S.A.B. de C.V., Grupo Bimbo, S.A.B. de C.V., or Bimbo, ITESM and Vitro, S.A.B. de C.V. Honorary member of the board of directors of El Puerto de Liverpool, S.A.B. de C.V.
	Business experience:	Has held senior executive positions at FEMSA, Grupo AXA, S.A. de C.V. and Grupo Valores de Monterrey, S.A.B. de C.V.
	Education:	Holds a degree in Electrical Engineering from ITESM and the University of Wisconsin and a Master's degree from the University of California at Berkeley.
Enrique F. Senior Hernández	Born:	August 1943
Independent Director	Gender:	Male
	First elected:	2004
	Term expires:	2021
	Principal occupation:	Managing Director of Allen & Company, LLC.
	Other directorship:	Alternate member of the board of directors of FEMSA, and member of the board of directors of Grupo Televisa, S.A.B. de C.V., Cinemark USA, Inc. and Univision Communications, Inc.
	Business experience:	Among other clients, has provided financial advisory services to FEMSA and Coca-Cola FEMSA.
	Education:	Holds a law degree from Yale University, an Honorary Law Doctorate from Emerson College and an MBA from Harvard University Business School.
Miguel Eduardo Padilla Silva	Born:	January 1955
Director	Gender:	Male
	First elected:	2016
	Term expires:	2021
	Principal occupation:	Chief Executive Officer of FEMSA.
	Other directorships:	Member of the board of directors of FEMSA, Grupo Lamosa, S.A.B. de C.V., Universidad Tec Milenio and Grupo Coppel, S.A. de C.V.
	Business experience:	He held the position of Chief Financial and Corporate Officer of FEMSA from 2016 to 2018 and Chief Executive Officer of FEMSA Comercio from 2004 to 2016. Also, he held the positions of Planning and Control Officer of FEMSA from 1997 to 1999 and Chief Executive Officer of the Strategic Procurement Business Division of FEMSA from 2000 to 2003. He had a 20-year career in Alfa, S.A.B. de C.V. or Alfa and held the position of Chief Executive Officer of Terza, S.A. de C.V.
	Education:	Holds a degree in Mechanical Engineering from ITESM, an MBA from Cornell University and executive management studies at Instituto Panamericano de Alta Dirección de Empresa, or IPADE.
Luis Rubio Freidberg	Born:	August 1955
Independent Director	Gender:	Male
	First elected:	2015
	Term expires:	2021
	Principal occupation:	President of the board of directors of México Evalúa, Centro de Análisis de Políticas Públicas, A.C. and Consejo Mexicano de Asuntos Internacionales.
	Other directorships:	Member of the board of directors of Xanthrus, The India Fund, Inc., and The Tinker Foundation. Member of the Trilateral Commission and of the Halifax International Security Forum Agenda Working Group.

	Business experience:	He is a contributing editor of the newspaper Reforma and the author and editor of over fifty books. In the 1970s he was Planning Director at Citibank in Mexico and served as an adviser to Mexico's Secretary of the Treasury.
	Education:	Holds a degree in Financial Administration, a multinational MBA and a Master's degree and PhD in political science from Brandeis University.
	Alternate director:	Jaime A. El Koury (independent director)
Daniel Javier Servitje Montull *Independent Director*	Born:	April 1959
	Gender:	Male
	First elected:	1998
	Term expires:	2021
	Principal occupation:	Chief Executive Officer and Chairman of the board of directors of Bimbo.
	Other directorships:	Member of the board of directors of Grupo Financiero Banamex, S.A. de C.V., Instituto Mexicano para la Competitividad, A.C., and The Consumer Goods Forum. Member of Stanford GSB Advisory Council and Chairman of the board of directors of Corporación Aura Solar, S.A.P.I. de C.V. and Servicios Comerciales de Energía, S.A. de C.V.
	Business experience:	Served as Vice-President of Bimbo.
	Education:	Holds a degree in Business Administration from the Universidad Iberoamericana in Mexico and an MBA from the Stanford University Graduate School of Business.
José Luis Cutrale *Director*	Born:	September 1946
	Gender:	Male
	First elected:	2004
	Term expires:	2021
	Principal occupation:	Chairman of the board of directors of Sucocítrico Cutrale, Ltda.
	Other directorships:	Member of the board of directors of Cutrale North America, Inc., Cutrale Citrus Juice USA, Inc., Citrus Products, Inc. and Chiquita Brands International.
	Business experience:	Founding partner of Sucocítrico Cutrale, Ltda.
	Education:	Holds a degree in Business Administration.
	Alternate director:	José Henrique Cutrale
Luis Alfonso Nicolau Gutiérrez *Independent Director*	Born:	June 1961
	Gender:	Male
	First elected:	2018
	Term expires:	2021
	Principal occupation:	Partner at Ritch, Mueller, Heather y Nicolau, S.C. and member of the firm's executive committee.
	Other directorships:	Member of the boards of directors of Morgan Stanley, Casa de Bolsa, S.A. de C.V. UBS Asesores México, S.A. de C.V., Grupo Posadas, S.A.B. de C.V. Ignia's Public Fund (*Fideicomiso Ignia*), Gentera, Grupo Cementos de Chihuahua, S.A.B. de C.V., Grupo Coppel, S.A. de C.V. and KIO Networks. Member of the investment committee of Ignia Fund and Promotora Social México.
	Business experience:	Has been a partner at Ritch Mueller since 1990, specializes in mergers and acquisitions, debt and equity capital markets transactions and banking and finance. He is a leading expert in assisting underwriters and issuers in debt and equity offerings in Mexico and abroad. Also, he worked as a foreign associate for Johnson & Gibbs, Dallas and Shearman & Sterling, New York.
	Education:	Holds a Law degree from the Escuela Libre de Derecho and a Master in Law from Columbia University.

Series D Directors

José Octavio Reyes Lagunes	Born:	March 1952
Director	Gender:	Male
	First elected:	2016
	Term expires:	2021
	Principal occupation:	Retired.
	Other directorships:	Member of the board of directors and of the human resources and compensation committee of MasterCard Worldwide. Member of the board of directors and member of the social responsibility committee of Coca-Cola Hellenic Bottling Company.
	Business experience:	He began his career with The Coca-Cola Company in 1980 as Manager of Strategic Planning at Coca-Cola de México, was appointed Manager of the *Sprite* and *Diet Coke* brands at the corporate headquarters in Atlanta in 1987, became Marketing Director for the Brazil Division in 1990, was named Marketing and Operations Vice President of the Mexico Division and became President of the Mexico Division in 1996. He served as President of the Latin American Group of The Coca-Cola Company from 2002 to 2012 and as Vice-Chairman of The Coca-Cola Export Corporation from 2013 to 2014.
	Education:	Holds a degree in Chemical Engineering from the Universidad Nacional Autónoma de México and an MBA from ITESM.
	Alternate director:	Theresa Robin Rodgers Moore
John Murphy	Born:	February 1962
Director	Gender:	Male
	First elected:	2019
	Term expires:	2021
	Principal occupation:	Executive Vice President and Chief Financial Officer of The Coca-Cola Company.
	Other directorships:	Member of the board of directors of Coca-Cola Beverages Japan Holdings Inc., China Beverages Ltd. and Lindley Corporation.
	Business experience:	From 2016 to 2018 he served as president of the Asia Pacific Group of The Coca-Cola Company and from 2013 to 2016 as president of the South Latin business unit. Prior to this role, from 2008 to 2012, he was president of the Latin Center business unit. During his three-decade career with The Coca-Cola Company, he has held a variety of general management, finance and strategic planning roles.
	Education:	Holds a Bachelor’s degree in Business Studies from Trinity College in Dublin and a degree in professional accounting from the University College in Dublin. He is qualified as a chartered accountant of the Irish Institute of Chartered Accountants.
	Alternate director:	Sunil Krishna Ghatnekar
Charles H. McTier	Born:	January 1939
Independent Director	Gender:	Male
	First elected:	1998
	Term expires:	2021
	Principal occupation:	Retired.
	Business experience:	Was associated with the Robert W. Woodruff Foundation for over forty years, serving as its President from 1988-2006 and served as a trustee from 2006-2015. Served on the board of directors of nine U.S. Coca-Cola bottling companies in the 1970s and 1980s.
	Education:	Holds a Bachelor’s degree in Business Administration from Emory University.
James Leonard Dinkins	Born:	July 1962
Director	Gender:	Male
	First elected:	2020
	Term expires:	2021
	Principal occupation:	Senior Vice President of The Coca-Cola Company and President of Coca-Cola North America (CCNA).
	Other directorships:	Member of the board of directors of Fairlife, LLC.

	Business experience:	Joined The Coca-Cola Company in 1988 working in a variety of areas, including senior sales, marketing, operations, strategic planning, sports marketing, franchise leadership and general management. Served as President of the Minute Maid business unit and Chief Retail Sales Officer for CCNA. From 1999 to 2002, held senior management positions in the business services sector as Executive Vice President of Service Resources Inc., and was President of the Communications Division of The Profit Recovery Group International, Inc. Prior to joining The Coca-Cola Company in 1988, held various sales positions with Procter & Gamble.
	Education:	Holds an MBA from Emory University and a Bachelor's degree in Business Administration from the University of Georgia.
	Alternate director:	Marie D. Quintero-Johnson

Series L Directors

Victor Alberto Tiburcio Celorio	Born:	February 1951
Independent Director	Gender:	Male
	First elected:	2018
	Term expires:	2021
	Principal occupation:	Independent consultant.
	Other directorships:	Member of the board of directors and member of the audit committee of FEMSA, Grupo Palacio de Hierro, S.A.B. de C.V., Grupo Financiero Scotiabank Inverlat, S.A. de C.V., Profuturo Afore, S.A. de C.V., Grupo Nacional Provincial S.A.B. and Fresnillo, PLC. Investor and member of the board directors of Tankroom, S.A.P.I. de C.V.
	Business experience:	Worked for over forty-three years at Mancera, S.C. (Ernst & Young Mexico), serving as partner for thirty three years and as Chief Executive Officer and Chairman of the board of directors for thirteen years until his retirement in 2013. He was chairman of the board of the Mexican Financial Reporting Standards and served as President of the Mexican Institute of Public Accountants.
	Education:	Holds a degree in Accounting from the Universidad Iberoamericana in Mexico and an MBA from Instituto Tecnológico Autónomo de México (ITAM).
Francisco Zambrano Rodríguez	Born:	January 1953
Independent Director	Gender:	Male
	First elected:	2003
	Term expires:	2021
	Principal occupation:	Managing Partner of FORTE Estate Planning S.C.
	Other directorships:	Alternate member of the board of directors of FEMSA. Co-Chief Executive Officer and member of the board of directors of Desarrollo Inmobiliario y de Valores, S.A. de C.V., Corporativo Zeta DIVASA, S.A.P.I. de C.V. and IPFC Inmuebles, S.A.P.I. de C.V. Member of the supervisory board of ITESM.
	Business experience:	Has extensive experience in investment banking and private investment services in Mexico, real estate projects, and as patrimonial and probate consultant.
	Education:	Holds a degree in Chemical Engineering from ITESM and an MBA from the University of Texas at Austin.
Alfonso González Migoya	Born:	January 1945
Independent Director	Gender:	Male
	First elected:	2006
	Term expires:	2021
	Principal occupation:	Business consultant and managing partner of Acumen Empresarial, S.A. de C.V.
	Other directorships:	Chairman of the board of directors of Invercap Holdings, S.A.P.I. de C.V. and member of the board of directors and of the audit and corporate practices committees of Nemak, S.A.B. de C.V. Member of the board of directors of FEMSA, Controladora Vuela Compañía de Aviación, S.A.B. de C.V. (Volaris), Pinturas Berel, S.A. de C.V., Grupo Cuprum, S.A.P.I. de C.V., Bolsa Mexicana de Valores, S.A.B. de C.V., Regional, S.A.B. de C.V. and Servicios Corporativos Javer, S.A.B. de C.V.
	Business experience:	Served as Corporate Director of Alfa from 1995 to 2005 and as Chairman of the board of directors and Chief Executive Officer of Grupo Industrial Saltillo, S.A.B. de C.V. from 2009 to 2014.
	Education:	Holds a degree in Mechanical Engineering from ITESM and an MBA from the Stanford University Graduate School of Business.

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

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

Executive Officers

The following are the executive officers of our company:

John Anthony Santa Maria Otazua *Chief Executive Officer*	Born:	August 1957
	Gender:	Male
	Joined:	1995
	Appointed to current position:	2014
	Business experience with us:	Has served as our Strategic Planning and Business Development Officer and Chief Operating Officer of our Mexican operations. Has served as Strategic Planning and Commercial Development Officer and Chief Operating Officer of our South America division. He also has experience in several areas of our company, namely development of new products and mergers and acquisitions.
	Other business experience:	Has experience with different bottlers in Mexico in areas such as Strategic Planning and General Management.
	Education:	Holds a Bachelor's degree in Business Administration and an MBA with a major in Finance from Southern Methodist University.
Constantino Spas Montesinos *Chief Financial Officer*	Born:	May 1970
	Gender:	Male
	Joined:	2018
	Appointed to current position:	2019
	Business experience with us:	Joined our company in 2018 as our Strategic Planning Officer.
	Other business experience:	Has 24 years of experience in the food and beverage sector in companies such as Grupo Mavesa and Empresas Polar in Venezuela, Kraft Foods, SAB Miller in Latin America and Bacardi y Compañía S.A. de C.V. in Mexico, holding different positions in marketing, as regional officer and as VP Managing Director.
	Education:	Holds a Bachelor's Degree in Business Administration from Universidad Metropolitana in Caracas and an MBA from Emory University-Goizueta Business School in Atlanta, Georgia.
Xiemar Zarazua López *Commercial Development Officer*	Born:	June 1963
	Gender:	Male
	Joined:	2017
	Appointed to current position:	2019
	Business experience with us:	Joined our company in January 2017 as Chief Operating Officer of Mexico, and served as our Business Strategy Officer.
	Other business experience:	Has served for more than 30 years in The Coca-Cola Company in different positions including Chief Executive Officer of the Brazil Business Unit from 2008 to 2016 and Chief Executive Officer of the Latin America Business Unit from 2006 to 2008. He also served in different areas in Mexico and Central America.

	Education:	Holds a Bachelor's degree in Economics from Universidad Autónoma de Nuevo León and Finance postgraduate studies from ITESM.
Karina Paola Awad Pérez *Human Resources Officer*	Born:	February 1968
	Gender:	Female
	Joined:	2018
	Appointed to current position:	2018
	Business experience with us:	Joined our company in 2018 as Human Resources Officer.
	Other business experience:	Has served for more than 25 years in several areas of human resources. In 2010, she occupied the position of Vice President of Human Resources for Wal-Mart Chile and in 2013 she was named Senior Vice President of Human Resources for Wal-Mart Mexico and Central America. She was member of the board of directors of Wal-Mart Chile from 2014 to 2016.
	Education:	Holds a degree in psychology from the Pontificia Universidad Católica de Chile and an MBA from the UAI de Chile.
José Ramón de Jesús Martínez Alonso *Corporate Affairs Officer*	Born:	July 1961
	Gender:	Male
	Joined:	2012
	Appointed to current position:	2016
	Business experience with us:	In 2012, he joined our company as Corporate Affairs Officer for Mexico and Central America division. He further occupied the position as Strategic Planning Officer for South America division and previous to his current position he occupied the position as Chief Operating Officer for Brazil.
	Other business experience:	More than 30 years of experience in the Coca-Cola system. He began his career at Panamco where he developed various activities related with the business operation including sugar production and concentrates. In 1994, he occupied the position as Operations Officer of Panamco in Mexico and the following year he occupied the position as Operations Officer of Panamco in Venezuela. From 2005 to 2012, he was Chief Executive Officer of the *Asociación Mexicana de Embotelladores* de Coca-Cola (ASCOCA).
	Education:	Holds a degree in Chemical Engineering from La Salle University, an MBA from IPADE and postgraduate studies in production administration from the Georgia Institute of Technology; Strategic Direction from Stanford University; and Finance Management from John E. Anderson Graduate School of the University of California, Los Angeles.
Rafael Ramos Casas *Supply Chain and Engineering Officer*	Born:	April 1961
	Gender:	Male
	Joined:	1999
	Appointed to current position:	2018
	Business experience with us:	Has served as Supply Chain Officer of FEMSA and OXXO. He held several positions in Propimex for our division in Mexico.
	Other business experience:	He has experience with a different bottler company in Mexico in positions such as Chief Operating Officer, Manufacturing Director and plant manager.
	Education:	Holds a degree in Biochemical Engineering with a minor in Administration and a Master's degree in Business Administration of Agricultural Enterprises.
Washington Fabricio Ponce García *Chief Operating Officer—Mexico*	Born:	April 1968
	Gender:	Male
	Joined:	1998
	Appointed to current position:	2019
	Business experience with us:	Has served as head of our Asia division and as head of our Colombian operations. Has served as Managing Director of Central America, Philippines, Argentina, Brazil, Colombia and Strategic Planning Director for our operations in Latin America.
	Other business experience:	He worked for three years with Bain & Company.

	Education:	Holds a Master´s degree in Business Economics from INCAE, Costa Rica.
Eduardo Guillermo Hernández Peña *Chief Operating Officer—Latin America*	Born:	October 1965
	Gender:	Male
	Joined:	2015
	Appointed to current position:	2018
	Business experience with us:	Served as New Businesses Officer in 2016 and as Strategic Planning Officer in 2017.
	Other business experience:	From 2010 to 2011, he held several positions in the beer, wine and food business at Mavesa S.A. and Empresas Polar in Venezuela. From 2012 to 2015 he served as Executive Vice-President and Chief Executive Officer of Grupo Gloria.
	Education:	Holds a Bachelor's degree in Business Administration from Universidad Metropolitana of Venezuela, a degree in Marketing from Harvard University and an MBA from Northwestern University.
Ian Marcel Craig García *Chief Operating Officer—Brazil*	Born:	May 1972
	Gender:	Male
	Joined:	1994
	Appointed to current position:	2016
	Business experience with us:	Has served as Chief Operating Officer of Argentina. Has served as Chief Financial Officer of our South America division, and also as Corporate Finance and Treasury Director of Coca-Cola FEMSA.
	Other business experience:	Within the group he has worked in a Corporate Finance position and Beer Division Supply Chain position. Also, he worked in other companies in the area of strategic planning.
	Education:	Holds a Bachelor's degree in Industrial Engineering from ITESM, an MBA from the University of Chicago Booth School of Business and a Master's degree in International Commercial Law from ITESM.
Rafael Alberto Suárez Olaguibel *Information Technology and Transformation Officer*	Born:	April 1960
	Gender:	Male
	Joined:	1986
	Appointed to current position:	2019
	Business experience with us:	Has served as Operational Integration Officer, Chief Operating Officer of Latin America and South America Divisions, New Business and Commercial Development Officer, Chief Operating Officer of Latincentro Division, Commercial Planning and Strategic Development Officer, Chief Operating Officer of Mexico, Chief Operating Officer of Argentina, Distribution and Sales Director of Valley of Mexico and Marketing Director of Valley of Mexico.
	Other business experience:	Has worked as Franchises Manager and in other positions at The Coca-Cola Company in Mexico and as professor at ITESM.
	Education:	Holds a degree in Economics and an MBA from ITESM.

Compensation of Directors and Officers

For the year ended December 31, 2019, the aggregate compensation of all of our executive officers paid or accrued for services in all capacities was Ps.295 million. The aggregate compensation amount includes Ps.122 million of cash bonus awards and bonuses paid to certain of our executive officers pursuant to our incentive plan for stock purchases. **See "—Bonus Program."**

The aggregate compensation for directors during 2019 was Ps.20.5 million. For each meeting attended in 2019, we paid US$13,000 to each director with foreign residence and US$9,000 to all other directors.

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

Our executive officers and senior executives participate in our benefit plans in the same terms as our other employees. Members of our board of directors do not participate in our benefit plans. As of December 31, 2019, amounts accrued for all employees under our pension and retirement plans were Ps.3,912 million, of which Ps.1,122 million are already funded.

Bonus Program

Cash-based payment bonus plan. This bonus plan is part of our short-term incentive plan for the benefit of all our executives, including executive officers and senior management. The program is based on a combination of global and individual key performance indicators established at the beginning of the year for each eligible participant in accordance with their level of responsibility. Currently, as instructed by the Corporate Practices Committee, fifty percent of the annual bonus is based on our company's economic profit and the remaining fifty percent is based on a combination of individual goals, which include completion of certain special projects, critical success factors, and assessment of individual behaviors based on certain metrics.

The incentive plan target is expressed in months of salary and the final amount payable is computed based on a percentage of compliance with the goals established every year. The bonuses are recorded as a part of the income statement and are paid in cash the following year.

Share-based payment bonus plan. This stock bonus plan is part of our long-term incentive plan for the benefit of our executive officers and senior management. This plan uses as its main evaluation metric the Economic Value Added, or EVA methodology. Under the EVA stock incentive plan, eligible executive officers and senior management are entitled to receive a special annual bonus in cash, after withholding applicable taxes, to purchase FEMSA and Coca-Cola FEMSA shares traded in the Mexican Stock Exchange, based on the executive's level of responsibility in the organization. We make a cash contribution to the administrative trust (which is controlled and consolidated by FEMSA) in the amount of the individual executive's special bonus. The administrative trust then uses the funds to purchase FEMSA and Coca-Cola FEMSA shares (as instructed by the Corporate Practices Committee). The acquired shares are deposited in a trust, and the executive officers and senior management can access them one year after they are vested, at 33.0% per year over a three-year period. Seventy percent of the annual executive bonus under our stock incentive plan must be used to purchase our company's shares and the remaining 30.0% must be used to purchase FEMSA shares.

During the years ended December 31, 2019, 2018 and 2017, the cash-based and share-based bonus expense paid to the elegible participants pursuant to our bonus programs amounted to Ps.940 million, Ps.659 million, and Ps.701 million, respectively.

Share Ownership

None of our directors, alternate directors or executive officers is the beneficial owner of more than 1% of any class of our capital stock. See Note 18 to our consolidated financial statements.

Board Practices and Committees

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

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

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

- *Planning and Finance 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 shareholders 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 non-member of the Audit Committee is José González Ornelas, vice-president of FEMSA's internal corporate control department.

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

Employees

As of December 31, 2019, our headcount was as follows: 52,550 in Mexico and Central America, and 29,636 in South America. In the headcount, we include the employees of third party distributors. The table below sets forth headcount by category for the periods indicated:

	As of December 31,		
	2019	**2018[(1)]**	**2017[(2)]**
Executives	862	999	940
Non-union	23,920	24,548	24,280
Union	48,195	48,350	47,132
Employees of third party distributors	9,209	9,467	7,284
Total	82,186	83,364	79,636

(1) Includes employees of ABASA and Los Volcanes from May 2018, and Monresa from July 2018.
(2) Excludes employees of KOF Philippines and KOF Venezuela for 2017.

As of December 31, 2019, approximately 58.64% of our employees, most of whom were employed in Mexico, were members of labor unions. We had 190 separate collective bargaining agreements with 108 labor unions. In general, we have a good relationship with the labor unions throughout our operations. **See "Item 8. Financial Information—Consolidated Statements and Other Financial Information."**

In the weeks leading up to this report, in response to the COVID-19 outbreak, we have taken preventive measures at our facilities to ensure continued operations and to keep our teams healthy and safe. As part of those preventive measures, we have advised our employees to reduce large gatherings and increase social distancing, and we have encouraged office-based employees to work from home. In addition, we have created and implemented internal protocols to respond to any suspected or diagnosed cases of COVID-19 among our workforce.

Insurance Policies for Employees

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

Item 7. Major Shareholders and Related Party Transactions

MAJOR SHAREHOLDERS

As of the date of this report, our outstanding capital stock consists of four classes of securities: Series A shares held by FEMSA, Series D shares held by The Coca-Cola Company, and Series B and Series L shares held by the public, which trade as units (each unit consisting of 3 Series B shares and 5 Series L shares). The following table sets forth our major shareholders:

Owner	Outstanding Capital Stock	Percentage Ownership of Outstanding Capital Stock	Percentage of Voting Rights
FEMSA (Series A shares)(1)	7,936,628,152	47.2%	56.0%
The Coca-Cola Company (Series D Shares)(2)	4,668,365,424	27.8%	32.9%
Public (Series B shares)(3)	1,575,624,195	9.4%	11.1%
Public (Series L shares)(3)	2,626,040,325	15.6%	—%
Total	16,806,658,096	100.0%	100.0%

(1) FEMSA owns these shares through its wholly owned subsidiary Compañía Internacional de Bebidas, S.A. de C.V. Approximately 74.9% of the voting stock of FEMSA is owned by the technical committee and trust participants under Irrevocable Trust No. 463 established at Banco Invex, S.A. Institución de Banca Múltiple, Invex Grupo Financiero, as Trustee. As a consequence of the voting trust's internal procedures, the following trust participants are deemed to have beneficial ownership with shared voting power of the shares deposited in the voting trust: BBVA Bancomer, S.A., as Trustee under Trust No. F/25078-7 (controlled by the estate of Max Michel Suberville), J.P. Morgan Trust Company (New Zealand) Limited as Trustee under a trust controlled by Paulina Garza Lagüera Gonda, Max Brittingham, Maia Brittingham, Bárbara Garza Lagüera Gonda, Bárbara Braniff Garza Lagüera, Eugenia Braniff Garza Lagüera, Lorenza Braniff Garza Lagüera, Mariana Garza Lagüera Gonda, Paula Treviño Garza Lagüera, Inés Treviño Garza Lagüera, Eva Maria Garza Lagüera Gonda, Eugenio Fernández Garza Lagüera, Daniela Fernández Garza Lagüera, Eva María Fernández Garza Lagüera, José Antonio Fernández Garza Lagüera, Eva Gonda Rivera, Inversiones Bursátiles Industriales, S.A. de C.V. (controlled by the Garza Lagüera family), Consuelo Garza Lagüera de Garza, Alfonso Garza Garza, Juan Pablo Garza García, Alfonso Garza García, María José Garza García, Eugenia Maria Garza García, Patricio Garza Garza, Viviana Garza Zambrano, Patricio Garza Zambrano, Marigel Garza Zambrano, Ana Isabel Garza Zambrano, Juan Carlos Garza Garza, José Miguel Garza Celada, Gabriel Eugenio Garza Celada, Ana Cristina Garza Celada, Juan Carlos Garza Celada, Eduardo Garza Garza, Eduardo Garza Páez, Balbina Consuelo Garza Páez, Eugenio Andrés Garza Páez, Eugenio Garza Garza, Camila Garza Garza, Ana Sofía Garza Garza, Celina Garza Garza, Marcela Garza Garza, Carolina Garza Villarreal, Alepage, S.A. (controlled by Consuelo Garza Lagüera de Garza), Alberto Bailleres González, Maria Teresa Gual de Bailleres, Corbal, S.A. de C.V. (controlled by Alberto Bailleres González), BBVA Bancomer, S.A., as Trustee under Trust No. F/29490-0 (controlled by Alberto, Susana and Cecilia Bailleres), Magdalena Michel de David, the estate of Max Michel Suberville, Max David Michel, Juan David Michel, Monique David de VanLathem, Renee Michel de Guichard, Magdalena Guichard Michel, Rene Guichard Michel, Miguel Guichard Michel, Graciano Guichard Michel, Juan Guichard Michel, BBVA Bancomer, S.A., as Trustee under Trust No. F/710004 (controlled by Magdalena Michel de David), BBVA Bancomer, S.A., as Trustee under Trust No. F/700005 (controlled by Renee Michel de Guichard), Franca Servicios, S.A. de C.V. (controlled by the Calderón Rojas family), and BBVA Bancomer, S.A. as Trustee under Trust No. F/29013-0 (controlled by the Calderón Rojas family).

(2) The Coca-Cola Company indirectly owns these shares through its wholly owned subsidiaries, The Inmex Corporation and Dulux CBAI 2003 B.V.

(3) Series B shares and Series L shares trade together as units (each unit consisting of 3 Series B shares and 5 Series L shares). Series B shares grant full voting rights and Series L shares only grant the right to vote in limited circumstances. Holders of ADSs are entitled, subject to certain exceptions, to instruct The Bank of New York Mellon, the ADS depositary, as to the voting rights pertaining to the Series B shares and the limited voting rights pertaining to the Series L shares, in each case underlying our units represented by ADSs. **See "Item 10. Additional Information—Bylaws."**

As of the date of this report, the Bill and Melinda Gates Foundation Trust held 62,147,190 units, or 11.83% of the total amount of our units, which represented 186,441,570 Series B shares, or 11.83% of the total amount of our Series B shares, and 310,735,950 Series L shares, or 11.83% of the total amount of our Series L shares.

As of the date of this report, Blackrock, Inc. held 28,093,919 units, or 5.35% of the total amount of our units, which represented 84,281,757 Series B shares, or 5.35% of the total amount of our Series B shares, and 140,469,595 Series L shares, or 5.35% of the total amount of our Series L shares.

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

As of the date of this report, we had approximately 20,237,944 ADSs outstanding, representing 38.5% of the total amount of our units, or 38.5% of the total amount of our Series B shares and 38.5% of the total amount of our Series L shares, held by approximately 307 registered holders (including The Depositary Trust Company) with registered addresses outside of Mexico.

The sellers of Vonpar contributed Ps.4,082 million of equity into a Mexican company, which company in turn was merged into Coca-Cola FEMSA on May 4, 2017 in exchange for approximately 27.9 million newly issued Series L shares. A portion of the purchase price was paid through the issuance and delivery of a three-year promissory note to the sellers for a total amount of 1,166 million Brazilian reais. The holders of the promissory note had an option, that could be exercised prior to the scheduled maturity of the promissory note but effective at the maturity of the note, to capitalize the Mexican peso amount equivalent to the outstanding principal amount of the promissory note into a recently incorporated Mexican company which would then be merged into Coca-Cola FEMSA in exchange for units of the company at a strike price of Ps.178.5 per unit. The holders of the promissory note did not exercise their option to capitalize the outstanding principal amount of the promissory note. On December 6, 2019, the promissory note matured and was paid in full. For further information see Note 21.8 to our consolidated financial statements.

The Shareholders Agreement

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

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

Under our bylaws and shareholders agreement, our Series A shares, Series D shares and Series B shares are the only shares with full voting rights.

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

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

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

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

The Coca-Cola Memorandum

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

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

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

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

- The Coca-Cola Company may require the establishment of a different long-term strategy for Brazil. If, after taking into account our performance in Brazil, The Coca-Cola Company does not consider us to be part of this long-term strategic solution for Brazil, then we will sell our Brazilian franchise to The Coca-Cola Company or its designee at fair market value. Fair market value would be determined by independent investment bankers retained by each party at their own expense pursuant to specified procedures. In light of the performance of our business in Brazil and the fact that The Coca-Cola Company authorized us to acquire four Coca-Cola bottlers in Brazil from 2008 to 2017 and participate in the acquisition of the Brazilian operations of Jugos del Valle, Leão Alimentos, Laticínios Verde Campo Ltda. and the AdeS business in Brazil, we believe that this provision is no longer applicable.

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

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

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

Cooperation Framework with The Coca-Cola Company

In July 2016, we announced a new, comprehensive cooperation framework with The Coca-Cola Company. This cooperation framework seeks to maintain a mutually beneficial business relationship over the long term, which will allow both companies to focus on continuing to drive the business forward and generate profitable growth. The cooperation framework contemplates the following main objectives:

- ***Long-term guidelines in relationship economics***: Concentrate prices for sparkling beverages in Mexico gradually increased from July 2017 through July 2019.
- ***Other Concentrate Price Adjustments***. Potential future concentrate price adjustments for sparkling beverages and flavored water in Mexico will consider investment and profitability levels that are beneficial both to us and The Coca-Cola Company.
- ***Marketing and commercial strategies***. We and The Coca-Cola Company are committed to implement marketing and commercial strategies, and productivity programs to maximize profitability. We believe that these initiatives will partially mitigate the effects of concentrate price adjustments.

RELATED PARTY TRANSACTIONS

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

FEMSA

We regularly engage in transactions with FEMSA and its subsidiaries, including sales of our products. The aggregate amount of these sales was Ps.5,694 million, Ps.5,200 million and Ps.4,761 million in 2019, 2018 and 2017, respectively. Substantially all of these sales consist of sales to FEMSA Comercio, which operates OXXO, the chain of convenience stores.

We also purchase products and receive services from FEMSA and its subsidiaries. The aggregate amount of these purchases was Ps.7,756 million, Ps.8,878 million and Ps.7,773 million in 2019, 2018 and 2017, respectively. These amounts principally relate to raw materials, assets and services provided to us by FEMSA. In 2017, we renewed our service agreement with a subsidiary of FEMSA, which provides for the continued provision of administrative services relating to insurance, legal and tax advice, consulting and advisory services, relations with governmental authorities and certain administrative and internal auditing services that it has been providing since June 1993. In November 2000, we entered into a service agreement with a subsidiary of FEMSA, Solistica, S.A. de C.V., for the transportation of finished products from our bottling plants to our distribution centers within Mexico. Additionally, FEMSA, through its strategic businesses unit, provides logistics services, point-of-sale refrigeration solutions and plastics solutions to us in the countries where we operate.

We also purchase products from Heineken and its subsidiaries (in which FEMSA owns a non-controlling interest). The aggregate amount of these purchases was Ps.12,755 million, Ps.14,959 million and Ps.13,608 million in 2019, 2018 and 2017, respectively. These amounts principally relate to beer and other products.

We continue to distribute and sell *Heineken* beer products in our Brazilian territories pursuant to our agreement with Heineken Brazil. This agreement is scheduled to expire in 2022.

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

The Coca-Cola Company

We regularly engage in transactions with The Coca-Cola Company and its affiliates. We purchase all of our concentrate requirements for *Coca-Cola* trademark beverages from affiliates of The Coca-Cola Company. Total expenses charged to us by The Coca-Cola Company for concentrates were Ps.34,063 million, Ps.32,379 million and Ps.30,758 million (excluding expenses from KOF Philippines) in 2019, 2018 and 2017, respectively. Our company and The Coca-Cola Company pay and reimburse each other for marketing expenditures. The Coca-Cola Company also makes contributions to us that we generally use for initiatives that promote volume growth of *Coca-Cola* trademark beverages, including the placement of coolers with retailers. We received contributions to our marketing expenses of Ps.2,274 million, Ps.3,542 million and Ps.4,023 million in 2019, 2018 and 2017, respectively.

In December 2007 and May 2008, we sold most of our proprietary brands to The Coca-Cola Company. The proprietary brands are licensed back to us by The Coca-Cola Company pursuant to our bottler agreements.

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

We purchase products from Jugos del Valle, a Mexican joint business acquired together with The Coca-Cola Company, in the amount of Ps.2,863 million, Ps.2,872 million and Ps.2,604 million in 2019, 2018 and 2017, respectively, which is mainly related to certain juice-based beverages and dairy products that are part of our product portfolio. As of April 10, 2020, we held a 28.8% interest in Jugos del Valle.

We purchase products from Leão Alimentos, a Brazilian business acquired together with The Coca-Cola Company, in the amount of Ps.1,867 million, Ps.2,654 million and Ps.4,010 million in 2019, 2018 and 2017, respectively, which is mainly related to certain juice-based beverages and teas that are part of our product portfolio. As of April 10, 2020, we held a 24.7% indirect interest in Leão Alimentos.

See "Item 4. Information on the Company—The Company—Corporate History" for a description of certain acquisitions that we have completed together with The Coca-Cola Company.

Associated Companies

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

In Mexico, we purchase sparkling beverages in cans from Industria Envasadora de Querétaro, S.A. de C.V., or IEQSA, in which, as of April 10, 2020, we held a 26.5% equity interest. We purchased Ps.682 million, Ps.596 million and Ps.804 million in sparkling beverages from IEQSA in 2019, 2018 and 2017, respectively. We also purchase sugar from Beta San Miguel and PIASA, both sugar-cane producers in which, as of April 10, 2020, we held a 2.7% and 36.4% equity interest, respectively. We purchased Ps.655 million, Ps.651 million and Ps.1,827 million in sugar from Beta San Miguel in 2019, 2018 and 2017, respectively. We purchased Ps.2,728 million, Ps.2,604 million and Ps.1,885 million in sugar from PIASA in 2019, 2018 and 2017, respectively. Until 2018, we purchased cans from Promotora Mexicana de Embotelladores, S.A. de C.V. or PROMESA, a cooperative of *Coca-Cola* bottlers, in which, as of April 10, 2020, we held a 35.0% interest. We purchased Ps.839 million in cans from PROMESA in 2017. We stopped purchasing cans from PROMESA in 2018.

Other Related Party Transactions

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

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

Allen & Company LLC provides investment banking services to us in the ordinary course of its business. Enrique F. Senior Hernández, one of our directors, is a Managing Director of Allen & Company LLC.

See Notes 7 and 15 to our consolidated financial statements for more information on our related party transactions, including transactions with parties that fall within the related party definition pursuant to IFRS rules.

Item 8. Financial Information

CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Consolidated Financial Statements

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

Dividend Policy

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

Significant Changes

Except as disclosed under **"Item 5. Operating and Financial Review and Prospects—General—Outbreak of Novel Coronavirus COVID-19"** and **"Item 5. Operating and Financial Review and Prospects—General—Recent Developments Related to our Indebtedness"** no significant changes have occurred since the date of the annual financial statements included in this annual report.

LEGAL PROCEEDINGS

We are party to various legal proceedings in the ordinary course of business, including with regard to antitrust, labor, tax and commercial matters. We believe we have appropriate reserves for these litigation proceedings as of December 31, 2019. Other than as disclosed in this annual report, we are not currently involved in any litigation or arbitration proceeding, including any proceeding that is pending or threatened of which we are aware, which we believe will have, or has had, a material adverse effect on our company. Other legal proceedings that are pending against or involve us and our subsidiaries are incidental to the conduct of our and their business. We believe that the ultimate resolution of such other proceedings individually or in an aggregate basis will not have a material adverse effect on our consolidated financial condition or results. For further information, see Notes 25.2.1, 26.6 and 26.7 to our consolidated financial statements.

Mexico

Waste Management Legislative Reform. On June 28, 2019, the government of the state of Oaxaca, Mexico amended the Law for the Prevention and Integral Management of Solid Waste (*Ley para la Prevención y Gestión Integral de los Residuos Sólidos*) to prohibit the use, sale and distribution of single-use PET bottles for water and all other beverages in the state of Oaxaca. As a result of this amendment, on July 30, 2019, two of our Mexican subsidiaries filed a legal recourse against the amended law that is still pending resolution.

Brazil

Arbitration with Heineken Brazil. In July 2017, Heineken Brazil issued a notice of termination with respect to the agreement under which we distribute and sell *Heineken* beer products in our Brazilian territories. Because the agreement is scheduled to expire in 2022, this dispute was submitted to an arbitration proceeding. On October 31, 2019, the arbitration tribunal issued an award confirming that the distribution agreement pursuant to which we distribute Kaiser's portfolio in Brazil, including *Heineken* beer, shall continue in full force and effect until and including March 19, 2022.

Arbitration with Unilever Brazil. In May 2018, Unilever Brazil notified us of its decision to add certain charges to the selling price of AdeS products under the supply agreement with us and other Brazilian bottlers. We and the other Brazilian bottlers disagreed with such charges, and an arbitration proceeding was brought by Unilever Brazil against us and the other Brazilian bottlers. The arbitration panel has been installed, and the process is currently ongoing. An unfavorable outcome in this proceeding could have an adverse impact on our Brazilian AdeS business.

Legal proceeding against Heineken Brazil. In January 2020, our Brazilian subsidiary, together with the Brazilian association of *Coca-Cola* bottlers and other Brazilian bottlers, filed a lawsuit against Heineken and Heineken Brazil seeking indemnification and asserting the right to distribute beer *Kirin* as part of our Heineken portfolio in Brazil.

Item 9. The Offer and Listing

ADSs representing our units are listed and trade on the NYSE, and our units are listed and trade on the Mexican Stock Exchange. Each ADS represents 10 units, each unit consisting of 3 Series B shares and 5 Series L shares, in each case deposited under the deposit agreement with the ADS depositary, as amended. Our 2.750% Senior Notes due 2030 are also listed and trade on the NYSE. For more information about our securities, see Exhibit 2.12—Description of Securities Registered under Section 12 of the Exchange Act.

The NYSE trading symbol for the ADSs is "KOF" and the Mexican Stock Exchange trading symbol for our units is "KOF UBL".

TRADING ON THE BOLSA MEXICANA DE VALORES, S.A.B. DE C.V. AND BOLSA INSTITUCIONAL DE VALORES, S.A. DE C.V.

The Mexican Stock Exchange or the *Bolsa Mexicana de Valores, S.A.B. de C.V.* and the Bolsa Institucional de Valores, S.A. de C.V. are both located in Mexico City, and are the two stock exchanges operating in Mexico. The Bolsa Institucional de Valores, S.A. de C.V. launched operations in July 2018. Trading takes place principally through automated systems that are open between the hours of 8:30 a.m. and 3:00 p.m. Mexico City time, each business day. Beginning in March 2008, during daylight savings time, trading hours change to match the NYSE trading hours, opening at 7:30 a.m. and closing at 2:00 p.m. local time. Both stock exchanges operate a system of automatic suspension of trading in shares of a particular issuer as a means of controlling excessive price volatility, but under current regulations this system does not apply to securities such as the units represented by ADSs that are directly or indirectly quoted on a stock exchange outside of Mexico.

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

Item 10. Additional Information

BYLAWS

The following is a summary of the material provisions of our bylaws and applicable Mexican law. The most recent amendments to our bylaws were approved on January 31, 2019 and March 8, 2019. For a description of the provisions of our bylaws relating to our board of directors and executive officers, **see "Item 6. Directors, Senior Management and Employees."**

The main changes made to our bylaws on January 31, 2019 were the following:

- Article 6 was amended to:
  - include the number of shares of our minimum fixed capital stock issued as a result of the Stock Split approved in the shareholders meeting held on such date;
  - modify the limitations on share ownership of Series A shares from representing no less than 51.0% of the outstanding common shares with full voting rights to representing no less than 50.1% of the outstanding common shares with full voting rights;
  - modify the limitations on share ownership of Series B shares and Series D shares from jointly representing no more than 49.0% of the outstanding common shares with full voting rights to representing no more than 49.9% of the outstanding common shares with full voting rights; and
  - include the possibility to unwind in 2024 the units of shares allowing Series B shares and Series L shares to trade separately, through a special shareholders meeting that will require 75.0% of each of the Series B shares and the Series L shares to be present or represented at the meeting, and the favorable vote of holders that represent 51.0% of each of the Series L shares and Series B shares, such unwind becoming effective one year after the approval.
- Several other articles were amended to implement and give effect to the issuance of our units, each unit being comprised of 3 Series B shares and 5 Series L shares.
- Article 26 was amended to provide that the shareholders meeting will determine which series of shares is to reduce the number of directors that such series is entitled to appoint; provided that, the number of directors entitled to be appointed by holders of Series D shares shall remain unchanged, unless otherwise agreed.

Additionally, on March 8, 2019, Article 25 and Article 26 of our bylaws were amended to include that Series A shareholders are entitled to appoint up to 13 directors and Series D shareholders are entitled to appoint up to 5 directors. Previously, Series A shareholders appointed 13 directors and Series D shareholders appointed 5 directors.

In this summary of our bylaws, references to the rights or restrictions of holders of Series B shares or holders of Series L shares refer to the rights and restrictions that apply to the holders of our units, as the indirect holders of the Series B shares and Series L shares comprising such units.

Organization and Register

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

Purposes

The main corporate purposes of our company include the following:

- to establish, promote and create corporations or companies of any type, as well as to acquire and possess shares or equity participations in such entities;
- to subscribe, buy, sell and carry out all types of transactions involving bonds, shares, equity, participations and securities of any type;
- to provide or receive advisory, consulting or other types of services;
- to conduct business with equipment, raw materials and any other items necessary to the companies in which we have an interest in or with whom we have commercial relations;
- to acquire and dispose of trademarks, tradenames, commercial names, copyrights, patents, inventions, franchises, distributions, concessions and processes;
- to possess, build, lease and operate real and personal property, install or by any other title operate plants, warehouses, workshops, retail or deposits necessary to comply with our corporate purpose; and
- to draw, accept, make, endorse or guarantee negotiable instruments, issue bonds secured with real property or unsecured, and to make us jointly liable, to grant security of any type with regard to obligations entered into by us or by third parties, and in general, to perform the acts, enter into the agreements and carry out other transactions as may be necessary or conducive to our business purpose.

Voting Rights, Transfer Restrictions and Certain Minority Rights

Series A shares and Series D shares have full voting rights and are subject to transfer restrictions. Series B shares have full voting rights, and Series L shares have limited voting rights. Series B shares and Series L shares are freely transferable in the form of units, for so long as Series B shares and Series L shares trade together as units. If the units are unwound, as described below, the underlying Series B shares and Series L shares will be freely transferable on an individual basis. None of our shares are exchangeable for shares of a different series. The rights of all series of our capital stock are substantially identical except as provided herein.

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

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

- holders of 10.0% of our outstanding capital stock entitled to vote, including in a limited or restricted manner, either individually or as a group, to require the chairman of the board of directors or the chairmen of the Audit or Corporate Practices Committees to call a shareholders meeting;
- holders of 5.0% of our outstanding capital stock, either individually or as a group, to bring an action for liability against our directors, the secretary of the board of directors and certain key officers;

- holders of 10.0% of our outstanding capital stock who are entitled to vote, including in a limited or restricted manner, either individually or as a group, to request at any shareholders meeting that resolutions be postponed with respect to any matter on which they considered they were not sufficiently informed;
- holders of 20.0% of our outstanding capital stock, either individually or as a group, to oppose any resolution adopted at a shareholders meeting in which they are entitled to vote and file a petition for a court order to suspend the resolution temporarily within 15 days following the adjournment of the meeting at which the action was taken, provided that (1) the challenged resolution violates Mexican law or our bylaws, (2) the opposing shareholders neither attended the meeting nor voted in favor of the challenged resolution and (3) the opposing shareholders deliver a bond to the court to secure payment for any damages that we may suffer as a result of suspending the resolution in the event that the court ultimately rules against the opposing shareholder; and
- for every 10.0% of our outstanding capital stock who are entitled to vote, including in a limited or restricted manner, held either individually or as a group, to appoint one member of our board of directors and one alternate member of our board of directors up to the maximum number of directors that each series is entitled to appoint under our bylaws; if a holder or group of holders of Series B shares are entitled to appoint a director, the shareholders meeting will reduce the number of directors entitled to be appointed by holders of another series of shares; provided that, the number of directors entitled to be appointed by holders of Series D shares will remain unchanged, unless otherwise agreed.

Shareholders Meetings

General shareholders meetings may be ordinary meetings or extraordinary meetings. Extraordinary meetings are those called to consider certain specific matters including: amendments to our bylaws, liquidation, dissolution, merger and transformation from one form of company to another, issuance of preferred stock and increases and reductions of the fixed portion of our capital stock. In addition, our bylaws require an extraordinary meeting to consider the cancellation of the registration of our equity securities with the RNV maintained by the CNBV and the delisting of our equity securities from the Mexican Stock Exchange or any other foreign stock exchanges on which our equity securities may be listed, the amortization of distributable earnings into capital stock, and issuances of treasury shares for future subscription and payment. All other matters, including increases or decreases affecting the variable portion of our capital stock, are considered at an ordinary meeting.

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

The quorum for ordinary and extraordinary meetings at which holders of Series L shares are not entitled to vote is 76.0% of the holders of our fully subscribed and paid voting shares. Resolutions adopted at such ordinary or extraordinary shareholders meetings are valid when adopted with the affirmative vote of holders of at least a majority of our fully subscribed and paid voting shares voting (and not abstaining) at the meeting, including the affirmative vote of holders of a majority of the Series D shares. However, for a shareholders meeting to vote on a payment of dividends in an amount not to exceed 20.0% of the preceding years' consolidated net profits, the approval of our financial statements for the preceding fiscal year with an unqualified auditor's opinion, or our normal operations plan, our bylaws only require a quorum of a majority of our fully subscribed and paid voting shares and resolutions are validly adopted at such meeting with the affirmative vote of a majority of the holders of our voting shares voting (and not abstaining) at the meeting.

Under our bylaws, holders of Series B shares are entitled to vote on all matters discussed at an ordinary or extraordinary meeting. These holders are entitled to elect and remove one director for every 10.0% of all issued, subscribed and paid shares of our capital stock that they may hold either individually or as a group, up to a maximum number of three directors out of the total of 21 directors.

The quorum for an extraordinary meeting at which holders of Series L shares are entitled to vote is 82.0% of all of our fully subscribed and paid shares, and resolutions issued at such extraordinary meeting are valid when adopted with the affirmative vote of holders of at least a majority of our fully subscribed and paid shares voting (and not abstaining) at the meeting. The following matters may be approved in such a meeting:

- changes in our corporate form from one type of company to another (other than changing from a variable capital to fixed-capital corporation and vice versa); and
- any merger where we are not the surviving entity or any merger with an entity whose principal corporate purposes are different from those of the Registrant or its subsidiaries.

Series L shares will also be entitled to vote on any other matters for which the Mexican Securities Market Law expressly allows Series L shares to vote.

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

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

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

Mexican law provides for a special meeting of shareholders to allow holders of shares of a specific series to vote as a class on any action that would prejudice exclusively the rights of holders of such series. There are no procedures for determining whether a particular proposed shareholder action requires a class vote, and Mexican law does not provide extensive guidance on the criteria to be applied in making such a determination. Holders of Series A, Series B, Series D and Series L shares at their respective special meetings or at an annual ordinary meeting, must appoint, remove or ratify directors, as well as determine their compensation. The quorum for special meetings of any series of shares is 75.0% of the holders of the fully subscribed and paid shares of the series entitled to attend such special meeting. Except for resolutions to unwind the units into individual Series B and Series L shares as described above, resolutions adopted at a special shareholders meeting are valid when adopted by the holders of at least a majority of the fully subscribed and paid shares of the series entitled to attend such special meeting. Resolutions to unwind the units into individual Series B shares and Series L shares as described above are valid when adopted by the holders of at least 51.0% of each of the fully subscribed and paid Series B shares and Series L shares.

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

Additional Transfer Restrictions Applicable to Series A and Series D Shares

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

Dividend Rights

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

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

Change in Capital

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

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

Preemptive Rights

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

Limitations on Share Ownership

Our bylaws provide that Series A shares must at all times constitute no less than 50.1% of all outstanding common shares with full voting rights (excluding Series L shares) and may only be held by Mexican investors. Under our bylaws, in the event Series A shares are subscribed or acquired by any other shareholders holding shares of any other series, and the shareholder is of a citizenship other than Mexican, these Series A shares are automatically converted into shares of the same series of stock that this shareholder owns, and this conversion will be considered perfected at the same time as the subscription or acquisition. Additionally our bylaws provide that Series B shares jointly with the Series D shares shall not exceed 49.9% of all outstanding common shares with full voting rights (excluding Series L shares).

Other Provisions

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

- any related party transactions outside the ordinary course of our business;
- significant asset transfers or acquisitions;
- guarantees or collateral that represent more than 30.0% of our consolidated assets;
- appointment of officers and managers deemed necessary, as well as the creation of the necessary committees;
- the annual business plan and the five-year business plan and its modifications;
- internal policies;
- the compensation of our chief executive officer and the senior management reporting to the chief executive officer; and
- other transactions that represent more than 1% of our consolidated assets.

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

See "Item 6. Directors, Senior Management and Employees—Directors" and "Item 6. Directors, Senior Management and Employees—Board Practices and Committees."

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

Repurchase of Shares. According to our bylaws, and subject to the provisions of the Mexican Securities Market Law and under rules promulgated by the CNBV, we may freely repurchase our own shares for a maximum amount in Mexican pesos previously approved by our shareholders meeting.

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

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

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

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

- request information about us or our subsidiaries that is reasonably necessary to fulfill its duties;
- require our officers and certain other persons, including the external auditors, to appear at board of directors' meetings to report to the board of directors;
- postpone board of directors' meetings for up to three days when a director has not been given sufficient notice of the meeting or in the event that a director has not been provided with the information provided to the other directors; and
- require a matter be discussed and voted upon by the full board of directors in the presence of the secretary of the board of directors.

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

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

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

- vote at a board of directors' meeting or take any action on a matter involving our assets where there is a conflict of interest;
- fail to disclose a conflict of interest during a board of directors' meeting;
- enter into a voting arrangement to support a particular shareholder or group of shareholders against the other shareholders;
- approve transactions without complying with the requirements of the Mexican Securities Market Law;
- use company property in violation of the policies approved by the board of directors;
- unlawfully use material non-public information; and
- usurp a corporate opportunity for their own benefit or the benefit of a third party, without the prior approval of the board of directors.

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

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

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

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

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

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

MATERIAL AGREEMENTS

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

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

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

In July 2015, we executed new agreements with DXC Technology (formerly Hewlett Packard) for the outsourcing of technology services in all of our territories. These agreements are valid until July 2020 and, subject to the approval of our board of directors, will be renewed until 2023.

In 2016 and 2017, we entered into certain distribution agreements with Monster Energy Company to sell and distribute *Monster* trademark energy drinks in most of our territories. These agreements have a ten-year term and are automatically renewed for up to two five-year terms.

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

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

TAXATION

The following summary contains a description of certain U.S. federal income and Mexican federal tax consequences of the purchase, ownership and disposition of our units or ADSs by a holder that is a citizen or resident of the United States, a U.S. domestic corporation or a person or entity that otherwise will be subject to U.S. federal income tax on a net income basis in respect of the units or ADSs, which we refer to as a U.S. holder, but it does not purport to be a description of all of the possible tax considerations that may be relevant to a decision to purchase, hold or dispose of the units or ADSs. In particular, this discussion does not address all Mexican or U.S. federal income tax considerations that may be relevant to a particular investor, nor does it address the special tax rules applicable to certain categories of investors, such as banks, dealers, traders who elect to mark to market, tax-exempt entities, insurance companies, certain short-term holders of units or ADSs or investors who hold the units or ADSs as part of a hedge, straddle, conversion or integrated transaction, partnerships or partners therein, non-resident alien individuals present in the United States for 183 days or more or investors who have a "functional currency" other than the U.S. dollar. U.S. holders should be aware that the tax consequences of holding the units or ADSs may be materially different for investors described in the preceding sentence. This summary deals only with U.S. holders that will hold the units or ADSs as capital assets and does not address the tax treatment of a U.S. holder that owns or is treated as owning 10.0% or more of the shares by vote or value (including units) of our company.

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

Mexican Taxation

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

Tax Considerations Relating to the Units and the ADSs

Taxation of Dividends. Effective as of January 1, 2014, under Mexican income tax laws, dividends, either in cash or in kind, paid to individuals that are Mexican residents or individuals or companies that are non-Mexican residents, on the Series B shares and Series L shares underlying our units or ADSs, are subject to a 10.0% withholding tax, or a lower rate if covered by a tax treaty. Profits that were earned and subject to income tax before January 1, 2014 are exempt from this withholding tax.

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

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

Other Mexican Taxes

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

United States Taxation

Tax Considerations Relating to the Units and the ADSs

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

Taxation of Dividends. The gross amount of any distributions paid to holders of our units or the ADSs, to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, generally will be included in the gross income of a U.S. holder as foreign source dividend income on the day on which the dividends are received by the U.S. holder, in the case of our units, or by the depositary, in the case of our units represented by ADSs, and will not be eligible for the dividends received deduction allowed to corporations under the Internal Revenue Code of 1986, as amended. Because we do not expect to maintain calculations of our earnings and profits in accordance with U.S. federal income tax principles, it is expected that distributions paid to U.S. holders generally will be reported as dividends.

Dividends, which will be paid in Mexican pesos, will be included in the income of a U.S. holder in a U.S. dollar amount calculated, in general, by reference to the exchange rate in effect on the date that they are received by the U.S. holder, in the case of our units, or by the depositary, in the case of our units represented by ADSs (regardless of whether such Mexican pesos are in fact converted into U.S. dollars on such date). If such dividends are converted into U.S. dollars on the date of receipt, a U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the dividends. U.S. holders should consult their own tax advisors regarding the treatment of foreign currency gain or loss, if any, on any pesos received by a U.S. holder or depositary that are converted into U.S. dollars on a date subsequent to receipt.

The amount of Mexican tax withheld generally will give rise to a foreign tax credit or deduction for U.S. federal income tax purposes. Dividends generally will constitute “passive category income” for purposes of the foreign tax credit (or in the case of certain U.S. holders, “general category income”). The foreign tax credit rules are complex. U.S. holders should consult their own tax advisors with respect to the implications of those rules for their investments in our units or ADSs.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual U.S. holder of our units or ADSs generally is subject to taxation at the preferential rates applicable to long-term capital gains if the dividends are “qualified dividends.” Dividends paid to holders of our units or ADSs will be treated as qualified dividends if (1) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service has approved for the purposes of the qualified dividend rules, or the dividends are paid with respect to ADSs that are readily tradable on an established U.S. securities market and (2) the issuer was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid a passive foreign investment company. The income tax treaty between Mexico and the United States has been approved for the purposes of the qualified dividend rules. The ADSs are listed on the NYSE, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our audited consolidated financial statements and relevant market and shareholder data, we believe that we were not treated as a passive foreign investment company for U.S. federal income tax purposes with respect to our 2019 taxable year. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a passive foreign investment company for our 2019 taxable year.

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

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

Gain, if any, realized by a U.S. holder on the sale or other disposition of units or ADSs will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, if a Mexican withholding tax is imposed on the sale or disposition of the units or ADSs, a U.S. holder that does not receive significant foreign source income from other sources may not be able to derive effective U.S. foreign tax credit benefits in respect of these Mexican taxes. U.S. holders should consult their own tax advisors regarding the application of the foreign tax credit rules to their investment in, and disposition of, units or ADSs.

United States Backup Withholding and Information Reporting. A U.S. holder of units or ADSs may, under certain circumstances, be subject to “information reporting” and “backup withholding” with respect to certain payments to such U.S. holder, such as dividends or the proceeds of a sale or disposition of units or ADSs unless such holder (1) comes within certain exempt categories and demonstrates this fact when so required, or (2) in the case of backup withholding, provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under these rules does not constitute a separate tax and will be creditable against the holder’s U.S. federal income tax liability.

Specified Foreign Financial Assets. Certain U.S. holders that own “specified foreign financial assets” with an aggregate value in excess of US$50,000 on the last day of the taxable year or US$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. “Specified foreign financial assets” include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the units and ADSs) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. holders who fail to report the required information could be subject to substantial penalties. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the units or ADSs, including the application of the rules to their particular circumstances.

Taxation of Stock Split. U.S. holders are not expected to have recognized gain or loss as a result of the Stock Split. A U.S. holder's basis in the units (or ADSs) held immediately after the Stock Split should be the same as the basis of the Series L shares (or ADSs) it held immediately prior to the Stock Split. A U.S. holder's holding period in the units (or ADSs) held immediately after the Stock Split should include its holding period for the Series L shares (or ADSs) held immediately prior to the Stock Split.

U.S. Tax Consequences for Non-U.S. Holders

Taxation of Dividends and Capital Gains. Subject to the discussion below under "*United States Backup Withholding and Information Reporting*," a holder of units or ADSs that is not a U.S. holder (a "non-U.S. holder") generally will not be subject to U.S. federal income or withholding tax on dividends received on the units or ADSs, on any gain realized on the sale of units or ADSs.

United States Backup Withholding and Information Reporting. While non-U.S. holders generally are exempt from information reporting and backup withholding, a non-U.S. holder may, in certain circumstances, be required to comply with certain information and identification procedures in order to prove this exemption.

DOCUMENTS ON DISPLAY

We file reports, including annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. Filings we make electronically with the SEC are available to the public on the Internet at the SEC's website at www.sec.gov and at our website at www.coca-colafemsa.com. (This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to our website. The information on our website, which might be accessible through a hyperlink resulting from this URL, is not and shall not be deemed to be incorporated into this annual report.)

Item 11. Quantitative and Qualitative Disclosures about Market Risk

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

Interest Rate Risk

Interest rate risk exists principally with respect to our indebtedness that bears interest at floating rates. As of December 31, 2019, we had total indebtedness of Ps.69,977 million, of which 82.9% bore interest at fixed interest rates and 17.1% bore interest at variable interest rates. After giving effect to our swap contracts, as of December 31, 2019, 17.1% (or 12.4% calculated based on the weighted average life of our outstanding debt), was variable-rate. The interest rate on our variable rate debt denominated in Mexican pesos has historically been determined by reference to the TIIE; the interest rate on our variable rate debt denominated in Colombian pesos is generally determined by reference to the Banking Reference Index, or IBR; the interest rate on our variable rate debt denominated in Argentine pesos is generally determined by reference to the Buenos Aires Deposits of Large Amounts Rate, or BADLAR; and the interest rate on our variable rate debt denominated in Brazilian reais is generally determined by reference to the Brazilian Interbank Deposit Rate (*Certificado de Depósitos Interfinanceiros*). If these reference rates increase, our interest payments would consequently increase.

The table below provides information about our financial instruments that are sensitive to changes in interest rates, without giving effect to interest rate swaps. The table presents weighted average interest rates by expected contractual maturity dates. Weighted average variable rates are based on the reference rates on December 31, 2019, plus spreads, contracted by us. The instruments' actual payments are denominated in U.S. dollars, Mexican pesos, Brazilian reais, Colombian pesos, Argentine pesos and Uruguayan pesos. All of the payments in the table are presented in Mexican pesos, our reporting currency, converted at an exchange rate of Ps.18.85 Mexican pesos per U.S. dollar reported by *Banco de México* quoted to us by dealers for the settlement of obligations in foreign currencies on December 31, 2019.

The table below also includes the fair value of long-term debt based on the discounted value of contractual cash flows. The discount rate is estimated using rates currently offered for debt with similar terms and remaining maturities. Furthermore, the fair value of long-term notes payable is based on quoted market prices on December 31, 2019. As of December 31, 2019, the fair value represents a profit amount of Ps.72 million.

Principal by Year of Maturity

	As of December 31, 2019							As of December 31, 2018
	2020	2021	2022	2023	2024 and thereafter	Total Carrying Value	Total Fair Value	Total Carrying Value
Short and Long-Term Debt and Notes:								
Fixed Rate Debt and Notes								
U.S. dollars (Notes)	9,421	—	—	16,840	11,314	37,575	41,231	39,204
Interest Rate[1]	4.63%	—	—	3.88%	5.25%	4.48%	—	4.48%
U.S. dollars (Financial Leasing)	—	—	—	—	—	—	—	10
Interest Rate[1]	—	—	—	—	—	—	—	3.28%
Mexican pesos (*Certificados Bursátiles*)	—	2,499	—	7,496	8,489	18,484	17,879	18,481
Interest Rate[1]	—	8.27%	—	5.46%	7.87%	6.95%	—	6.74%
Brazilian reais (Bank Loans)	118	72	61	35	23	309	309	522
Interest Rate[1]	6.05%	6.05%	6.05%	6.05%	6.05%	6.05%	—	5.95%
Colombian pesos (Bank Loans)	230	—	—	—	—	230	230	—
Interest Rate[1]	4.37%	—	—	—	—	4.37%	—	—
Uruguayan pesos (Bank Loans)	541	788	—	—	—	1,329	1,390	1,344
Interest Rate[1]	10.32%	9.93%	—	—	—	10.09%	—	10.14%
Argentine pesos (Bank Loans)	126	—	—	—	—	126	126	157
Interest Rate[1]	63.50%	—	—	—	—	63.50%	—	36.75%
Total Fixed Rate	10,436	3,359	61	24,371	19,826	58,053	61,165	64,371

	As of December 31, 2019							As of December 31, 2018
	2020	2021	2022	2023	2024 and thereafter	Total Carrying Value	Total Fair Value	Total Carrying Value
	(in millions of Mexican pesos, except percentages)							
Variable Rate Debt								
U.S. dollars (Bank Loans)	—	—	—	—	—	—	—	4,025
Interest Rate[1]	—	—	—	—	—	—	—	3.34%
Mexican pesos (*Certificados Bursátiles*)	—	—	1,459	—	—	1,459	1,500	1,497
Interest Rate[1]	—	—	7.99%	—	—	7.99%	—	8.61%
Mexican pesos (Bank Loans)	—	—	—	—	9,358	9,358	9,401	10,100
Interest Rate[1]	—	—	—	—	8.20%	8.20%	—	8.56%
Brazilian reais (Bank Loans)	184	52	6	—	—	242	242	505
Interest Rate[1]	7.82%	7.82%	7.82%	—	—	7.82%	—	9.53%
Brazilian reais (Note Payable)	—	—	—	—	—	—	—	5
Interest Rate[1]	—	—	—	—	—	—	—	0.40%
Argentine pesos (Bank Loans)	32	—	—	—	—	32	32	—
Interest Rate[1]	54.25%	—	—	—	—	54.25%	—	—
Colombian pesos (Bank Loans)	833	—	—	—	—	833	833	1,302
Interest Rate[1]	5.12%	—	—	—	—	5.12%	—	5.64%
Total Variable Rate	1,049	52	1,465	—	9,358	11,924	12,008	17,434
Total Debt	11,485	3,411	1,526	24,371	29,184	69,977	72,291	81,805

	As of December 31, 2019							As of December 31, 2018
	2020	2021	2022	2023	2024 and thereafter	Total Carrying Value	Total Fair Value	Total Carrying Value
	(in millions of Mexican pesos, except percentages)							
Derivative Financial Instruments:								
Cross-Currency Swaps (Mexican pesos)	—	—	—	—	—	—	(1,093)	—
Notional to pay	9,769	—	—	1,717	7,048	18,533	—	18,533
Notional to receive	9,423	—	—	1,696	6,596	17,714	—	18,503
Interest pay rate	9.12%	—	—	9.05%	9.67%	9.32%	—	9.32%
Interest receive rate	4.63%	—	—	3.88%	4.00%	4.32%	—	4.32%
Cross-Currency Swaps (Brazilian reais)	—	—	—	—	—	—	141	—
Notional to pay	3,692	—	—	8,986	—	12,677	—	21,331
Notional to receive	4,365	—	—	9,046	—	13,411	—	22,694
Interest pay rate	5.32%	—	—	9.52%	—	—	—	—
Interest receive rate	2.90%	—	—	3.88%	—	—	—	—
Interest Rate Swaps (Brazilian reais)	4,365	—	—	—	—	4,365	(142)	12,607
Interest pay rate	8.34%	—	—	—	—	—	—	—
Interest receive rate	5.32%	—	—	—	—	—	—	—

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

A hypothetical, instantaneous and unfavorable change of 100 basis points in the average interest rate applicable to our variable-rate financial instruments held during 2019 would have increased our interest expense by Ps.55 million, or 1.0% over our interest expense of 2019, assuming no additional debt is incurred during such period, in each case after giving effect to all of our interest rate swap and cross-currency swap agreements.

Foreign Currency Exchange Rate Risk

Our principal exchange rate risk involves changes in the value of the local currencies of each country where we operate, relative to the U.S. dollar. In 2019, the percentage of our consolidated total revenues was denominated as follows:

Total Revenues by Currency in 2019

Currency	%
Mexican peso	47.0
Colombian peso	7.0
Argentine peso	3.5
Brazilian real	31.7
Central America[1]	9.2
Uruguayan peso	1.8

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

We estimate that approximately 19.0% of our consolidated costs of goods sold are denominated in or linked to the U.S. dollar. Substantially all of our costs denominated in a foreign currency, other than the functional currency of each country where we operate, are denominated in U.S. dollars. During 2019, we entered into forwards and options to hedge part of our Mexican peso, Brazilian real, Colombian peso, and Argentine peso fluctuation risk relative to our raw material costs denominated in U.S. dollars. These instruments are considered hedges for accounting purposes. As of December 31, 2019, 68.21% of our indebtedness was denominated in Mexican pesos, 18.82% in Brazilian reais, 9.34% in U.S. dollars, 1.89% in Uruguayan pesos, 1.51% in Colombian pesos and 0.22% in Argentine pesos (including the effects of our derivative contracts as of December 31, 2019, including cross currency swaps from U.S. dollars to Mexican pesos and U.S. dollars to Brazilian reais). Decreases in the value of the different currencies relative to the U.S. dollar will increase the cost of our foreign currency-denominated operating costs and expenses and of the debt service obligations with respect to our foreign currency-denominated debt. A depreciation of the Mexican peso relative to the U.S. dollar will also result in foreign exchange losses, as the Mexican peso value of our foreign currency denominated-indebtedness is increased. **See also "Item 3. Key Information—Risk Factors—Depreciation of the local currencies of the countries where we operate relative to the U.S. dollar could adversely affect our financial condition and results."**

A hypothetical and instantaneous 10.0% depreciation in the value of each local currency in the countries where we operate relative to the U.S. dollar occurring on December 31, 2019, would have resulted in a foreign exchange gain of Ps.448 million, based on our U.S. dollar-denominated indebtedness, cross-currency swap agreements and U.S. dollar cash balance.

As of April 10, 2020, the currencies of all the countries where we operate have appreciated or depreciated relative to the U.S. dollar compared to December 31, 2019 as follows:

	Exchange Rate As of April 10, 2020	Depreciation or (Appreciation)
Mexico	23.42	24.18%
Guatemala	7.71	0.09%
Nicaragua	34.12	0.82%
Costa Rica	575.12	(0.24)%
Panama	1.00	0.00%
Colombia	3,886.79	18.60%
Brazil	5.08	25.98%
Argentina	65.16	8.80%
Uruguay	43.15	15.65%

A hypothetical, instantaneous and unfavorable 10.0% devaluation in the value of the currencies of each of the countries where we operate relative to the U.S. dollar as of December 31, 2019, would produce a reduction in equity of approximately the following amounts:

	Reduction in Equity (in millions of Mexican pesos)
Mexico	(764)
Colombia	578
Brazil	5,171
Argentina	221
Central America[1]	1,023
Uruguay	265

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

Equity Risk

As of December 31, 2019, we did not have any equity derivative agreements.

Commodity Price Risk

In 2019, we entered into futures contracts to hedge the cost of sugar and aluminum in Brazil and we entered into forwards contracts to hedge the cost of aluminum and PET resin in Mexico. The notional value of the sugar hedges was Ps.1,652 million as of December 31, 2019, with a positive fair value of Ps.68 million with maturities in 2020. The notional value of the aluminum hedges was Ps.394 million as of December 31, 2019, with a positive fair value of Ps.4 million with maturities in 2020, and the notional values of the PET resin hedges was Ps.320 million as of December 31, 2019, with a negative value of Ps.28 million with maturities in 2020. See Note 21 to our consolidated financial statements.

Item 12. Description of Securities Other than Equity Securities

Item 12.A. Debt Securities

Not applicable.

Item 12.B. Warrants and Rights

Not applicable.

Item 12.C. Other Securities

Not applicable.

Item 12.D. American Depositary Shares

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

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

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

Depositary service	Fee payable by ADS holders
Issuance and delivery of ADRs, including in connection with share distributions	Up to US$5.00 per 100 ADSs (or portion thereof)
Withdrawal of shares underlying ADSs	Up to US$5.00 per 100 ADSs (or portion thereof)
Registration for the transfer of shares	Registration or transfer fees that may from time to time be in effect

In addition, holders may be required to pay a fee for the distribution or sale of securities. Such fee (which may be deducted from such proceeds) would be for an amount equal to the lesser of (1) the fee for the issuance of ADSs that would be charged as if the securities were treated as deposited shares and (2) the amount of such proceeds.

Direct and indirect reimbursements by the depositary

The depositary may reimburse us for certain expenses we incur in connection with the ADS program, subject to a ceiling agreed between us and the depositary. These reimbursable expenses may include listing fees and fees payable to service providers for the distribution of material to ADR holders. For the year ended December 31, 2019, this amount was US$190,560.20.

Item 13. Defaults, Dividend Arrearages and Delinquencies.

Not applicable.

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

Not applicable.

Item 15. Controls and Procedures

(a) Disclosure Controls and Procedures

We have evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of December 31, 2019. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

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

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our evaluation under the framework in Internal Controls—Integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), our management concluded that our internal control over financial reporting was effective as of December 31, 2019.

(c) Attestation Report of the Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
Coca-Cola FEMSA, S.A.B. de C.V.

Opinion on internal Control over Financial Reporting

We have audited Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries' internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries ("the Company") maintained, in all material respects, effective internal control over financial reporting, as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes, and our report dated April 17, 2020, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico according to the "Codigo de Etica Profesional del Instituto Mexicano de Contadores Publicos" ("IMCP Code"), and the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

Mancera, S.C.
A member practice of
Ernst & Young Global Limited

/s/ MANCERA, S.C.
Mexico City, Mexico
April 17, 2020

(d) Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16.A. Audit Committee Financial Expert

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

Item 16.B. Code of Ethics

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

Item 16.C. Principal Accountant Fees and Services

Audit and Non-Audit Fees

The following table summarizes the aggregate fees billed to us by Mancera, S.C. and other Ernst & Young practices (collectively, Ernst & Young) during the fiscal years ended December 31, 2019, December 31, 2018 and December 31, 2017:

	Year Ended December 31,		
	2019	2018	2017
	(in millions of Mexican pesos)		
Audit fees	74	80	77
Audit-related fees	10	11	10
Tax fees	9	16	7
Total fees	93	107	94

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

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

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

All Other Fees. For the years ended December 31, 2019, 2018 and 2017, there were no other fees.

Audit Committee Pre-Approval Policies and Procedures

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

Item 16.D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16.E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not directly purchase any of our equity securities in 2019. The following table presents purchases of units consisting of 3 Series B shares and 5 Series L shares in 2019 by trusts that FEMSA administers in connection with our bonus incentive plans, which purchases may be deemed to be purchases by an affiliated purchaser of us. **See "Item 6. Directors, Senior Management and Employees—Bonus Program."**

Purchases of Equity Securities

	Total Number of Units Purchased by trusts that FEMSA administers in connection with our bonus incentive plans	Average Price Paid per Unit	Total Number of Units Purchased as part of Publicly Announced Plans or Programs	Maximum Number (or Appropriate U.S. Dollar Value) of Units that May Yet Be Purchased Under the Plans or Programs
Total	985,535	116.72	—	—

Item 16.F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16.G. Corporate Governance

Pursuant to Rule 303A.11 of the Listed Company Manual of the New York Stock Exchange (NYSE), we are required to provide a summary of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards. We are a Mexican corporation with shares listed on the Mexican Stock Exchange. Our corporate governance practices are governed by our bylaws, the Mexican Securities Market Law and the regulations issued by the CNBV. We also disclose the extent to which we comply with the Mexican Code of Best Corporate Practices (*Código de Mejores Prácticas Corporativas*), which was created by a group of Mexican business leaders and was endorsed by the BMV.

The table below discloses the significant differences between our corporate governance practices and the NYSE standards.

NYSE Standards	Our Corporate Governance Practices
Directors Independence: A majority of the board of directors must be independent. There is an exemption for "controlled companies" (companies in which more than 50.0% of the voting power is held by an individual, group or another company rather than the public), which would include our company if we were a U.S. issuer.	**Directors Independence:** Pursuant to the Mexican Securities Market Law, we are required to have a board of directors with a maximum of 21 members, 25.0% of whom must be independent. The Mexican Securities Market Law sets forth, in Article 26, the definition of "independence," which differs from the one set forth in Section 303A.02 of the Listed Company Manual of the NYSE. Generally, under the Mexican Securities Market Law, a director is not independent if such director: (i) is an employee or a relevant officer of the company or its subsidiaries; (ii) is an individual with significant influence over the company or its subsidiaries; (iii) is a shareholder or participant of the controlling group of the company; (iv) is a client, supplier, debtor, creditor, partner or employee of an important client, supplier, debtor or creditor of the company; or (v) is a family member of any of the aforementioned persons. In accordance with the Mexican Securities Market Law, our shareholders are required to make a determination as to the independence of our directors at an ordinary meeting of our shareholders, though the CNBV may challenge that determination. Our board of directors is not required to make a determination as to the independence of our directors.
Executive sessions: Non-management directors must meet at regularly scheduled executive sessions without management.	**Executive sessions:** Under our bylaws and applicable Mexican law, our non-management and independent directors are not required to meet in executive sessions. Our bylaws state that the board of directors will meet at least four times a year, following the end of each quarter, to discuss our operating results and progress in achieving strategic objectives. Our board of directors can also hold extraordinary meetings.
Nominating/Corporate Governance Committee: A nominating/corporate governance committee composed entirely of independent directors is required. As a "controlled company," we would be exempt from this requirement if we were a U.S. issuer.	**Nominating/Corporate Governance Committee:** We are not required to have a nominating committee, and the Mexican Code of Best Corporate Practices does not provide for a nominating committee. However, Mexican law requires us to have a Corporate Practices Committee with at least 3 members. Our Corporate Practices Committee is comprised of four members, and as required by the Mexican Securities Market Law and our bylaws, the four members are independent and the chairman of this committee is elected by our shareholders meeting.
Compensation committee: A compensation committee composed entirely of independent directors is required. As a "controlled company," we would be exempt from this requirement if we were a U.S. issuer.	**Compensation committee:** We do not have a committee that exclusively oversees compensation issues. Our Corporate Practices Committee, composed entirely of independent directors, reviews and recommends management compensation programs in order to ensure that they are aligned with shareholders' interests and corporate performance.

NYSE Standards	Our Corporate Governance Practices
Audit committee: Listed companies must have an audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act and the NYSE independence standards.	**Audit committee:** Mexican law requires us to have an Audit Committee with at least three members. We have an Audit Committee of four members. As required by the Mexican Securities Market Law, each member of the Audit Committee is an independent director, and its chairman is elected by our shareholders meeting.
Equity compensation plan: Equity compensation plans require shareholder approval, subject to limited exemptions.	**Equity compensation plan:** Shareholder approval is not required under Mexican law or our bylaws for the adoption and amendment of an equity compensation plan. Such plans should provide for general application to all executives.
Code of business conduct and ethics: Corporate governance guidelines and a code of conduct and ethics are required, with disclosure of any waiver for directors or executive officers.	**Code of business conduct and ethics:** We have adopted a code of ethics, within the meaning of Item 16.B of SEC Form 20-F. Our code of ethics applies to our chief executive officer, chief financial officer and persons performing similar functions as well as to our directors and other officers and employees. Our code of ethics is available on our website at www.coca-colafemsa.com. If we amend the provisions of our code of ethics that apply to our chief executive officer, chief financial officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

Item 16.H. Mine Safety Disclosure

Not applicable.

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

Reference is made to Item 19(a) for a list of all financial statements filed as part of this annual report.

Item 19. Exhibits

(a) List of Financial Statements

* All supplementary schedules relating to the registrant are omitted because they are not required or because the required information, where material, is contained in the Financial Statements or Notes thereto.

(b) List of Exhibits

Exhibit No.	Description
Exhibit 1.1	Amended and restated bylaws (*Estatutos Sociales*) of Coca-Cola FEMSA, S.A.B. de C.V., approved March 8, 2019 (English translation) (incorporated by reference to Exhibit 1.1 to the Registration Statement on Form 8-A/A filed on April 10, 2019 (File No. 1-12260)).
Exhibit 2.1	Form of Amended and Restated Deposit Agreement by and among Coca-Cola FEMSA, S.A.B. de C.V., The Bank of New York Mellon, as ADS depositary and owners and beneficial owners of American Depositary Receipts (incorporated by reference to Exhibit 1 to the Registration Statement on Form F-6 filed on April 1, 2019 (File No. 333-230650)).
Exhibit 2.2	Indenture dated as of February 5, 2010 among Coca-Cola FEMSA, S.A.B. de C.V., and The Bank of New York Mellon (incorporated by reference to Exhibit 2.2 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 10, 2010 (File No. 1-12260)).
Exhibit 2.3	First Supplemental Indenture dated as of February 5, 2010 among Coca-Cola FEMSA, S.A.B. de C.V., and The Bank of New York Mellon and The Bank of New York Mellon (Luxembourg) S.A. (incorporated by reference to Exhibit 2.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 10, 2010 (File No. 1-12260)).
Exhibit 2.4	Second Supplemental Indenture dated as of April 1, 2011 among Coca-Cola FEMSA, S.A.B. de C.V., Propimex, S. de R.L. de C.V. (formerly Propimex, S.A. de C.V., as Guarantor, and The Bank of New York Mellon (incorporated by reference to Exhibit 2.4 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 17, 2011 (File No. 1-12260)).
Exhibit 2.5	Third Supplemental Indenture dated as of September 6, 2013 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V. (formerly Propimex, S.A. de C.V.), as existing guarantor, Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V. and Yoli de Acapulco, S. de R.L. de C.V., as additional guarantors, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent (incorporated by reference to Exhibit 4.7 to Coca-Cola FEMSA's Registration Statement on Form F-3 filed on November 8, 2013 (File No. 333-187275)).
Exhibit 2.6	Fourth Supplemental Indenture dated as of October 18, 2013 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V. and Yoli de Acapulco, S. de R.L. de C.V., as existing guarantors, Controladora Interamericana de Bebidas, S. de R.L. de C.V., as additional guarantor, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent (incorporated by reference to Exhibit 4.8 to Coca-Cola FEMSA's Registration Statement on Form F-3 filed on November 8, 2013 (File No.333-187275)).
Exhibit 2.7	Fifth Supplemental Indenture dated as of November 26, 2013 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V., Yoli de Acapulco, S. de R.L. de C.V. and Controladora Interamericana de Bebidas, S. de R.L. de C.V., as guarantors, The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent and The Bank of New York Mellon SA/NV, Dublin Branch, as Irish paying agent (incorporated by reference to Exhibit 4.1 to Coca-Cola FEMSA's Form 6-K filed on December 5, 2013 (File No.1-12260)).
Exhibit 2.8	Sixth Supplemental Indenture dated as of January 21, 2014 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V., Yoli de Acapulco, S. de R.L. de C.V. and Controladora Interamericana de Bebidas, S. de R.L. de C.V., as guarantors, The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent and The Bank of New York Mellon SA/NV, Dublin Branch, as Irish paying agent (incorporated by reference to Exhibit 4.1 to Coca-Cola FEMSA's Form 6-K filed on January 27, 2014 (File No.1-12260)).
Exhibit 2.9	Seventh Supplemental Indenture dated as of November 23, 2015 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Yoli de Acapulco, S. de R.L. de C.V. and Controladora Interamericana de Bebidas, S. de R.L. de C.V., as guarantors, Distribuidora y Manufacturera del Valle de Mexico, S. de R.L. de C.V., as successor guarantor, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent (incorporated by reference to Exhibit 2.9 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 15, 2016 (File No. 1-12260)).
Exhibit 2.10	Eighth Supplemental Indenture dated as of January 22, 2020 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Yoli de Acapulco, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V. and Distribuidora y Manufacturera del Valle de Mexico, S. de R.L. de C.V., as guarantors, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent (incorporated by reference to Exhibit 4.1 to Coca-Cola FEMSA's Form 6-K filed on January 22, 2020 (File No. 1-12260)).

Exhibit No.	Description
Exhibit 2.11	Ninth Supplemental Indenture dated as of January 22, 2020 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Yoli de Acapulco, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V. and Distribuidora y Manufacturera del Valle de Mexico, S. de R.L. de C.V., as guarantors, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent.
Exhibit 2.12	Description of Securities Registered Under Section 12 of the Exchange Act.
Exhibit 4.1	Amended and Restated Shareholders Agreement dated as of July 6, 2002, by and among Compañia Internacional de Bebidas, S.A. de C.V., Grupo Industrial Emprex, S.A. de C.V., The Coca-Cola Company and The Inmex Corporation, (incorporated by reference to Exhibit 4.13 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 27, 2003 (File No. 1-12260)).
Exhibit 4.2	First Amendment, dated May 6, 2003, to the Amended and Restated Shareholders Agreement, dated as of July 6, 2002, among Compañia Internacional de Bebidas, S.A. de C.V., Grupo Industrial Emprex, S.A. de C.V., The Coca-Cola Company, The Inmex Corporation, Atlantic Industries, Dulux CBAI 2003 B.V. and Dulux CBEXINMX 2003 B.V. (incorporated by reference to Exhibit 4.14 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 27, 2003 (File No. 1-12260)).
Exhibit 4.3	Second Amendment, dated as of February 1, 2010, to the to the Amended and Restated Shareholders Agreement, dated as of July 6, 2002, by and among Compañia Internacional de Bebidas, S.A. de C.V., Grupo Industrial Emprex, S.A. de C.V., The Coca-Cola Company, The Inmex Corporation and Dulux CBAI 2003 B.V. (incorporated by reference to Exhibit 4.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 10, 2010 (File No. 1-12260)).
Exhibit 4.4	Amended and Restated Bottler Agreement, dated June 21, 2003, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in the valley of Mexico (incorporated by reference to Exhibit 4.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 5, 2004 (File No. 1-12260)).
Exhibit 4.5	Supplemental Agreement, dated June 21, 1993, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in the valley of Mexico (with English translation) (incorporated by reference to Exhibit 10.3 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 33-67380)).†
Exhibit 4.6	Amended and Restated Bottler Agreement, dated June 21, 2003, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in the southeast of Mexico (incorporated by reference to Exhibit 4.5 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 5, 2004 (File No. 1-12260)).
Exhibit 4.7	Supplemental Agreement, dated June 21, 1993, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in the southeast of Mexico (with English translation) (incorporated by reference to Exhibit 10.4 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 33-67380)).†
Exhibit 4.8	Bottler Agreement and Side Letter dated June 1, 2005, between Panamco Golfo, S.A. de C.V. and The Coca-Cola Company with respect to operations in Golfo, Mexico (English translation) (incorporated by reference to Exhibit 4.7 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 18, 2006 (File No. 1-12260)).
Exhibit 4.9	Bottler Agreement and Side Letter dated June 1, 2005, between Panamco Bajio, S.A. de C.V., and The Coca-Cola Company with respect to operations in Bajio, Mexico (English translation) (incorporated by reference to Exhibit 4.8 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 18, 2006 (File No. 1-12260)).
Exhibit 4.10	Bottler Agreement, dated August 22, 1994, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in Argentina (with English translation) (incorporated by reference to Exhibit 10.1 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 30, 1995 (File No. 1-12260)).†
Exhibit 4.11	Supplemental Agreement, dated August 22, 1994, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in Argentina (with English translation) (incorporated by reference to Exhibit 10.2 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 30, 1995 (File No. 1-12260)).†
Exhibit 4.12	Amendments, dated May 17 and July 20, 1995, to Bottler Agreement and Letter of Agreement, dated August 22, 1994, each with respect to operations in Argentina, between Coca-Cola FEMSA and The Coca-Cola Company (with English translation) (incorporated by reference to Exhibit 10.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).†

Exhibit No.	Description
Exhibit 4.13	Bottler Agreement, dated December 1, 1995, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in SIRSA (with English translation) (incorporated by reference to Exhibit 10.4 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).†
Exhibit 4.14	Supplemental Agreement, dated December 1, 1995, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in SIRSA (with English translation) (incorporated by reference to Exhibit 10.6 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).†
Exhibit 4.15	Amendment, dated February 1, 1996, to Bottler Agreement between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in SIRSA, dated December 1, 1995 (with English translation) (incorporated by reference to Exhibit 10.5 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).†
Exhibit 4.16	Amendment, dated May 22, 1998, to Bottler Agreement with respect to the former SIRSA territory, dated December 1, 1995, between Coca-Cola FEMSA and The Coca-Cola Company (with English translation) (incorporated by reference to Exhibit 4.12 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 20, 2001 (File No. 1-12260)).†
Exhibit 4.17	Coca-Cola Tradename License Agreement dated June 21, 1993, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company (with English translation) (incorporated by reference to Exhibit 10.40 to FEMSA's Registration Statement on Form F-4 filed on April 9, 1998 (File No. 333-8618)).†
Exhibit 4.18	Amendment to the Trademark License Agreement, dated December 1, 2002, entered by and among Administración de Marcas S.A. de C.V., as proprietor, and The Coca-Cola Export Corporation Mexico branch, as licensee (incorporated by reference to Exhibit 10.3 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
Exhibit 4.19	Trademark Sub-License Agreement, dated January 4, 2003, entered by and among Panamco Golfo S.A. de C.V., as licensor, and The Coca-Cola Company, as licensee (incorporated by reference to Exhibit 10.6 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
Exhibit 4.20	Trademark Sub-License Agreement, dated January 4, 2003, entered by and among Panamco Bajio S.A. de C.V., as licensor, and The Coca-Cola Company, as licensee (incorporated by reference to Exhibit 10.7 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
Exhibit 4.22	Supply Agreement dated April 3, 1998, between Alpla Fábrica de Plásticos, S.A. de C.V. and Industria Embotelladora de México, S.A. de C.V. (with English translation) (incorporated by reference to Exhibit 4.18 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on July 1, 2002 (File No. 1-12260)).*†
Exhibit 4.23	Services Agreement, dated November 7, 2000, between Coca-Cola FEMSA, S.A.B. de C.V. and FEMSA Logística (with English translation) (incorporated by reference to Exhibit 4.15 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 20, 2001 (File No. 1-12260)).†
Exhibit 4.24	Promotion and Non-Compete Agreement, dated March 11, 2003, entered by and among The Coca-Cola Export Corporation Mexico branch and Panamco Bajio S.A. de C.V. (with English translation) (incorporated by reference to Exhibit 10.8 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
Exhibit 4.25	Promotion and Non-Compete Agreement, dated March 11, 2003, entered by and among The Coca-Cola Export Corporation Mexico branch and Panamco Golfo S.A. de C.V. (with English translation) (incorporated by reference to Exhibit 10.9 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
Exhibit 4.26	Memorandum of Understanding, dated as of March 11, 2003, by and among Panamerican Beverages, S.A. de C.V., as seller, and The Coca-Cola Company, as buyer (incorporated by reference to Exhibit 10.14 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
Exhibit 7.1	The Coca-Cola Company memorandum, to Steve Heyer from José Antonio Fernández, dated December 22, 2002 (incorporated by reference to Exhibit 10.1 to FEMSA's Registration Statement on Amendment No. 1 to the Form F-3 filed on September 20, 2004 (File No. 333-117795)).
Exhibit 8.1	Significant Subsidiaries.
Exhibit 12.1	CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated April 17, 2020.
Exhibit 12.2	CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated April 17, 2020.
Exhibit 13.1	Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated April 17, 2020.
Exhibit 15.1	Consent letter of Mancera, S.C., a member practice of Ernst & Young Global.

* Portions of Exhibit 4.22 were omitted pursuant to a request for confidential treatment. Such omitted portions were filed separately with the Securities and Exchange Commission.

† This was a paper filing, and is not available on the SEC website.

Omitted from the exhibits filed with this annual report are certain instruments and agreements with respect to long-term debt of Coca-Cola FEMSA, none of which authorizes securities in a total amount that exceeds 10.0% of the total assets of Coca-Cola FEMSA. We hereby agree to furnish to the SEC copies of any such omitted instruments or agreements upon request by the SEC.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

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

By: /s/ Constantino Spas Montesinos
Constantino Spas Montesinos
Chief Financial Officer

Date: April 17, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
Coca-Cola FEMSA, S.A.B. de C.V.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries ("the Company") as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated April 17, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico according to the "Codigo de Etica Profesional del Instituto Mexicano de Contadores Publicos" ("IMCP Code"), and the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Impairment of distribution rights and goodwill

Description of the Matter

At December 31, 2019, the Company has distribution rights and goodwill with an aggregate carrying value of approximately Ps. 107,088 million. As explained in Note 13 to the consolidated financial statements, distribution rights and goodwill are tested for impairment annually at the Cash Generating Unit (CGUs) level. Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use.

Auditing management's annual distribution rights and goodwill impairment test was complex and highly judgmental due to the significant estimation required to determine the fair value for a CGU. In particular, the fair value estimate was sensitive to significant assumptions, such as the weighted average cost of capital, revenue growth rate, operating margin, working capital and terminal value, which are affected by expected future market or economic conditions, particularly those in emerging markets.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's distribution rights and goodwill impairment testing processes, including controls over management's review of the significant assumptions described above, prospective financial information and the valuation model used to develop such estimates.

To test the estimated fair value of the Company's CGUs, we performed audit procedures that included, among others, assessing methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We assessed the historical accuracy of management's estimates and projections by (i) comparing them to actual and obtaining appropriate explanations for the differences (ii) examining and challenging management's support for the current estimates and projections (iii) comparing them to industry and economic trends and (iv) evaluating whether changes to the Company's business model, customer base or product mix and other factors would significantly affect the prospective financial information and, thus the fair value of the CGUs that would result from changes in the assumptions, focusing mainly on the projected compound annual growth rates and weighted average cost of capital, mainly. We also involved our valuation specialist to assist in the evaluation of the significant assumptions and methodology used by the Company.

Furthermore, we assessed the related disclosures made in the consolidated financial statements.

Recoverability of deferred tax assets

Description of the Matter	As described in Note 25 to the consolidated financial statements, the Company had recognized deferred tax assets arising from net operating loss carryforwards (NOLs) of approximately Ps. 9,224 million and recoverable tax credits of approximately Ps.1,855 million. The NOLs were generated primarily by the Brazilian and Mexican operations and attributable to tax deductions of goodwill amortization generated from recent business acquisitions in Brazil and to remeasurement effects of foreign currency denominated borrowings by the Mexican entities. The recoverable tax credits correspond to income tax credits generated in Mexico arising from dividends received from foreign subsidiaries. Auditing management's assessment of the realizability of its deferred tax assets arising from NOLs and recoverable tax credits involved complex auditor judgment because management's estimate of realizability is based on assessing the probability, timing and sufficiency of future taxable profits, expected reversals of taxable temporary differences and available tax planning opportunities that will create future taxable profits; these projections are sensitive because they can be affected by variabilities in management's projections and future market and economic conditions.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls that address the risks of material misstatement relating to the realizability of deferred tax assets, including controls over management's projections of future taxable income, scheduled analysis of the future reversal of existing taxable temporary differences and the identification of available tax planning opportunities. To test the realizability of deferred tax assets arising from NOLs and recoverable tax credits, we performed audit procedures, among others, on the review of management´s estimates of future taxable income in Brazil and Mexico by assessing the estimates underlying the prospective financial information, such as growth rates, discount rates, and other key assumptions and comparing them with the industry and economic trends and evaluating whether changes to the Company's business model and other factors would significantly affect the prospective financial information. We involved our internal specialists in performing these procedures. In addition, with the assistance of our tax professionals, we assessed the application of the tax laws, including the Company's future tax planning opportunities and tested the Company´s scheduling of the timing and amounts of reversal of taxable temporary differences. We also evaluated the related disclosures made in the consolidated financial statements.

Exclusion of the ICMS on federal sales taxes (PIS / COFINS) calculation basis

Description of the Matter	As disclosed in Note 25.2 to the consolidated financial statements, the Company recorded an asset within the recoverable taxes caption in the Consolidated Statement of Financial Position as of December 31, 2019, related to federal sales tax ("PIS and COFINS") paid in prior years in Brazil. The amount resulted from a ruling in favor of the Brazilian subsidiary of the Company by the Brazilian Federal Supreme Court (STF) that stated that the inclusion of state value added taxes ICMS in the PIS and COFINS taxable basis is unconstitutional and, consequently, allowed the Brazilian subsidiary the right to claim the excess PIS and COFINS paid as credits following certain administrative procedures. Recoverability of the taxes involves a significant degree of complexity in determining the amounts and related supporting documents required by the relevant authorities to substantiate the determination of the excess amount of PIS and COFINS and the proper timing of recognition.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over taxes, including controls over the determination of the recoverable amount of such credits and the evaluation when the recoverable tax credit is virtually certain. Our audit procedures included, among others, the assessment of the legal, accounting and tax supporting documentation, including the assumptions and judgments made by management for the measurement and recoverability of the recorded tax credits by reviewing the court decision, inspecting tax evidence and documentation that supports the tax credit calculation, assessing the recoverability timeframe by corroborating management´s estimation to recover considering the amount of federal taxes expected to be paid in the near future, and inspecting the credits claim protocol documentation presented by the Company

to the tax authorities, among other procedures. Additionally, we have engaged our tax professionals to support the audit team in performing the procedures mentioned above.

We also evaluated the related disclosures made in the consolidated financial statements.

Mancera, S.C.
A member practice of
Ernst & Young Global Limited

/s/ MANCERA, S.C.
We have served as the Company's auditor since 2008
Mexico City, Mexico
April 17, 2020

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

Consolidated Statements of Financial Position
At December 31, 2019 and 2018
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

	Note	December 2019 (1)	December 2019(2)	December 2018
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	6	**$ 1,086**	**Ps. 20,491**	Ps. 23,727
Trade receivables, net	7	**821**	**15,476**	14,847
Inventories	8	**559**	**10,538**	10,051
Recoverable taxes	25	**401**	**7,567**	6,038
Other current financial assets	9	**57**	**1,076**	805
Other current assets	9	**87**	**1,648**	2,022
Total current assets		**3,011**	**56,796**	57,490
Non-current assets:				
Investments in other entities	10	**517**	**9,751**	10,518
Right-of-use assets	11	**73**	**1,382**	—
Property, plant and equipment, net	12	**3,244**	**61,187**	61,942
Intangible assets, net	13	**5,941**	**112,050**	116,804
Deferred tax assets	25	**553**	**10,432**	8,438
Other non-current financial assets	14	**11**	**204**	2, 123
Other non-current assets	14	**321**	**6,037**	6,472
Total non-current assets		**10,660**	**201,043**	206,297
TOTAL ASSETS		**$ 13,671**	**Ps. 257,839**	Ps. 263,787
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Bank loans and notes payable	19	**$ 47**	**Ps. 882**	Ps. 1,382
Current portion of non-current debt	19	**562**	**10,603**	10,222
Current portion of lease liabilities	11	**26**	**483**	—
Interest payable		**23**	**439**	497
Suppliers		**1,052**	**19,832**	19,746
Accrued liabilities		**548**	**10,331**	5,904
Taxes payable		**379**	**7,156**	7,207
Other current financial liabilities	26	**68**	**1,284**	566
Total current liabilities		**2,705**	**51,010**	45,524
NON CURRENT LIABILITIES:				
Bank loans and notes payable	19	**3,101**	**58,492**	70,201
Post-employment and other non-current employee benefits	17	**175**	**3,293**	2,652
Non-current portion of lease liabilities	11	**48**	**900**	—
Deferred tax liabilities	25	**200**	**3,771**	2,856
Other non-current financial liabilities	26	**101**	**1,897**	1,376
Provisions and other non-current liabilities	26	**465**	**8,791**	9,428
Total non-current liabilities		**4,090**	**77,144**	86,513
TOTAL LIABILITIES		**6,795**	**128,154**	132,037
EQUITY:				
Common stock	23	**109**	**2,060**	2,060
Additional paid-in capital		**2,416**	**45,560**	45,560
Retained earnings		**4,020**	**75,820**	71,270
Other equity instruments		**(92)**	**(1,740)**	(1,524)
Accumulated other comprehensive income		**65**	**1,234**	7,578
Equity attributable to equity holders of the parent		**6,518**	**122,934**	124,944
Non-controlling interest in consolidated subsidiaries	23	**358**	**6,751**	6,806
TOTAL EQUITY		**6,876**	**129,685**	131,750
TOTAL LIABILITIES AND EQUITY		**$ 13,671**	**Ps. 257,839**	Ps. 263,787

(1) Convenience translation to U.S. dollars ($) – See Note 2.2.3
(2) The Company initially adopted IFRS 16 on January 1, 2019 using the modified retrospective approach under which the comparative information is not restated. – See Note 2.4.1

The accompanying notes are an integral part of these consolidated statements of financial position.

Consolidated Income Statements

For the years ended December 31, 2019, 2018 and 2017
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.) except for earnings per share amounts

	Note	2019 (1)	2019 (2)	2018	2017
CONTINUING OPERATIONS					
Net sales		**$ 10,198**	**Ps. 192,342**	Ps. 181,823	Ps. 182,850
Other operating revenues	25	**113**	**2,129**	519	406
Total revenues		**10,311**	**194,471**	182,342	183,256
Cost of goods sold		**5,671**	**106,964**	98,404	99,748
Gross profit		**4,640**	**87,507**	83,938	83,508
Administrative expenses		**447**	**8,427**	7,999	7,693
Selling expenses		**2,764**	**52,110**	49,925	50,351
Other income	20	**100**	**1,890**	569	1,542
Other expenses	20	**232**	**4,380**	2,450	32,899
Interest expense	19	**366**	**6,904**	7,568	8,777
Interest income		**65**	**1,230**	1,004	791
Foreign exchange (loss) income, net		**(17)**	**(330)**	(277)	788
Gain on monetary position for subsidiaries in hyperinflationary economies		**12**	**221**	212	1,590
Market value (loss) income on financial instruments	21	**(15)**	**(288)**	(314)	246
Income (loss) before income taxes and share of the profit of associates and joint ventures accounted for using the equity method		**976**	**18,409**	17,190	(11,255)
Income taxes	25	**299**	**5,648**	5,260	4,184
Share in the (loss) profit of equity accounted investees, net of taxes	10	**(7)**	**(131)**	(226)	60
Net income (loss) from continuing operations		**670**	**12,630**	11,704	(15,379)
Net income after tax from discontinued operations	5	—	—	3,366	3,725
CONSOLIDATED NET INCOME (LOSS)		**$ 670**	**Ps. 12,630**	Ps. 15,070	Ps. (11,654)
Attributable to:					
Equity holders of the parent- continuing operations		**$ 642**	**Ps. 12,101**	Ps. 10,936	Ps. (16,058)
Equity holders of the parent- discontinued operations		—	—	2,975	3,256
Non-controlling interest- continuing operations		**28**	**529**	768	679
Non-controlling interest- discontinued operations		**$ —**	**Ps. —**	Ps. 391	Ps. 469
Net income (loss)		**$ 670**	**Ps. 12,630**	Ps. 15,070	Ps. (11,654)
Earnings per share- Equity holders of the parent (U.S. dollars and Mexican pesos) (3):					
Basic controlling interest net income (loss) from continuing operations	24	**$ 0.04**	**Ps. 0.72**	Ps. 0.65	Ps. (0.96)
Basic controlling interest net income from discontinued operations	24	—	—	0.18	0.19
Diluted controlling interest net income (loss) from continuing operations	24	**0.04**	**0.72**	0.65	(0.96)
Diluted controlling interest net income from discontinued operations	24	—	—	0.18	0.19

(1) Convenience translation to U.S. dollars ($) – See Note 2.2.3
(2) The Company initially adopted IFRS 16 on January 1, 2019 using the modified retrospective approach under which the comparative information is not restated – See note 2.4.1
(3) 2018 and 2017 data have been revised for the effect of the March 22, 2019 eight to one stock split – See Note 23

The accompanying notes are an integral part of these consolidated income statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019, 2018 and 2017
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

	Note	2019 (1)	2019(2)	2018	2017
CONSOLIDATED NET INCOME (LOSS)		**$ 670**	**Ps. 12,630**	Ps. 15,070	Ps. (11,654)
Other comprehensive income, net of taxes:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Valuation of the effective portion of derivative financial instruments, net of taxes	21	**(44)**	**(835)**	(437)	(266)
Exchange differences on the translation of foreign operations and associates		**(296)**	**(5,579)**	(7,234)	15,207
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods		**(340)**	**(6,414)**	(7,671)	14,941
Items that will not be reclassified to profit or loss in subsequent periods:					
Loss from equity financial asset classified at FVOCI		**(11)**	**(216)**	(1,039)	—
Re-measurements of the net defined benefit liability, net of taxes	17	**(28)**	**(511)**	259	28
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		**(39)**	**(727)**	(780)	28
Total other comprehensive (loss) income, net of tax		**(379)**	**(7,141)**	(8,451)	14,969
Consolidated comprehensive income for the year, net of tax		**$ 291**	**Ps. 5,489**	Ps. 6,619	Ps. 3,315
Attributable to:					
Equity holders of the parent from continuing operations		**$ 294**	**Ps. 5,541**	Ps. 3,984	Ps. 841
Equity holders of the parent from discontinued operations		—	—	2,817	2,500
Non-controlling interest from continuing operations		**(3)**	**(52)**	(421)	146
Non-controlling interest from discontinued operations		—	—	239	(172)
Consolidated comprehensive income for the year, net of tax		**$ 291**	**Ps. 5,489**	Ps. 6,619	Ps. 3,315

(1) Convenience translation to U.S. dollars ($) – See Note 2.2.3
(2) The Company initially adopted IFRS 16 at January 1, 2019 using the modified retrospective approach under which the comparative information is not restated. – See Note 2.4.1

The accompanying notes are an integral part of these consolidated statements of comprehensive income.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019, 2018 and 2017
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

	Common stock	Additional paid-in capital	Retained earnings	Other equity instruments	Valuation of the effective portion of derivative financial instruments	Exchange differences on translation of foreign operations and associates	Remeasurements of the net defined benefit liability	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balances as of January 1, 2017	2,048	41,490	81,579	(485)	439	(2,377)	(557)	122,137	7,096	129,233
Consolidated net income (loss)	—	—	(12,802)	—	—	—	—	(12,802)	1,148	(11,654)
Other comprehensive loss, net of tax (excluding deconsolidation of Venezuela)	—	—	—	—	(192)	(9,778)	(10)	(9,980)	(1,174)	(11,154)
Deconsolidation of Venezuela (Note 3.3)	—	—	—	—	—	26,123	—	26,123	—	26,123
Other comprehensive (loss) income, net of tax	—	—	—	—	(192)	16,345	(10)	16,143	—	14,969
Total comprehensive income	—	—	(12,802)	—	(192)	16,345	(10)	3,341	(26)	3,315
Acquisition of Vonpar (Note 4)	12	4,070	—	—	—	—	—	4,082	—	4,082
Dividends declared	—	—	(6,991)	—	—	—	—	(6,991)	(1)	(6,992)
Consolidation of Philippines	—	—	—	—	—	—	—	—	11,072	11,072
Balances as of December 31, 2017	Ps. 2,060	Ps. 45,560	Ps. 61,786	Ps. (485)	Ps. 247	Ps. 13,968	Ps. (567)	Ps. 122,569	Ps. 18,141	Ps. 140,710
Accounting standard adoption effects	—	—	(75)	—	—	—	—	(75)	(12)	(87)

Adoption of IAS 29 for Argentina	—	—	2,686	—	—	—	—	2,686	—	2,686
Balances as of January 1, 2018	Ps. 2,060	Ps. 45,560	Ps. 64,397	Ps. (485)	Ps. 247	Ps. 13,968	Ps. (567)	Ps. 125,180	Ps. 18,129	Ps. 143,309
Consolidated net income	—	—	13,911	—	—	—	—	13,911	1,159	15,070
Other comprehensive (loss) income, net of tax	—	—	—	(1,039)	(396)	(5,897)	223	(7,109)	(1,342)	(8,451)
Total comprehensive Income	—	—	13,911	(1,039)	(396)	(5,897)	223	6,802	(183)	6,619
Dividends declared	—	—	(7,038)	—	—	—	—	(7,038)	—	(7,038)
Sale of Philippines operations	—	—	—	—	—	—	—	—	(11,140)	(11,140)
Balances as of December 31, 2018	Ps. 2,060	Ps. 45,560	Ps. 71,270	Ps. (1,524)	Ps. (149)	Ps. 8,071	Ps. (344)	Ps. 124,944	Ps. 6,806	Ps. 131,750
Accounting standard adoption effects (see Note 2.4)	—	—	(114)	—	—	—	—	(114)	—	(114)
Balances as of January 1, 2019	**Ps. 2,060**	**Ps. 45,560**	**Ps. 71,156**	**Ps. (1,524)**	**Ps. (149)**	**Ps. 8,071**	**Ps. (344)**	**Ps. 124,830**	**Ps. 6,806**	**Ps.** 131,636
Consolidated net income	—	—	12,101	—	—	—	—	12,101	529	12,630
Other comprehensive (loss) income, net of tax	—	—	—	(216)	(819)	(5,014)	(511)	(6,560)	(581)	(7,141)
Total comprehensive income (loss)	—	—	12,101	(216)	(819)	(5,014)	(511)	5,541	(52)	5,489
Dividends declared	—	—	(7,437)	—	—	—	—	(7,437)	(3)	(7,440)
Balances as of December 31, 2019	**Ps.2,060**	**Ps.45,560**	**Ps.75,820**	**Ps. (1,740)**	**Ps.(968)**	**Ps.3,057**	**Ps. (855)**	**Ps.122,934**	**Ps.6,751**	**Ps.129,685**

The accompanying notes are an integral part of these consolidated statements of changes in equity.

Consolidated Statements of Cash Flows

For the years ended December 31, 2019, 2018 and 2017
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

	2019 (1)	2019(2)	2018	2017
OPERATING ACTIVITIES:				
Income (loss) before income taxes from continuing operations	**$ 969**	**Ps. 18,278**	Ps. 16,964	Ps. (11,195)
Adjustments for:				
Non-cash operating (income) expenses	**(128)**	**(2,409)**	1,296	4,663
Depreciation	**445**	**8,387**	8,404	8,402
Depreciation right-of-use	**29**	**555**	—	—
Amortization	**90**	**1,700**	1,624	1,230
(Income) on disposal of long-lived assets	**(2)**	**(42)**	(178)	(129)
Write-off of long-lived assets	**17**	**318**	103	174
Share of the (profit) loss of associates and joint ventures accounted for using the equity method, net of taxes	**7**	**131**	226	(60)
Interest income	**(65)**	**(1,230)**	(1,004)	(791)
Interest expense	**366**	**6,904**	5,198	4,617
Foreign exchange loss (income), net	**17**	**330**	277	(788)
Non-cash movements in post-employment and other non-current employee benefits obligations	**13**	**239**	219	396
Impairment	**50**	**948**	432	1,843
Deconsolidation of Venezuela	—	—	—	26,333
Consolidation of Philippines	—	—	—	(2,996)
Monetary position gain, net	**(12)**	**(221)**	(212)	(1,591)
Market value loss on financial instruments	**15**	**288**	2,370	4,073
(Increase) decrease:				—
Accounts receivable and other current assets	**(99)**	**(1,858)**	(2,097)	(3,363)
Other current financial assets	**(5)**	**(100)**	(396)	(2,435)
Inventories	**(60)**	**(1,140)**	(1,386)	(688)
Suppliers and other accounts payable	**304**	**5,726**	1,666	3,668
Other liabilities	**(12)**	**(231)**	381	735
Employee benefits paid	**(25)**	**(478)**	(124)	(310)
Income taxes paid	**(254)**	**(4,806)**	(6,182)	(5,252)
Net cash flows generated from operating activities from continuing operations	**1,660**	**31,289**	27,581	26,536
Income before income taxes from discontinued operations	—	—	1,308	1,265
Net cash flows generated from operation activities from discontinued operations	—	—	654	5,435
INVESTING ACTIVITIES:				
Acquisition and mergers, net of cash acquired (see Note 4)	—	—	(5,692)	26
Deconsolidation of Venezuela (see Note 3.3)	—	—	—	(170)
Proceed from sale of subsidiary, net of cash disposed	—	—	7,649	—
Interest received	**65**	**1,230**	1,004	791
Acquisitions of long-lived assets	**(548)**	**(10,324)**	(9,917)	(9,715)
Proceeds from the sale of long-lived assets	**17**	**330**	399	323
Acquisitions of intangible assets	**(75)**	**(1,421)**	(1,373)	(3,410)
Other non-current assets	**1**	**12**	18	(145)
Dividends received from investments in associates and joint ventures (Note 10)	—	**1**	8	33
Investments in financial assets, net	**(30)**	**(572)**	(387)	(1,443)
Net cash flows (used in) investing activities from continuing operations	**$ (570)**	**Ps.(10,744)**	Ps. (8,291)	Ps. (13,710)
Net cash flows (used in) investing activities from discontinued operations	**$ —**	**Ps. —**	Ps. (962)	Ps. 2,820
FINANCING ACTIVITIES:				
Proceeds from borrowings	**569**	**10,736**	15,426	12,488
Repayments of borrowings	**(1,086)**	**(20,460)**	(15,957)	(13,109)
Interest paid	**(248)**	**(4,682)**	(4,984)	(4,558)
Dividends paid	**(394)**	**(7,440)**	(7,038)	(6,992)
Interest paid on lease liabilities	**(7)**	**(129)**	—	—
Payments of leases	**(26)**	**(492)**	—	—
Other financing activities	**(17)**	**(327)**	(1,682)	(2,201)
Proceeds from issuing shares (see Note 4)	—	—	—	4,082
Net cash flows (used in) financing activities from continuing operations	**(1,209)**	**(22,794)**	(14,235)	(10,290)
Net cash flows (used in) financing activities from discontinued operations	—	—	(37)	(485)
Net increase (decrease) in cash and cash equivalents from continuing operations	**(119)**	**(2,249)**	5,055	2,536
Net increase (decrease) in cash and cash equivalents from discontinued operations	—	—	963	9,035

Cash and cash equivalents at the beginning of the period	**1,258**	**23,727**	18,767	10,476
Effects of exchange rate changes and inflation effects on cash and cash equivalents held in foreign currencies	**(53)**	**(987)**	(1,058)	(3,280)
Cash and cash equivalents at the end of the period	**$ 1,086**	**Ps. 20,491**	Ps. 23,727	Ps. 18,767

(1) Convenience translation to U.S. dollars ($) – See Note 2.2.3

(2) The Company initially adopted IFRS 16 at January 1, 2019 using the modified retrospective approach under which the comparative information is not restated. – See Note 2.4.1

The accompanying notes are an integral part of these consolidated statements of cash flows.

Notes to the Consolidated Statements

For the years ended December 31, 2019, 2018 and 2017

Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

Note 1. Activities of the Company

Coca-Cola FEMSA, S.A.B. de C.V. ("Coca-Cola FEMSA") is a Mexican corporation, mainly engaged in acquiring, holding and transferring all types of bonds, shares and marketable securities. Coca-Cola FEMSA and its subsidiaries (the "Company"), as an economic unit, are engaged in the production, distribution and marketing of certain Coca-Cola trademark beverages in Mexico, Central America (Guatemala, Nicaragua, Costa Rica and Panama), Colombia, Brazil, Uruguay, Argentina and until November 2018 the Philippines.

Coca-Cola FEMSA is indirectly owned by Fomento Economico Mexicano, S.A.B. de C.V. ("FEMSA"), which holds 47.2% of its capital stock and 56% of its voting shares and The Coca-Cola Company ("TCCC"), which indirectly owns 27.8% of its capital stock and 32.9% of its voting shares. The remaining Coca-Cola FEMSA shares trade on the Bolsa Mexicana de Valores, S.A.B. de C.V. (BMV: KOF UBL) as series "L" shares which represents 15.6% of our common equity and its American Depositary Shares ("ADS") (equivalent to ten series "L" shares) trade on the New York Stock Exchange, Inc (NYSE: KOF) as series "B" which represents 9.4% of our common equity. The address of its registered office and principal place of business is Mario Pani No. 100 Col. Santa Fe Cuajimalpa, Delegacion Cuajimalpa de Morelos, Mexico City, 05348, Mexico.

As of December 31, 2019 and 2018 the most significant subsidiaries which the Company controls are:

Company	Activity	Country	Ownership percentage 2019	Ownership percentage 2018
Propimex, S. de R.L. de C.V.	Manufacturing and distribution	Mexico	**100.00%**	100.00%
Controladora Interamericana de Bebidas, S. de R.L. de C.V.	Holding	Mexico	**100.00%**	100.00%
Spal Industria Brasileira de Bebidas, S.A.	Manufacturing and distribution	Brazil	**96.06%**	96.06%
Distribuidora y Manufacturera del Valle de México, S. de R.L. de C.V.	Manufacturing and distribution	Mexico	**100.00%**	100.00%
Servicios Refresqueros del Golfo y Bajío, S. de R.L. de C.V.	Manufacturing and distribution	Mexico	**100.00%**	100.00%

Note 2. Basis of Preparation

2.1 Statement of compliance

The consolidated financial statements of the Company as of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company's consolidated financial statements and notes were authorized for issuance by the Company's Chief Executive Officer John Santa Maria Otazua and Chief Financial and Administrative Officer Constantino Spas Montesinos on February 25, 2020. These consolidated financial statements and notes were approved at the Company's Board of Directors meeting on February 25, 2020 and by the Shareholders meeting on March 17, 2020. The accompanying consolidated financial statements were approved for issuance in the Company´s annual report on Form 20-F by the Company's Chief Executive Officer and Chief Financial Officer on April 17, 2020 and subsequent events were considered through that date (Note 30).

2.2 Basis of measurement and presentation

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments
- Trust assets of post-employment and other non-current employee benefit plans

The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationship.

The financial statements of subsidiaries whose functional currency is the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the end of the reporting period.

2.2.1 Presentation of consolidated income statement

The Company classifies its costs and expenses by function in the consolidated income statement in order to conform to industry practices.

2.2.2 Presentation of consolidated statements of cash flows.

The Company presents its consolidated statement of cash flows using the indirect method.

2.2.3 Convenience translation to U.S. dollars ($)

The consolidated financial statements are stated in millions of Mexican pesos ("Ps.") and rounded to the nearest million unless stated otherwise. However, solely for the convenience of the readers, the consolidated statement of financial position as of December 31, 2019 and the consolidated income statement, the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2019 were converted into U.S. dollars at the exchange rate of Ps. 18.8600 per U.S. dollar as published by the Federal Reserve Bank of New York on December 31**,** 2019, the last date in 2019 for which information is available. This arithmetic conversion should not be construed a representation that the amounts expressed in Mexican pesos may be converted into U.S. dollars at that or any other exchange rate. As of March 6, 2020 (the issuance date of these financial statements) such exchange rate was Ps. 20.1710 per U.S. dollar, a depreciation of 7.0% since December 31, 2019.

2.3 Critical accounting judgments and estimates

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

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

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements which have the most significant effects on the amounts recognized in the consolidated financial statements.

2.3.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

2.3.1.1 Impairment of indefinite lived intangible assets, goodwill and other depreciable long-lived assets

Intangible assets with indefinite live as well as goodwill are subject to impairment tests annually or whenever indicators of impairment are present. Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales agreements in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. In order to determine whether such assets are impaired, the Company calculates an estimation of the value in use of the cash-generating units to which such assets have been allocated. Impairment losses are recognized in current earnings for the excess of the carrying amount of the asset or CGU and its value in use in the period the related impairment is determined.

The Company assesses at each reporting date or annually whether there is an indication that a depreciable long-lived asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. When the carrying amount of an asset or CGU in which the asset is assigned exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount, which is determined based on its value in use. In assessing value in use, the estimated future cash flows expected to be generated from the use of an asset or CGU are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If recent market transactions are not available, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. The key assumptions used to determine the recoverable amount for the Company's CGUs, including a sensitivity analysis, are further explained in Notes 3.17 and 13.

2.3.1.2 Useful lives of property, plant and equipment and intangible assets with definite useful lives

Property, plant and equipment, including returnable bottles which are expected to provide benefits over a period of more than one year, as well as intangible assets with definite useful lives are depreciated/amortized over their estimated useful lives. The Company bases its estimates on the experience of its technical personnel as well as its experience in the industry for similar assets; see Notes 3.13, 12 and 13.

2.3.1.3 Post-employment and other non-current employee benefits

The Company regularly or annually evaluates the reasonableness of the assumptions used in its post-employment and other non-current employee benefit computations. Information about such assumptions is described in Note 17.

2.3.1.4 Income taxes

Deferred income tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The Company recognizes deferred tax assets for unused tax losses and other credits and regularly reviews them for recoverability, based on its judgment regarding the probability of the expected timing and level of future taxable income, the expected timing of the reversals of existing taxable temporary differences and available tax planning strategies. See Note 25.

2.3.1.5 Tax, labor and legal contingencies and provisions

The Company is subject to various claims and contingencies related to tax, labor and legal proceedings as described in Note 26. Due to their nature, such legal proceedings involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions. Management periodically assesses the probability of loss for such contingencies, accrues a provision and/ or discloses the relevant circumstances, as appropriate. If the potential loss of any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues a provision for the estimated loss. Management’s judgment must be exercised to determine the likelihood of such a loss and an estimate of the amount, due to the subjective nature of the loss.

2.3.1.6 Valuation of financial instruments

The Company is required to measure all derivative financial instruments at fair value.

The fair values of derivative financial instruments are determined considering quoted prices in recognized markets. If such instruments are not traded, fair value is determined by applying techniques based upon technical models supported by sufficient, reliable and verifiable data, recognized in the financial sector. The Company bases its forward price curves upon market price quotations. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments, see Note 21.

2.3.1.7 Business combinations

Businesses combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company to and liabilities assumed by the Company from the former owners of the acquiree, the amount of any non-controlling interest in the acquiree and the equity interests issued by the Company in exchange for control of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized and measured at their fair value, except when:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, Income Taxes and IAS 19, Employee Benefits, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquired or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquired are measured in accordance with IFRS 2, Share- based Payment at the acquisition date, see Note 3.25;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- Indemnifiable assets are recognized at the acquisition date on the same basis as the indemnifiable liability subject to any contractual limitations.

For each acquisition, management's judgment must be exercised to determine the fair value of the assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, applying estimates or judgments in techniques used, especially in forecasting CGU's cash flows, in the computation of weighted average cost of capital (WACC) and estimation of inflation during the operation of intangible assets with indefinite life, mainly, distribution rights.

2.3.1.8 Investments in associates

If the Company holds, directly or indirectly, 20 per cent or more of the voting power of the investee, it is presumed that it has significant influence, unless it can be clearly demonstrated that this is not the case. If the Company holds, directly or indirectly, less than 20 per cent of the voting power of the investee, it is presumed that the Company does not have significant influence, unless such influence can be clearly demonstrated. Decisions regarding the propriety of utilizing the equity method of accounting for a less than 20 per cent-owned corporate investee require a careful evaluation of voting rights and their impact on the Company's ability to exercise significant influence. Management considers the existence of the following circumstances, which may indicate that the Company is in a position to exercise significant influence over a less than 20 per cent-owned corporate investee:

- representation on the board of directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Company and the investee;
- interchange of managerial personnel; or
- provision to the investee of essential technical information.

Management also considers the existence and effect of potential voting rights that are currently exercisable or currently convertible when assessing whether the Company has significant influence.

In addition, the Company evaluates the following indicators that provide evidence of significant influence:

- the Company's extent of ownership is significant relative to other shareholdings (i.e. a lack of concentration of other shareholders);
- the Company's significant shareholders, its parent, fellow subsidiaries, or officers of the Company, hold additional investment in the investee; and
- the Company is a part of an investee's board of director committees, such as the executive committee or the finance committee.

2.3.1.9 Joint Arrangements

An arrangement can be a joint arrangement even though not all of its parties have joint control of the arrangement. When the Company is a party to an arrangement it shall assess whether the contractual arrangement gives all the parties, or a group of the parties, control of the arrangement collectively; joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively. Management needs to apply judgment when assessing whether all the parties, or a group of the parties, have joint control of an arrangement. When assessing joint control, management considers the following facts and circumstances:

a) If all the parties, or a group of the parties, control the arrangement, considering definition of joint control, as described in Note 3.1; and

b) If decisions about the relevant activities require the unanimous consent of all the parties, or of a group of the parties

2.3.1.10 Venezuela Exchange Rates and Consolidation

As further explained in Note 3.3 below, as of December 31, 2017, the exchange rate used to translate the financial statements of the Company's Venezuelan operations for reporting purposes into the consolidated financial statements, was 22,793 bolivars per US dollar.

As also explained in Note 3.3 below, effective December 31, 2017 the Company deconsolidated its operations in Venezuela due to the political and economic environment in that country and began accounting for its investment under the fair value through other comprehensive income (FVOCI) method. Consequently beginning January 1, 2018, all changes in the fair value of the investment, including foreign currency translations differences have been recognized in other comprehensive income.

2.3.1.11 Leases

In connection with its accounting for arrangements that contain a lease, the Company, as a lessor considers information on assumptions and estimates that have a significant risk of resulting in an adjustment to the carrying value of right-of-use assets and lease liabilities, and related statement of income accounts, such as:

- Determination of whether the Company is reasonably certain to exercise an option to extend a lease agreement or not to exercise an option to terminate a lease agreement before its termination date, considering all the facts and circumstances that create an economic incentive for the Company to exercise, or not, such options, taking into account whether the lease option is enforceable, when the Company has the unilateral right to apply the option in question.
- Leases - Estimating the incremental borrowing rate IFRS 16. The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

2.4 Changes in accounting policies

The Company has applied the following amendments to the standards, which are effective for annual periods beginning on or after January 2019, their application has no significant effects:

2.4.1 IFRS 16 Leases

IFRS 16 Leases supersedes International Accounting Standard (IAS) 17, *Leases*, International Financial Reporting Interpretation Committee (IFRIC) 4, in d*etermining whether an Arrangement contains a Lease*, Standard Interpretation Committee (SIC) 15, *Operating Leases-Incentives* and SIC 27, *evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model, recognizing a right-of-use asset reflecting its right to use the underlying asset and a related lease liability for its obligation to make lease payments during the lease term. The Company has modified its accounting policy for lease contracts as a result of the standard adoption, acting only as a lessee, as detailed in Note 2.4.1 and 3.18.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have a material impact for leases where the Company is the lessor.

The Company applied the modified retrospective approach, under which, the cumulative effect of initial application is recognized in retained earnings as from January 1st, 2019. The main changes on leases accounting policy is disclosed below.

- Definition of a lease

Previously, the Company had determined at each contract inception whether an arrangement is or contains a lease under "IAS 17 – Leases" and "IFRIC 4 – Determining whether an arrangement contains a lease". Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 2.4.1 and 3.18.

The Company elected to apply the transition practical expedient known as "Grandfather" which allows at the date of initial application to consider as a lease only those contracts previously identified as such in accordance with IAS 17 and IFRIC 4. Therefore, the definition of a lease under IFRS 16 applies only to those contracts entered into or modified on or after January 1st, 2019.

The Company excludes all those leases contracts with: (i) remaining lease term of less than twelve month and, (ii) those leases with an underlying low value assets with absolute terms, considering at maximum amount of $5,000 or its equivalent in other currencies.

- Accounting as a lessee

As a lessee, the Company previously classified leases as either operating or finance leases based on its assessment of whether substantially all the rights and risk incidental to ownership of an asset are transferred from the lessor to the lessee. Under IFRS 16, the Company recognizes a right-of-use asset and a lease liability for all lease arrangements, excluding those that are considered as exceptions by the standard.

At transition date, the Company recognized a lease liability measured at the present value of the remaining lease payments during the non-cancellable period, discounted at the incremental borrowing rate of the Company as of January 1st, 2019. Right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
The following practical expedients permitted by IFRS 16 were applied to lease contracts previously accounted for as operating leases under IAS 17 at the transition date only:

- A single discount rate to a portfolio of leases with similar characteristics.
- Not to recognize right-of-use assets and liabilities for leases with less than twelve months of lease term and leases of low-value items.
- Exclude initial direct costs from measuring the right-of-use asset.
- Use hindsight information when determining the lease term if the contract contains options to extend or terminate the lease.

Measuring lease liabilities for leases that were classified as operating leases, the following is a reconciliation of the discounted operating lease commitments as of December 31, 2018 to the lease liability recognized upon adoption of IFRS 16:

		As of January 1, 2019
Operating lease commitments as of December 31, 2018	**Ps.**	**2,455**
Discounted operating lease commitments		**1,976**
Less: Commitments relating to short-term leases and low-value assets		**(179)**
Add: Commitments relating to leases previously classified as finance leases		—
Lease liabilities at the beginning of the period	**Ps.**	**1,797**

As of the date of the adoption, the weighted average incremental borrowing rate was 9.17%.

2.4.2 IFRIC 23 Uncertainty over income tax treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

a) Whether an entity considers uncertain tax treatments separately;

b) The assumptions an entity makes about the examination of tax treatments by taxation authorities;

c) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and;

d) How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019 and has been adopted preparing these Consolidated Financial Statements.

The Company applied the retrospective modified and has performed a qualitative and quantitative evaluation of the impacts in the consolidated financial statements derived from IFRIC 23 adoption. Such evaluation includes the following the activities described below:

i) Review of the Company's policies through which tax treatments are revised and accounted, this includes evidence from business units delivered to external advisors.

ii) Analysis of the tax memorandums prepared by the external tax advisor which support the Company's tax treatment over an uncertain tax position about a) how tax earnings (losses) are calculated, b) how tax basis or losses are applied, c) tax credits not applied, and d) how tax rates in different jurisdictions are considered.

iii) Documentation of the tax correspondence received in the Company's and subsidiaries business units in order to analyze any recent resolution adopted from the tax authority regarding tax positions,

iv) Analysis of the tax position report of the Company on a monthly basis.

The Company concluded that there were no significant impacts on the consolidated financial statements derived from the adoption of the IFRIC 23, However, IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes, which helped the Company to strengthen the corporate policy in this matter. The amount of uncertain income tax positions is included in Note 26.6.

Note 3. Significant Accounting Policies

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2019. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, revenues and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements of revenues and comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intra-group assets and liabilities, equity, revenues, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities

3.1.1 Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore they are recognized entirely in equity without applying acquisition accounting. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are measured at carrying amount and reflected in shareholders' equity as part of additional paid-in capital.

3.2 Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Company. When evaluating control, the Company considers substantive potential voting rights. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquired. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Company previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquiree and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Company's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent considerations are recognized in consolidated net income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete and discloses that its allocation is preliminary in nature. Those provisional amounts are adjusted during the measurement period (not greater than 12 months from the acquisition date), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Sometimes obtaining control of an acquiree in which equity interest is held immediately before the acquisition date is considered as a business combination achieved in stages also referred to as a step acquisition. The Company re-measures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss. Also, the changes in the value of equity interest in the acquiree recognized in other comprehensive income shall be recognized on the same basis as required if the Company had disposed directly of the previously held equity interest.

The Company sometimes obtains control of an acquiree without transferring consideration. The acquisition method of accounting for a business combination applies to those combinations as follows:

i. The acquiree repurchases a sufficient number of its own shares for the Company to obtain control.

ii. Minority veto rights expire that previously kept the Company from controlling an acquiree in which it held the majority voting rights.

iii. The Company and the acquiree agree to combine their businesses by contract in which it transfers no consideration in exchange for control and no equity interest is held in the acquiree, either on the acquisition date or previously.

3.3 Foreign currencies and consolidation of foreign subsidiaries, investments in associates and joint ventures

In preparing the financial statements of each individual subsidiary, associate and joint venture, transactions in currencies other than the individual entity's functional currency (foreign currencies) are recognized at the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are remeasured at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-measured.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- The variations in the net investment in foreign subsidiaries generated by exchange rate fluctuation are included in other comprehensive income, which is recorded in equity as part of the cumulative exchange differences on translation of foreign subsidiaries and associates within the accumulated other comprehensive income.
- Intercompany financing balances with foreign subsidiaries that are considered as non-current investments, since there is no plan to pay such financing in the foreseeable future. Monetary position and exchange rate fluctuation regarding this financing is included in the exchange differences on translation of foreign subsidiaries and associates, which is recorded in equity as part of the accumulated other comprehensive income.
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Foreign exchange differences on monetary items are recognized in profit or loss. Their classification in the income statement depends on their nature. Differences arising from fluctuations related to operating activities are presented in the "other expenses" line (see Note 20) while fluctuations related to non-operating activities such as financing activities are presented as part of "foreign exchange gain (loss)" line in the income statement.

For incorporation into the Company's consolidated financial statements, each foreign subsidiary, associate or joint venture's individual financial statements are translated into Mexican pesos, as follows:

- For hyperinflationary economic environments, the inflation effects of the origin country are recognized pursuant to IAS 29 Financial Reporting in Hyperinflationary Economies, and subsequently translated into Mexican pesos using the year-end exchange rate for the consolidated statements of financial position and consolidated income statement and comprehensive income; and
- For non-inflationary economic environments, assets and liabilities are translated into Mexican pesos using the year-end exchange rate, equity is translated into Mexican pesos using the historical exchange rate, and the income statement and comprehensive income is translated using the exchange rate at the date of each transaction. The Company uses the average exchange rate of each month only if the exchange rate does not fluctuate significantly.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of exchange differences on translation of foreign subsidiaries and associates are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint ventures that do not result in the Company losing significant influence or joint control), the proportionate share of the exchange differences on translation of foreign subsidiaries and associates is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Foreign exchange differences are recognized in equity as part of the exchange differences on translation of foreign subsidiaries and associates.

The translation of assets and liabilities denominated in foreign currencies into Mexican pesos is for consolidation purposes and does not indicate that the Company could realize or settle the reported value of those assets and liabilities in Mexican pesos. Additionally, this does not indicate that the Company could return or distribute the reported Mexican peso value in equity to its shareholders.

		Exchange Rates of Local Currencies Translated to Mexican Pesos[(1)]				
		Average Exchange Rate for			Exchange Rate as of December 31,	
Country or Zone	**Functional coin**	**2019**	**2018**	**2017**	**2019**	**2018**
Mexico	Mexican peso	**Ps. 1.00**	Ps. 1.00	Ps. 1.00	**Ps. 1.00**	Ps. 1.00
Guatemala	Quetzal	**2.50**	2.56	2.57	**2.45**	2.54
Costa Rica	Colon	**0.03**	0.03	0.03	**0.03**	0.03
Panama	U.S Dollar	**19.26**	19.24	18.93	**18.85**	19.68
Colombia	Colombian peso	**0.01**	0.01	0.01	**0.01**	0.01
Nicaragua	Cordoba	**0.58**	0.61	0.63	**0.56**	0.61
Argentina	Argentine peso	**0.41**	0.73	1.15	**0.31**	0.52
Brazil	Reais	**4.89**	5.29	5.94	**4.68**	5.08
Philippines	Philippine peso	**NA**	0.37	0.38	**NA**	0.37
Uruguay	Uruguayan peso	**0.55**	0.63	0.66	**0.51**	0.61

(1) Exchange rates published by the central bank of each country

Venezuela

Effective December 31, 2017, the Company determined that the conditions in Venezuela had led the Company to no longer meet the accounting criteria to consolidate its Venezuelan operations. Such deteriorating conditions had significantly impacted the Company's ability to manage its capital structure, its capacity to import and purchase raw materials and had imposed limitations on the portfolio dynamics. In addition, certain government controls over pricing of some products, labor law restrictions and ability to obtain US Dollars and imports, have affected the normal course of business. Therefore, and due to the fact that its Venezuelan operations will continue, as of December 31, 2017, the Company changed the method of accounting for its investment in Venezuela from consolidation to fair value method measured using a Level 3 concept and recognized as of December 31, 2017.

As a result of the deconsolidation, the Company recorded an extraordinary loss in other expenses line of Ps. 28,176 for the year ended in December 31, 2017. Such charge includes the reclassification of Ps. 26,123 (see Note 20) previously recorded in exchange differences on translation of foreign subsidiaries and associates in equity, to the income statement and impairment charges as follows, Ps. 745 of distribution rights, Ps. 1,098 of property plant and equipment and Ps 210 of re-measurement at fair-value of the Venezuelan's investment.

Prior to deconsolidation, during 2017, the Company's Venezuela operations contributed Ps. 4,005 to net sales and losses of Ps. (2,223) to net income. See also Note 27 for additional information about the Venezuelan operations.

Beginning on January 1, 2018, the Company recognized its investment in Venezuela under the fair value through OCI (FVOCI) method upon adoption of the new IFRS 9 standard. Consequently, the Company no longer includes the results of the Venezuelan operations in its Consolidated Financial Statements as explained in the Note 2.3.1.10.

Exchange rate

Until December 31, 2017, the Company's recognition of its Venezuelan operations involved a two-step accounting process in order to translate into bolivars all transactions in a different currency than bolivars and then to translate the bolivar amounts to Mexican Pesos.

Step-one: Transactions were first recorded in the stand-alone accounts of the Venezuelan subsidiary in its functional currency, which are bolivars. Any non-bolivar denominated monetary assets or liabilities were translated into bolivars at each balance sheet date using the exchange rate at which the Company expects them to be settled, with the corresponding effect of such translation being recorded in the income statement.

Step-two: In order to integrate the results of the Venezuelan operations into the consolidated figures of the Company, such Venezuelan results were translated from Venezuelan bolivars into Mexican pesos.

On December 2017, the Company translated the Venezuela entity figures using an exchange rate of bolivars. 22,793 per USD, as such exchange rate better represented the economic conditions in Venezuela. The Company considers that this exchange rate provides more useful and relevant information related to the Venezuela´s financial position, financial performance and cash flows. On January 30, 2018, a new auction of the DICOM conducted by the Venezuela government resulted in an estimated exchange rate of Bolivars. 30,987 per Eu (equivalent to 25,000 per USD).

3.4 Recognition of the effects of inflation in countries with hyperinflationary economic environments

Beginning on July 1, 2018, Argentina became a hyperinflationary economy because, among some other economic factors, the last three years cumulative inflation in Argentina exceeded 100% according to the several economic indexes that exist in the country. For being considered hyperinflationary, the financial information for our Argentine subsidiary has been adjusted to recognize the inflationary effects since January 1, 2018 through:

- Using inflation factors to restate non-monetary assets, such as inventories, property, plant and equipment, net, intangible assets, net, including related costs and expenses when such assets are consumed or depreciated.
- Recognize the monetary position gain or loss in consolidated net income.

The Company restates the financial information of subsidiaries that operate in hyperinflationary economic environment using the consumer price index (CPI) of each country.

The FACPCE (Federacion Argentina de Consejos Profesionales de Ciencias Economicas) approved on September 29, 2018 and published on October 5, 2018, a resolution which defines, among other things, that the index price to determine the restatement coefficient (Based on a series that applies the NCPI from January with the IPIM until this date, and computing November and December 2015 using the CPI- of Ciudad del Gran Buenos Aires (CGBA) variation).

As of December 31, 2019, 2018, and 2017, the operations of the Company are classified as follows:

Country	**Cumulative Inflation 2017- 2019**	**Type of Economy**	Cumulative Inflation 2016-2018	Type of Economy	Cumulative Inflation 2015-2017	Type of Economy
Mexico	**13.2%**	**Non-hyperinflationary**	15.7%	Non-hyperinflationary	12.7%	Non-hyperinflationary
Guatemala	**11.8%**	**Non-hyperinflationary**	12.2%	Non-hyperinflationary	13.5%	Non-hyperinflationary
Costa Rica	**5.8%**	**Non-hyperinflationary**	5.7%	Non-hyperinflationary	2.5%	Non-hyperinflationary
Panama	**0.5%**	**Non-hyperinflationary**	2.1%	Non-hyperinflationary	2.3%	Non-hyperinflationary
Colombia	**11.0%**	**Non-hyperinflationary**	13.4%	Non-hyperinflationary	17.5%	Non-hyperinflationary
Nicaragua	**15.6%**	**Non-hyperinflationary**	13.1%	Non-hyperinflationary	12.3%	Non-hyperinflationary
Argentina	**179.4%**	**Hyperinflationary**	158.4%	Hyperinflationary	101.5%	Non-hyperinflationary
Brazil	**11.1%**	**Non-hyperinflationary**	13.1%	Non-hyperinflationary	21.1%	Non-hyperinflationary
Uruguay	**22.0%**	**Non-hyperinflationary**	25.3%	Non-hyperinflationary	NA	Non-hyperinflationary
Philippines	**NA**	**Non-hyperinflationary**	11.9%	Non-hyperinflationary	7.5%	Non-hyperinflationary

3.5 Cash and cash equivalents

Cash consists of deposits in bank accounts which generate interest on the available balance. Cash equivalents are mainly represented by short-term bank deposits and fixed income investments (overnight), both with maturities of three months or less and their carrying values approximate fair value.

The Company also maintains restricted cash held as collateral to meet certain contractual obligations (see Note 6). Restricted cash is presented within other current financial assets given that the restrictions are short-term in nature.

3.6 Financial assets

Financial assets are classified within the following business models depending on the Administration's objective: (i) "hold to maturity to collect contractual cash flows", (ii) "hold to collect contractual cash flows and sell financial assets" and (iii) "Others or hold to negotiate" or as derivatives assigned in hedging instruments with an effective hedge, as appropriate. The classification depends on the nature and purpose of the financial assets and will be determined at the time of initial recognition.

The Company performs a portfolio – level assessment of the business model objective in which a financial asset is held to reflect the best way in which the business manages the financial asset and the manner in which the information is provided to the management of the Company. The information that is considered within the evaluation includes:

- The policies and objectives of the Company in relation to the portfolio and the practical implementation of said policies;
- Performance and evaluation of the Company's portfolio including accounts receivable;
- Risks that affect the performance of the business model and how those risks are managed;
- Any compensation related to the performance of the portfolio; and
- Frequency, volume and timing of sales of financial assets in previous periods together with the reasons for said sales and expectations regarding future sales activities.

The Company's financial assets include cash, cash equivalents and restricted cash, investments with maturities of more than three months, loans and accounts receivable, derivative financial instruments and other financial assets.

For the initial recognition of a financial asset, the Company measures it at fair value plus the transaction costs that are directly attributable to the purchase thereof, in the event that said asset isn't measured at fair value through profit or loss. Accounts receivable that do not have a significant financing component are measured and recognized at the transaction price when they are generated. The rest of the financial assets are recognized only when the Company is part of the contractual provisions of the instrument.

The fair value of an asset is measured using assumptions that would be used by market participants when valuing the asset, assuming that market participants act in the best economic interest.

During the initial recognition, the financial asset is also classified as measured at: amortized cost, fair value with changes in other comprehensive income – debt or equity investments – and fair value through profit or loss. The classification depends on the objective by which the financial asset is acquired.

Financial assets are not reclassified after their initial recognition unless Coca-Cola FEMSA changes the business model to manage the financial assets; in which case, all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

3.6.1 Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets the following two conditions and isn't designated as Fair value through Profit and loss (FVTPL):

- It's managed within a business model whose objective is to maintain financial assets to recover the contractual cash flows; and
- The contractual terms are only payments at specified dates of the principal and interest on the amount of the outstanding principal Solely payments of principal and interest ("SPPI").

The amortized cost of a financial asset is the amount of the initial recognition minus the principal payments, plus or minus the accumulated amortization using the effective interest rate method of any difference between the initial amount and the amount as of the maturity and, adjusted for impairment loss. The financial product, exchange fluctuation and impairment are recognized in results. Any profit or loss is also recognized in the same way in results.

3.6.1.1 Effective interest rate method (ERR)

The effective interest rate method is a method to calculate the amortized cost of loans, accounts receivables and other financial assets (designated as held-to-maturity) and to allocate interest income / expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that represents an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on the initial recognition.

3.6.2 Financial assets at fair value with changes in other comprehensive income ("OCI")

A financial asset is measured as FVOCI if it meets the following two conditions and isn't designated as FVTPL:

- Its administered within a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets; and
- The contractual terms are only payments at specified dates of the principal and interest on the amount of the outstanding principal.

These assets are subsequently measured at fair value. The financial product calculated using the IRR, the exchange rate fluctuation and the impairment are recognized in profit and loss. Other gains and losses, related to changes in fair value are recognized in OCI. In case of losses or dispositions, the accumulated gains and losses in OCI are reclassified to profit and loss.

In the initial recognition of an equity instrument that isn't held for trading, under the "other" business model, the Company may irrevocably choose to present changes in the fair value of the investment in OCI. This choice is made at the level of each investment. Equity instruments are subsequently measured at fair value. Dividends are recognized as profit in profit and loss unless the dividend clearly represents a recovery part of the investment cost. Other net gains and losses, related to changes in fair value, are recognized in OCI and considered as items that will not be reclassified to consolidated net income in subsequent periods.

3.6.3 Financial assets at fair value through profit and loss (FVTPL)

Financial assets designated as fair value through profit and loss (FVTPL) includes financial assets held for trading and financial assets designated at initial recognition as fair value through profit and loss. Financial assets are classified as held for trading if they are acquired to be sold in the short term. Derivatives, including implicit derivatives are also designated as held for trading unless they are designated as effective hedging instruments as defined in IFRS 9. Financial assets as fair value through profit and loss are registered in the balance sheet at fair value with the net changes in the fair value presented as financial expense (negative changes in fair value) or financial income (positive net changes in fair value) in profit and loss statement.

3.6.4 Evaluation that contractual cash flows are solely principal and interest payments ("SPPI")

In order to classify a financial asset within one of the three different categories, the Company determines whether the contractual cash flows of the asset are solely principal and interest payments. The Company considers the contractual terms of the financial instrument and whether the financial asset contains any contractual term that could change the timing or amount of the contractual cash flows in such a way that it would not meet the SPPI criteria. To make this evaluation, the Company considers the following criteria:

- Contingent events that would change the cash flows amount or timing;
- Terms that can adjust the contractual coupon rate, including variable interest rate characteristics;
- Payment and extension features; and
- Characteristics that limit the Company's right to obtain cash flows from certain assets.

A prepaid feature is consistent with the characteristics of solely principal and interest payments if the prepayment amount substantially represents the amounts of the principal and interest pending payment, which could include reasonable compensation for early termination of the contract. Additionally, a financial asset acquired or originated with a premium or discount to its contractual amount and in the initial recognition the fair value of the prepaid characteristic is insignificant, the asset will pass the test of the contractual characteristics of cash flow if the amount of prepaid represents substantially the contractual amount and accrued interest (but not paid); which may include additional compensation for the early contract termination.

3.6.5 Loans and receivables

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

Interest income is recognized by applying the effective interest rate, except for short-term receivable when the recognition of interest would be immaterial. For the years ended December 31, 2019, 2018 and 2017 the interest income on loans and receivables recognized in the interest income line item within the consolidated income statements is Ps. 5, Ps. 5 and Ps. 4, respectively.

3.6.6 Other financial asset

Other financial assets include long term accounts receivable and derivative financial instruments. Other financial assets with a stated term are measured at amortized cost using the effective interest method, less any impairment.

3.6.7 Financial assets impairment

The Company recognizes impairment due to expected credit loss (ECL) in:

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI;
- Other contractual assets

Impairment losses on accounts receivable, contractual assets and leasing receivables are always measured at an amount equal to the expected loss of credit for life, whether or not it has a significant component. The Company applies the criteria to all accounts receivable, contractual assets and leasing credits, but it can be applied separately to accounts receivable and contractual assets of financial leases.

The Company measures impairment losses at an amount equal to ECL for life, except for the following:

- Debt instruments determined to be of low credit risk; and
- Other debt instruments and bank balances for which the credit risk (risk of non- recoverability over the expected life of the financial instrument) hasn’t increased significantly since the initial recognition.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and estimating the ECL, the Company considers reasonable and sustainable information that is relevant and available without cost or disproportionate effort. This includes qualitative and quantitative information and analysis, based on historical experience and an informed credit assessment of the Company.

The impairment loss is a weighted estimate of the probability of expected loss. The amount of impairment loss is measured as the present value of any lack of liquidity (the difference between the contractual cash flows that correspond to the Company and the cash flows that management expects to receive). The expected credit loss is discounted using the original financial asset effective interest rate.

The Company annually evaluates the reasonableness to determine if there was objective evidence of impairment. Some objective evidence that financial assets were impaired includes:

- Non-payment or delinquency of a debtor;
- Restructuring of an amount corresponding to the Company under terms that the Company would not otherwise consider;
- Indicators that a debtor or client will incur into bankruptcy;
- Adverse changes in the status of debtor or client payments;

- The disappearance of an active market for an instrument due to financial difficulties; or
- Evident information indicating that there was a measurable decrease in the expected cash flows of a group of financial assets.

For an investment within a capital instrument, objective evidence of impairment includes a significant or prolonged decrease in its fair value lower than the carrying amount.

The impairment loss on financial assets measured at amortized cost is reduced from the carrying amount and for financial assets measured at FVOCI, the impairment loss is recognized within OCI.

3.6.8 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the financial asset have expired; or
- The Company has transferred its rights to receive the asset cash flows or has assumed an obligation to pay the full received cash flows without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred or retained substantially all the asset risks and benefits, but has transferred control of the asset.

3.6.9 Offsetting of financial instruments

Financial assets are required to be offset against financial liabilities and the net amount reported in the consolidated statement of financial position if, and only if the Company:

- Currently has an enforceable legal right to offset the recognized amounts; and
- Intends to settle on a net basis, or to realize the assets and settle the liabilities simultaneously

3.7 Derivative financial instruments

The Company is exposed to different risks related to cash flows, liquidity, market and third-party credit. As a result, the Company contracts different derivative financial instruments in order to reduce its exposure to the risk of exchange rate fluctuations between the U.S. Dollar and other currencies, and interest rate fluctuations associated with its borrowings denominated in foreign currencies and the exposure to the risk of fluctuation in the costs of certain raw materials.

The Company values and records all derivative financial instruments and hedging activities, in the consolidated statement of financial position as either an asset or liability measured at fair value, considering quoted prices in recognized markets. If such instruments are not traded in a formal market, fair value is determined by applying techniques based upon technical models supported by sufficient, reliable and verifiable market data, recognized in the financial sector. Changes in the fair value of derivative financial instruments are recorded each year in current earnings otherwise as a component of cumulative other comprehensive income based on the item being hedged and the effectiveness of the hedge.

3.7.1 Hedge accounting

The Company designates certain hedging instruments, which include derivatives to cover foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

3.7.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the hedging valuation of the effective portion of derivative financial instruments. The gain or loss relating to the ineffective portion is recognized immediately in consolidated net income and is included in the market value (gain) loss on financial instruments line item within the consolidated statements of income.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to consolidated net income in the periods when the hedged item is recognized in consolidated profit and loss statement, in the same line of the consolidated statement of income as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in cumulative other comprehensive income in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in consolidated net income. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in consolidated net income.

3.7.3 Fair value hedges

For hedge items carried at fair value the change in the fair value of a hedging derivative is recognized in profit and loss statement as foreign exchange gain or loss, as they relate to foreign currency risk. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of profit or loss as foreign exchange gain or loss.

For fair value hedges relating to items carried at amortized cost, change in the fair value of the effective portion of the hedge is recognized first as an adjustment to the carrying value of the hedged item and then any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit and loss.

3.7.4 Hedge of net investment in a foreign business

The Company designates certain debt securities as a hedge of its net investment in foreign subsidiaries and applies hedge accounting to foreign currency differences arising between the functional currency of its investments abroad and the functional currency of the holding company (Mexican peso), regardless of whether the net investment is held directly or through a sub-holding. Differences in foreign currency that arise in the conversion of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income in the exchange differences on the translation of foreign operations and associates caption , to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognized as market value gain or loss on financial instruments within the consolidated income statements. When part of the hedge of a net investment is disposed, the corresponding accumulated foreign currency translation effect is recognized as part of the gain or loss on disposal within the consolidated income statement.

3.8 Fair value measurement

The Company measures financial instruments, such as, derivatives, and certain non-financial assets such as trust assets of labor obligations at fair value at each balance sheet date. Also, fair values of bank loans and notes payable carried at amortized cost are disclosed in Note 19.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

- **Level 2**: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring fair value measurement, such as those described in Note 21 and unquoted liabilities such as debt described in Note 19.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.9 Inventories and cost of goods sold

Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Inventories represent the acquisition or production cost which is incurred when purchasing or producing a product, and are based on the weighted average cost formula.

Cost of goods sold is based on weighted average cost of the inventories at the time of sale. Cost of goods sold includes expenses related to the purchase of raw materials used in the production process, as well as labor costs (wages and other benefits), depreciation of production facilities, equipment and other costs, including fuel, electricity, equipment maintenance and inspection.

3.10 Held for sale long lived assets and discontinued operations

The Company classifies the long lived assets as held for sell when:

a) It is expected to be recovered principally through the sale, instead of being recovered through its operational continuous use.

b) The assets are maintained as held for its immediately sale and;

c) The assets sale is considered as highly possible in its actual condition.

For considering a sale as highly possible:

- Management should be engaged with a sales plan.
- It must be started an active plan to locate a buyer and complete this plan.
- The asset must be actively valued to its sale in a reasonable price related to its fair value.
- The sale is expected to be completed in less than one year term beginning on the date classification.

The non-current assets held for sale are measured at the lower value between the carrying value and the fair value less the disposal cost.

The discontinued operations are the cash flows and operations that can be clearly distinguished from the rest of the entity operations that have been disposed or classified has held for sale, and:

- Represents a business part or geographic area
- Are part of a coordinated plan to dispose of a business part or a geographic part of its operation
- It is a subsidiary acquired exclusively with selling proposes.

The discontinued operations excludes the continuing operations results and they are presented separately in the profit and loss statement after taxes in a line denominated “Discontinued operations”

Regarding Philippines disposal additional disclosure is provided in Note 5. All of the financial statements includes amounts for discontinued operations unless it is indicated explicitly otherwise.

3.11 Other current assets

Other current assets, which will be realized within a period of less than one year from the reporting date, are comprised of prepaid assets, product promotion and agreements with customers.

Prepaid assets principally consist of advances to suppliers of raw materials, advertising, promotional, leasing and insurance costs, and are recognized as other current assets at the time of the cash disbursement, and are unrecognized in the consolidated statement of financial position and recognized in the appropriate consolidated income statement caption when the risks and rewards of the related goods have been transferred to the Company or services have been received, respectively.

The Company has prepaid advertising costs which consist of television and radio advertising airtime paid in advance. These expenses are generally amortized over the period based on the transmission of the television and radio spots. The related production costs are recognized in consolidated income statement as incurred.

The Company has agreements with customers for the right to sell and promote the Company's products over a certain period. The majority of these agreements have terms of more than one year, and the related costs are amortized using the straight-line method over the term of the contract. During the years ended December 31, 2019, 2018 and 2017, such amortization aggregated to Ps. 273, Ps. 277 and Ps. 759, respectively.

3.12 Investments in other entities

3.12.1 Investments in associates

Associates are those entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value.

Investments in associates are accounted for using the equity method and initially recognized at cost, which comprises the investment's purchase price and any directly attributable expenditure necessary to acquire it. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. The financial statements of the associates are prepared for the same reporting period as the Company.

When the Company's share of losses exceeds the carrying amount of the associate, including any advances, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has a legal or constructive obligation or has made payments on behalf of the associate.

Goodwill identified at the acquisition date is presented as part of the investment in shares of the associate in the consolidated statement of financial position. Any goodwill arising on the acquisition of the Company's interest in an associate is measured in accordance with the Company's accounting policy for goodwill arising in a business combination, see Note 3.2.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on its investment in its associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the share of the profit or loss of associates accounted for using the equity method in the consolidated statements of income.

3.12.2 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Company classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Company's rights to the assets and obligations for the liabilities of the arrangements.

Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Company recognizes its interest in the joint ventures as an investment and accounts for that investment using the equity method.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. As of December 31, 2019 and 2018 the Company does not have an interest in joint operations.

Upon loss of joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value.

3.12.3 Investment in Venezuela

As disclosed in Note 3.3, on December 31, 2017 the Company changed the method of accounting for its investment in Venezuela from consolidation to fair value method through OCI using a Level 3 concept and recognized as of December 31, 2019, 2018 and 2017 a fair value loss on the investment Ps. 216, Ps. 1,039 and Ps. 210 respectively. Gains and losses on the investment since January 1, 2018 are recognized in OCI.

3.13 Property, plant and equipment

Property, plant and equipment are initially recorded at their cost of acquisition and/or construction and are presented net of accumulated depreciation and accumulated impairment losses if any. The borrowing costs related to the acquisition or construction of qualifying asset is capitalized as part of the cost of that asset.

Major maintenance costs are capitalized as part of total acquisition cost. Routine maintenance and repair costs are expensed as incurred.

Construction in progress consist of long-lived assets not yet in service, in other words, that are not yet ready for the purpose that they were bought, built or developed. The Company expects to complete those investments during the following 12 months.

Depreciation is computed using the straight-line method over acquisition cost. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted and depreciated for as separate items (major components) of property, plant and equipment. The Company estimates depreciation rates, considering the estimated useful lives of the assets.

The estimated useful lives of the Company's principal assets are as follows:

	Years
Buildings	40 – 50
Machinery and equipment	10 – 20
Distribution equipment	7 – 15
Refrigeration equipment	5 – 7
Returnable bottles	1.5 – 3
Other equipment	3 – 10

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds (if any) and the carrying amount of the asset and is recognized in consolidated income statement.

Returnable and non-returnable bottles:

The Company has two types of bottles: returnable and non-returnable.

- Non-returnable: Are recorded in consolidated income statement at the time of the sale of the product.
- Returnable: Are classified as long-lived assets as a component of property, plant and equipment. Returnable bottles are recorded at acquisition cost and for countries with hyperinflationary economies, restated according to IAS 29. Depreciation of returnable bottles is computed using the straight-line method considering their estimated useful lives.

There are two types of returnable bottles:

- Those that are in the Company's control within its facilities, plants and distribution centers; and
- Those that have been placed in the hands of customers and still belong to the Company.

Returnable bottles that have been placed in the hands of customers are subject to an agreement with a retailer pursuant to which the Company retains ownership. These bottles are monitored by sales personnel during periodic visits to retailers and the Company has the right to charge any breakage identified to the retailer. Bottles that are not subject to such agreements are expensed when placed in the hands of retailers.

The Company's returnable bottles are depreciated according to their estimated useful lives (3 years for glass bottles and 1.5 years for PET bottles). Deposits received from customers are amortized over the same useful estimated lives of the bottles.

3.14 Borrowing costs

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

- interest expense; and
- exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

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

All other borrowing costs are recognized in consolidated income statement in the period in which they are incurred.

3.15 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance and represent payments whose benefits will be received in future years. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition (see Note 3.2). Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite, in accordance with the period over which the Company expects to receive the benefits.

Intangible assets with finite useful lives are amortized and mainly consist of information technology and management system costs incurred during the development stage which are currently in use. Such amounts are capitalized and then amortized using the straight-line method over their expected useful lives. Expenditures that do not fulfill the requirements for capitalization are expensed as incurred.

Amortized intangible assets, such as finite lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable through its expected future cash flows.

Intangible assets with an indefinite life are not amortized and are subject to impairment tests on an annual basis as well as whenever certain circumstances indicate that the carrying amount of those intangible assets exceeds their recoverable value.

The Company’s intangible assets with an indefinite life mainly consist of rights to produce and distribute Coca-Cola trademark products in the Company’s territories. These rights are contained in agreements that are standard contracts that The Coca-Cola Company has with its bottlers.

As of December 31, 2019, the Company had four bottler agreements in Mexico: (i) the agreements for the Valley of Mexico territory, which is up for renewal in June 2023, (ii) the agreement for the Southeast territory, which is up for renewal in June 2023, (iii) the agreement for the Bajio territory, which is up for renewal in May 2025 and (iv) the agreement for the Golfo territory, which is up for renewal in May 2025. As of December 31, 2019, the Company had two bottler agreements in Brazil which are up for renewal in October 2027; As of December 31, 2019, the Company had three bottler agreements in Guatemala, which are up for renewal in March 2025 and April 2028 (two contracts).

In addition The Company had one bottler agreement in each country which are up for renewal as follows; Argentina, which is up for renewal in September 2024; Colombia, which is up for renewal in June 2024; Panama, which is up for renewal in November 2024; Costa Rica, which is up for renewal in September 2027; Nicaragua, which is up for renewal in May 2026, and Uruguay, which is up for renewal in June 2028.

As of December 31, 2019, our investee KOF Venezuela had one bottler agreement, which is up for renewal in August 2026.

The bottler agreements are automatically renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew a specific agreement. In addition, these agreements generally may be terminated in the case of material breach. Termination would prevent the Company from selling Coca-Cola trademark beverages in the affected territory and would have an adverse effect on the Company´s business, financial conditions, results from operations and prospects.

3.16 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.17 Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest CGUs for which a reasonable and consistent allocation basis can be identified.

For goodwill and other indefinite lived intangible assets, the Company tests for impairment on an annual basis and whenever certain circumstances indicate that the carrying amount of the related CGU might exceed its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted, as discussed in Note 2.3.1.1.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated net income.

Where the conditions leading to an impairment loss no longer exist, it is subsequently reversed, that is the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in consolidated net income. Impairment losses related to goodwill are not reversible. For the year ended December 31, 2019 and 2018 there was no impairment recognized.

For the year ended December, 31 2017 the Company recognized an impairment loss in long-lived assets used in the operation in Venezuela relating to property, plant and equipment for Ps.1,098 and distribution rights for Ps.745. See Note 12 and 13, respectively.

3.18 Leases

In accordance with IFRS 16, the Company evaluates whether a contract is, or contains a lease when the contract transfers the right to control an identified asset during a period in exchange for a consideration.
The Company evaluates whether a contract is a lease agreement when:

- The contract involves the use of an identified asset - this can be specified explicitly or implicitly, and must be physically different or represent substantially the entire capacity of a physically different asset. If the lessor has substantive substitution rights, the asset is not identified;
- The Company has the right to receive substantially all the economic benefits of the use of the asset throughout the period of use;
- The Company has the right to direct the use of the asset when it has the right to make the most relevant decisions about how, and what is the purpose of the asset. When the use of the asset is predetermined, the Company has the right to direct the use of the asset if: i) it has the right to operate the asset; or ii) the default asset design determine for what purpose it will be use.

As a tenant

Initial measurement

On the start date of the lease, the Company recognizes a right-of-use-asset and a leasing liability. The right-of-use asset is initially measured at cost, which includes the initial amount of the lease liability adjusted for any lease payment made during or before the initial application date. The right-of-use asset considers the incurred initial direct costs and an estimate of the costs to dismantle and eliminate the underlying asset, or to restore the underlying asset or the place where it is located, less any lease incentive received.

The lease liability is initially measured at the present value of future lease payments for the period remaining at the date of initial application. Such payments are discounted using the incremental borrowing rate of the Company, which is considered as the rate that the Company would have to pay for a similar period financing, and with a similar guarantee, to obtain an asset of similar value to the leased asset. For the Company, the discount rate used to measure the right-of-use asset and the lease liability is the rate related to the Company’s financing cost.

Lease payments included in the measurement of the lease liability include the following:

- Fixed payments, including payments that are substantially fixed;
- Variable lease payments that depends of an index or a rate, initially measured using the index or the rate as of the lease beginning date;
- The price related to a purchase option that the Company has reasonable exercising certainty, an option to extend the contractual agreement and penalties for early termination of the lease agreement, unless the Company has reasonable certainty of not exercising those options.
- Amounts payable for residual value guarantees;
- Payments for early cancellation, if this option is contemplated due to the lease conditions.

The Company does not recognize a right-of-use asset and lease liability for those short-term agreements with a contractual period of 12 months or less and leases of low-value assets, mainly information technology equipment used by employees, such as laptops and desktops, handheld devices and printers. The Company recognizes the lease payments associated with these agreements as an expense in the consolidated statement of income as they are incurred.

Subsequent Measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically adjusted for impairment losses, if any, and adjusted for some lease liability remedies.

Lease liabilities are subsequently measured at amortized cost using the effective interest rate method. The Company re-measures the lease liability without modifying the incremental discount rate when there is a modification in future lease payments under a residual value guarantee or if the modification arises from a change in the index or rate when they are variable payments. The lease liability is measured again using a new incremental discount rate at the date of modification when:

- An option to extend or terminate the agreement is exercised by modifying the non-cancelable period of the contract;
- The Company changes its assessment of whether it will exercise a purchase option.

When the lease liability is measured again, an adjustment is made corresponding to the carrying amount of the asset by right of use, or is recorded in profit or loss if the carrying amount of the asset by right of use has been reduced to zero.
A modification to the lease agreement is accounted for as a separate agreement if the following two conditions are met:

i) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and

ii) The consideration of the lease is increased by an amount proportional to the independent price of the increase in scope and by any adjustment to that independent price to reflect the contract circumstances.

In the consolidated statements of income and comprehensive income, the interest expense of the lease liability is presented as a component of the financial expense, unless they are directly attributable to qualified assets, in which case they are capitalized according to the Company financing cost accounting policy. The right-of-use assets are measured according to the cost model, depreciated during the lease term in a straight line and recognized in the consolidated statement of income.

Improvements in leased properties are recognized as part of property, plant and equipment in the consolidated statement of financial position and amortized using the straight-line method, for the shortest period between the useful life of the asset and the term of the related lease.

As property owner.

The Company as lessor determines at the beginning of the lease, if each agreement is classified as an operating or financial lease.

Leases are classified as financial leases when under the terms of the lease agreement substantially all the risks and rewards of the underlying asset have been transferred, otherwise, lease agreements are classified as operating leases. The Company considers some of the following indicators, among others; to analyze whether substantially all the inherent risks and benefits are transferred:

- If the lease is for most of the useful life of the asset;
- If the minimum future lease payments are compared with the underlying asset fair value.

The Company recognizes payments for operating leases received as income in a straight line during the term of the lease within the consolidated statements of income, except when another systematic basis best represents the time pattern in which the economic benefits of the leased asset are transferred.

The Company initially recognizes an equal amount to the lease net investment, which is the present value of future lease payments plus any residual value guarantee; and the portion is included between the circulating portion of collections with a maturity of less than or equal to a 12-month term and non-current collections, that is, with a maturity of more than 12 months; including:

(i) fixed payments including those lease that in substance are fixed, which may involve variability, but essentially unavoidable, less any lease incentive to be collected;

(ii) payments for variable rent that depend on an index or a rate as of the start date of the lease;

(iii) amounts payable by the lessee for residual value guarantees (if applicable);

(iv) the price related to a purchase option if the lessee is reasonably sure to exercise it (if applicable); and

(v) Payments for penalties arising from the termination of the lease, if the term of the lease reflects that the lessee will exercise an option to terminate the lease.

Intercompany transactions related to transactions among lessors and lessees within the Group are eliminated in the Company consolidation process.

3.19 Financial liabilities and equity instruments

3.19.1 Classification as debt or equity

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

3.19.2 Equity instruments

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

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

3.19.3 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at amortized cost, except for derivatives instruments designated as hedging instruments in an effective hedge, financial liabilities arising from transfer of a financial asset that does not qualify for de-recognition, financial guarantee contracts and contingent consideration obligation in a business combination, as appropriate, which are recognized at FVTPL. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value less, in the case of loans and borrowings, directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments, see Note 3.7.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

3.19.4 Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest method. The effective interest method amortization is included in interest expense in the consolidated statements of income.

De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

3.20 Provisions

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

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

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

The Company recognizes a provision for a loss contingency when it is probable (i.e. the probability that the event will occur is greater than the probability that it will not) that certain effects related to past events, would materialize and can be reasonably quantified. These events and their financial impact are also disclosed as loss contingencies in the consolidated financial statements when the risk of loss is deemed to be other than remote. The Company does not recognize an asset for a gain contingency until the gain is realized, see Note 26.

Restructuring provisions are recognized only when the recognition criteria for provisions are fulfilled. The Company has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected must have been notified of the plans main features.

3.21 Post-employment and other non-current employee benefits

Post-employment and other non-current employee benefits, which are considered to be monetary items, include obligations for pension and post-employment plans and seniority premiums, all based on actuarial calculations, using the projected unit credit method.

In Mexico, the economic benefits and retirement pensions are granted to employees with 10 years of service and minimum age of 60. In accordance with Mexican Labor Law, the Company provides seniority premium benefits to its employees under certain circumstances. These benefits consist of a one-time payment equivalent to 12 days wages for each year of service (at the employee’s most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit.

For defined benefit retirement plans and other non-current employee benefits, such as the Company’s sponsored pension and retirement plans and seniority premiums, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. All re-measurements effects of the Company’s defined benefit obligation such as actuarial gains and losses and return on plan assets minus the discount rate are recognized directly in other comprehensive income (“OCI”). The Company presents service costs within cost of goods sold, administrative and selling expenses in the consolidated statements of income. The Company presents net interest cost within interest expense in the consolidated statements of income. The projected benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation as of the end of each reporting period. Certain subsidiaries of the Company have established plan assets for the payment of pension benefits and seniority premiums through irrevocable trusts of which the employees are named as beneficiaries, which serve to decrease the funded status of such plans’ related obligations.

Costs related to compensated absences, such as vacations and vacation premiums, are recognized on an accrual basis.

The Company recognizes a liability and expense for termination benefits at the earlier of the following dates:

a. When it can no longer withdraw the offer of those benefits; and

b. When it recognizes costs for a restructuring that is within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and involves the payment of termination benefits.

The Company is demonstrably committed to a termination when, and only when, the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

A settlement occurs when the Company enters into a transaction that eliminates all further legal of constructive obligations or part or all of the benefits provided under a defined benefit plan. A curtailment arises from an isolated event such as closing of a plant, discontinuance of an operation or termination or suspension of a plan. Gains or losses on the settlement or curtailment of a defined benefit plan are recognized when the settlement or curtailment occurs.

3.22 Revenue recognition

The Company recognizes revenue when it has transferred to the client control over the good sold or the service rendered. Control refers to the ability of the client to direct and obtain substantially all the transferred product's benefits. Also, it implies that the customer has the ability to prevent a third-party from directing the use and obtaining substantially all the benefits of the transferred product. Coca-Cola FEMSA's management applies the following considerations to analyze the moment in which the control of the good sold or the service is transferred to the client

- Identify the contract (written, spoken or according to the conventional business practices)
- Evaluate the goods and services engaged in the client's contract and identify the related performance obligations.
- Consider the contract terms and the commonly accepted practices in the business to determine the transaction price. The transaction price is the consideration that the Company expects to be entitled for transferring the goods and services engaged with the client, excluding the collected amount for third parties, such as taxes directly related to the sales. The consideration engaged in a customer's contract may include fixed amount, variable amounts or both of them.
- Allocate the transaction price to each performance obligation (to each good or service that is different) for an amount that represents the part of the benefit that the Company expects to receive in exchange for the right of transferring the goods or services engaged with the client.
- Recognize revenue when (or while) it satisfied the performance obligation through the transfer of the goods or services engaged.

All of the conditions mentioned above are accomplished normally when the goods are delivered and services are provided to the customer and this moment is considered a point in time. The net sales reflect the units delivered at list price, net of promotions and discounts.

The Company generates revenues for the following principal activities:

Sale of goods.

It includes the sales of goods by all the subsidiaries of the Company, mainly the sale of beverages of the leading brand of Coca-Cola in which the revenue is recognized in the point of time those products were sold to the customers.

Rendering of services.

It includes the revenues of distribution services that the Company recognizes as revenues as the related performance obligation is satisfied. The Company recognizes revenues for rendering of services during the time period in which the performance obligation is satisfied according with the following conditions:

- The customer receives and consume simultaneously the benefits, as the Company satisfies the performance obligation;
- The customer controls related assets, even if the Company improve them;
- The revenues can be measured reliably; and
- The Company has the right to payment for the performance completed to date.

Sources of Revenue	For the year ended December 31, 2019	For the year ended December 31, 2018	For the year ended December 31, 2017
Sale of products	**Ps. 192,342**	Ps. 181,823	Ps. 182,850
Services rendered	**385**	330	262
Other operating revenues	**1,744**[(1)]	189	144
Revenue from contracts with customers	**Ps. 194,471**	Ps. 182,342	Ps. 183,256

(1) Related tax effect in Brazil associated to sales taxes paid in excess in prior years (PIS/COFINS) – See Note 25.2.1.

Variable allowances granted to customers

The Company adjusts the transaction price based on the estimations of the promotions, discounts or any other variable allowances that may be grantable to the customers. These estimations are based on the commercial agreements celebrated with the customers and in the historical performance predicted for the customer.

Contracts costs.

The incremental costs for obtaining a customer contracts are recognized as an asset if the Company expects to recover the costs associated to them. The incremental costs are those in which you incur to obtain a contract and that wouldn't be generated if the contract hadn't been obtained. The Company recognizes these costs as an expense in the profit and loss statement when the associated income is realized in a period equal or less than one year. The recognized assets, as previously indicated, is amortized in a systematic way as goods and services are transferred to the client in such way that the asset will be recognized in the profit and loss statement through its amortization in the same period that revenue is accountably recognized.

3.23 Administrative and selling expenses

Administrative expenses include labor costs (salaries and other benefits, including employee profit sharing "PTU" of employees not directly involved in the sale of the Company's products, as well as professional service fees, the depreciation of office facilities, amortization of capitalized information technology system implementation costs and any other similar costs.

Selling expenses include:

- Distribution: labor costs (salaries and other related benefits), outbound freight costs, warehousing costs of finished products, depreciation of returnable bottles in the distribution process, depreciation and maintenance of trucks and other distribution facilities and equipment. For the years ended December 31, 2019, 2018 and 2017, these distribution costs amounted to Ps. 25,068, Ps. 23,421 and Ps. 25,041, respectively;
- Sales: labor costs (salaries and other benefits including PTU) and sales commissions paid to sales personnel;
- Marketing: promotional expenses and advertising costs.

PTU is paid by the Company's Mexican subsidiaries to its eligible employees. In Mexico, employee profit sharing is computed at the rate of 10% of the individual company taxable income. PTU in Mexico is calculated from the same taxable income for income tax, except for the following: a) neither tax losses from prior years nor the PTU paid during the year are being decreased; and b) payments exempt from taxes for the employees are fully deductible in the PTU computation.

3.24 Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. Income taxes are charged to consolidated income statements as they are incurred, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

3.24.1 Current income taxes

Current income taxes are recorded in the results of the year they are incurred.

3.24.2 Deferred income taxes

Deferred tax are recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, including tax loss carryforwards and certain tax credits, to the extent that it is probable that future taxable profits, reversal of existing taxable temporary differences will be available against which those deductible temporary differences can be utilized after considering future tax planning strategies. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In the case of Brazil, where certain goodwill amounts are at times deductible for tax purposes, the Company recognizes in connection with the acquisition accounting a deferred tax asset for the tax effect of the excess of the tax basis over the related carrying value.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit and reversal of existing taxable temporary differences will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits and reversal of existing taxable temporary differences will allow the deferred tax asset to be recovered.

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

Deferred income taxes are classified as a non-current asset or liability, regardless of when the temporary differences are expected to reverse.

Deferred tax relating to items recognized in the other comprehensive income is recognized in correlation to the underlying transaction in OCI.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

In Mexico, the income tax rate is 30% for 2019, 2018 and 2017. As a result of the Mexican Tax Reform mentioned in note 25.3, for the year 2020 the country will continue with a tax rate of 30%.

3.25 Share-based payments transactions

Senior executives of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments. The equity instruments are granted and then held by a trust controlled by FEMSA. They are accounted for as equity settled transactions. The award of equity instruments is granted for a fixed monetary value.

Share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the share-based payments is expensed and recognized based on the graded vesting method over the vesting period.

3.26 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its shares. As described in Note 24, the Company has potentially dilutive shares and therefore presents its basic and diluted earnings per share. Basic EPS is calculated by dividing the net income attributable to controlling interest by the weighted average number of shares outstanding during the period adjusted for the weighted average of own shares purchased in the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. Earnings per shares for all periods are adjusted to give effect to capitalizations, bonus issues, share splits or reverse share splits that occur during any of periods presented and subsequent to the latest balance sheet date until the issuance date of the financial statements.

3.27 Issuance of common shares

The Company recognizes the issuance of own common shares as an equity transaction. The difference between the book value of the shares issued and the amount contributed by the non-controlling interest holder or third party is recorded as additional paid-in capital.

Note 4. Mergers and Acquisitions

4.1 Mergers and Acquisitions

The Company has consummated certain business mergers and acquisitions during 2018 and 2017 that were recorded using the acquisition method of accounting. The results of the acquired operations have been included in the consolidated financial statements since the date on which the Company obtained control of the respective business, as disclosed below. Therefore, the consolidated statements of income and the consolidated statements of financial position in the year of such acquisitions are not comparable with previous periods. The consolidated statements of cash flows for the years ended December 31, 2019, 2018 and 2017 show the consideration paid for the merged and acquired operations net of the cash acquired in those mergers and acquisitions.

While all of the acquired companies disclosed below are bottlers of Coca-Cola trademarked beverages, such acquired entities were not under common ownership or control prior to the acquisition.

4.1.1 Other acquisitions

The Company finalized the allocation of the purchase price to the fair values of the identifiable assets acquired and liabilities assumed for acquisitions completed during the prior year, with no significant variations to the preliminary allocation to the fair value of the net assets acquired, which were included in its audited annual consolidated financial statements as at and for the year ended December 31, 2018, primarily related to the following: (1) Acquisition of 100% of the Alimentos y Bebidas del Atlántico, S.A. ("ABASA") in Guatemala, included in the Company results since May, 2018; (2) Acquisition of 100% of Comercializadora y Distribuidora Los Volcanes, S.A. ("Los Volcanes") in Guatemala included in the Company' consolidated results beginning on May, 2018; and (3) Acquisition of 100% of Montevideo Refrescos, S.R.L. ("MONRESA") in Uruguay which is included in the consolidated financial results beginning on July 2018.

The allocation of the consideration paid to the fair value of net assets acquired is as follows.

Total current assets, including cash acquired of Ps. 860	**Ps. 1,864**
Total other non current assets	**4,031**
Distribution rights	**1,715**
Total assets	**7,610**
Total liabilities	**(3,961)**
Net assets acquired	**3,649**
Goodwill	**2,903**
Total consideration transferred	**6,552**
Cash acquired	**(860)**
Net cash paid	**Ps. 5,692**

(1) As of result of the purchase price allocation, which was finalized in 2019, additional fair value adjustments from those recognized in 2018 have been recognized as follow: decreases in total noncurrent assets of Ps.236 distribution rights of Ps. 2,887 and increase in goodwill of Ps. 2,903.

The Company expects to recover the goodwill amount through the synergies related to the available production capacity.

The information for the profit and loss statements of these acquisitions for the period between the acquisition date and December 31, 2018 is as follows:

Profit and loss statements	**2018**
Total revenue	**Ps. 4,628**
Income before taxes	**496**
Net income	**413**

Unaudited Pro Forma Financial Data.

The following unaudited 2018 consolidated pro forma financial data represent the Company's historical financial statements, adjusted to give effect to other acquisitions in the period, as if the acquisition had occurred on January 1, 2018; and certain accounting adjustments mainly related to the pro forma depreciation of fixed assets of the acquired group of companies.

	Unaudited Pro Forma Financial Information for the year ended December 31, 2018
Total revenues	Ps. 185,737
Income before taxes	17,763
Net income	15,500

Note 5. Discontinued operations

On August 16, 2018, Coca- Cola FEMSA announced its decision to exercise the Put Option to sell its 51% of the Coca- Cola FEMSA Philippines, Inc. (CCFPI) to The Coca- Cola Company. Such decision was approved by the Company's board on August 6, 2018. Consequently, beginning August 31, 2018, CCFPI had been classified as an asset held for sale and its operations as a discontinued operation in the financial statements for December 31, 2017 and 2018. Previously CCFPI represented the Asia division and was considered an independent segment until December 31, 2017. Since its designation as discontinued operation, the Asia segment is no longer a separate segment in Note 27. The sale was completed on December 13, 2018, with the following results.

a) **Discontinued operations results.**

A summary of the discontinued operation results for the years ended December 31, 2018 and 2017 is shown below:

	2018	2017
Total revenues	Ps. 24,167	Ps. 20,524
Cost of goods sold	17,360	12,346
Gross profit	6,807	8,178
Operating expenses	5,750	6,865
Other expenses, net	7	134
Financial income, net	(185)	(64)
Foreignexchange gain, net	(73)	(22)
Income before taxes from discontinued operations	1,308	1,265
Income taxes	466	370
Net income from discontinued operations	Ps. 842	Ps. 895
Less- amount attributable to non-controlling interest	391	469
Net income from operations attributable to equity holders of the parent.	451	426
Accumulated currency translation effect	(811)	2,830
Gain on sale of subsidiary	3,335	—
Net income attributable to the equity holders of the parent from discontinued operations	Ps. 2,975	Ps. 3,256

(1) Cash and cash equivalent balances of Philippines operations on the date of sale were Ps. 6,898.

Note 6. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash item includes cash on hand and in banks and cash equivalents, which are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, with a maturity date of three months or less at their acquisition date. Cash and cash equivalents at the end of the reporting period consist of the following:

	2019	2018
Cash and bank balances	**Ps. 4,641**	Ps. 7,778
Cash equivalents (see Note 3.5)	**15,850**	15,949
	Ps. 20,491	Ps. 23,727

Note 7. Trade Receivable, Net

	2019	2018
Trade receivables	**Ps. 11,277**	Ps. 11,726
The Coca-Cola Company (related party) (Note 15)	**802**	1,173
Loans to employees	**56**	77
FEMSA and subsidiaries (related parties) (Note 15)	**2,039**	783
Other related parties (Note 15)	**614**	575
Other	**1,181**	1,108
Allowance for expected credit losses	**(493)**	(595)
	Ps. 15,476	Ps. 14,847

7.1 Trade receivables

Trade receivable representing rights arising from sales and loans to employees or any other similar concept, are presented net of discounts and the allowance for expected credit losses.

Coca-Cola FEMSA has accounts receivable from The Coca-Cola Company primarily arising from the latter's participation in advertising and promotional programs.

Because less than the **2.3%** of the trade receivables is unrecoverable, the Company does not have any customers classified as "high risk" which would be eligible to have special management conditions for the credit risk. As of December 31, 2019, the Company does not have a representative group of customers directly related to the expected loss.

The allowance for credit losses is calculated with an expected losses model that recognizes the impairment losses through all the contract life. For this particular event, because they generally are short-term accounts receivable, the company defined a model with a simplified expected loss focus through a parametric model. The parameters used in the model are:

- Breach probability;
- Losses severity;
- Financing rate;
- Special recovery rate; and
- Breach exposure.

The carrying value of accounts receivable approximates its fair value as of December 31, 2019 and 2018.

Aging for trade receivables past due but not impaired	**2019**	**2018**
0 days	**Ps. 12,630**	Ps.12,578
1-30 days	**1,448**	1,045
31-60 days	**672**	193
61-90 days	**153**	310
91-120 days	**90**	17
121 + days	**483**	704
Total	**Ps. 15,476**	Ps.14,847

7.2 Changes in the allowance for expected credit losses

	2019	2018	2017
Balance at the beginning of the year	**Ps. 595**	Ps.468	Ps.451
Effect of adoption of IFRS 9	**—**	87	—
Allowance for the year	**314**	153	40
Charges and write-offs of uncollectible accounts	**(397)**	23	(62)
Added in business combinations	**4**	1	86
Effects of changes in foreign exchange rates	**(23)**	(55)	(45)
Effect of Venezuela (See Note 3.3)	**—**	—	(2)
Effect of Philippines (Note 5)	**—**	(82)	—
Balance at the end of the year	**Ps. 493**	Ps.595	Ps.468

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

7.3 Payments from The Coca-Cola Company:

The Coca-Cola Company participates in certain advertising and promotional programs as well as in the Company's refrigeration equipment and returnable bottles investment program. Contributions received by the Company for advertising and promotional incentives are recognized as a reduction in selling expenses and contributions received for the refrigeration equipment and returnable bottles investment program are recorded as a reduction in the carrying amount of refrigeration equipment and returnable bottles items. For the years ended December 31, 2019 2018 and 2017 contributions due were Ps. 2,274, Ps. 3,542, and Ps. 4,023, respectively.

Note 8. Inventories

	2019	2018
Finished products	**Ps. 3,996**	Ps. 3,956
Raw materials	**3,657**	3,074
Non-strategic spare parts	**1,006**	1,155
Inventories in transit	**1,340**	1,311
Packing materials	**240**	239
Other	**299**	316
	Ps. 10,538	Ps.10,051

For the years ended as of December 31, 2019, 2018 and 2017, the Company recognized write-downs of its inventories for Ps. 244, Ps. 122 and Ps. 185, respectively to net realizable value.

For the years ended as of December 31, 2019, 2018 and 2017, changes in inventories are comprised as follows and included in the consolidated income statement under the cost of goods sold caption:

	2019	2018	2017
Changes in inventories of finished goods and work in progress	**Ps. 24,676**	Ps. 21,457	Ps. 21,412
Raw materials and consumables used	**79,520**	75,078	80,318
Total	**Ps. 104,196**	Ps. 96,535	Ps.101,730

Note 9. Other Current Assets and Other Current Financial Assets

9.1 Other Current Assets:

	2019	2018
Prepaid expenses	**Ps. 1,354**	Ps.1,876
Agreements with customers	**294**	146
	Ps. 1,648	Ps.2,022

Prepaid expenses as of December 31, 2019 and 2018 are as follows:

	2019	2018
Advances for inventories	**Ps. 1,240**	Ps.1,311
Advertising and promotional expenses paid in advance	**89**	509
Advances to service suppliers	—	1
Prepaid insurance	**25**	24
Others	—	31
	Ps. 1,354	Ps.1,876

Advertising and promotional expenses was recorded in the consolidated income statements for the years ended December 31, 2019, 2018 and 2017 amounted to Ps. 6,748, Ps. 5,813 and Ps. 4,504 respectively.

9.2 Other Current Financial Assets:

	2019	2018
Restricted cash	**Ps. 89**	Ps. 98
Derivative financial instruments (See Note 21)	**987**	707
	Ps. 1,076	Ps.805

As of December 31, 2019 and 2018, restricted cash were in the following currencies:

	2019	2018
Brazilian reais	**Ps. 89**	Ps.98
Total restricted cash	**Ps. 89**	Ps.98

Restricted cash in Brazil relates to short term deposits in order to fulfill the collateral requirements for accounts payable.

Note 10. Investments in Other Entities

As of December 31, 2019 and 2018 the investment in other entities is comprised of the following:

	2019	2018
Investment in Associates and Joint Ventures	**Ps. 9,751**	Ps.10,518

Effective December 31, 2017, the Company determined that deteriorating conditions in Venezuela had led the Company no longer control and to continue consolidating its Venezuelan operation, the impacts of such deconsolidation are discussed on Note 3.3 above.

As disclosed in Note 3.3, on December 31, 2017 the Company changed the method of accounting for its investment in Venezuela from consolidation to the fair value method using a Level 3 concept and recognized a fair value loss on its investment of Ps. 216 and Ps.1,039 during 2019 and 2018 in OCI.

Details of the investment in associates and joint ventures accounted for under the equity method at the end of the reporting period as follows:

Investee	Principal Activity	Place of Incorporation	Ownership Percentage 2019	Ownership Percentage 2018	Carrying Amount 2019	Carrying Amount 2018
Joint ventures:						
Compañía Panameña de Bebidas, S.A.P.I. de C.V.	Beverages	Mexico	**50.0%**	50.0%	**Ps. 486**	Ps. 1,550
Dispensadoras de Café, S.A.P.I. de C.V.	Services	Mexico	**50.0%**	50.0%	**172**	162
Fountain Agua Mineral, LTDA	Beverages	Brazil	**50.0%**	50.0%	**851**	826
Associates:						
Promotora Industrial Azucarera, S.A. de C.V. (“PIASA”) (1)	Sugar production	Mexico	**36.4%**	36.4%	**3,274**	3,120
Jugos del Valle, S.A.P.I. de C.V. (1)	Beverages	Mexico	**28.8%**	26.3%	**1,929**	1,571
Leao Alimentos e Bebidas, LTDA (1)	Beverages	Brazil	**24.7%**	24.7%	**1,931**	2,084
Industria Envasadora de Querétaro, S.A. de C.V. (“IEQSA”) (1)	Canned bottling	Mexico	**26.5%**	26.5%	**194**	179
Industria Mexicana de Reciclaje, S.A. de C.V. (“IMER”) (1)	Recycling	Mexico	**35.0%**	35.0%	**121**	129
Others	Various	Various	**Various**	Various	**793**	897
					Ps. 9,751	Ps.10,518

Accounting method:

(1) The Company has significant influence due to the fact that it has power to participate in the financial and operating policy decisions of the investee.

During 2019 the Company received dividends from Promotora Mexicana de Embotelladores, S.A. de C.V. for the amount of Ps. 1. During 2018 the Company received dividends from Industria Envasadora de Querétaro, S.A. de C.V. (“IEQSA”) in the amount of Ps. 8.

During 2019 the Company made capital contributions to Jugos del Valle, S.A.P.I. de C.V. and Promotora Industrial Azucarera, S.A. de C.V. for the amounts of Ps. 204 and Ps. 111, respectively, there were no changes in the ownership percentage as a result of capital contributions made by the other shareholders. During 2018 the Company made capital contributions to Jugos del Valle, S.A.P.I. de C.V. and Promotora Industrial Azucarera, S.A. de C.V. for the amounts of Ps. 73 and Ps. 146, respectively, there were no changes in the ownership percentage as a result of capital contributions made by the other shareholders. During 2018 there was a spin-off for our investment in UBI 3 resulted in Ps. (333) capitalized.

As of December 31, 2019 and 2018, the Company recognize an impairment on its investment in Compañía Panameña de Bebidas, S.A.P.I. de C.V., for an amount of Ps. 948 and Ps. 432 million, respectively, which was included in other expenses line. The Company will continue to monitor the results of this investment in conjunction with its partner The Coca Cola Company, looking for alternatives to improve the business's profitability in the near future.

For the years ended December 31, 2019, 2018 and 2017 the equity earnings recognized for associates was Ps. 84, Ps. 44, and Ps. 235, respectively.

For the years ended December 31, 2019, 2018 and 2017 the equity (loss) earnings recognized for joint ventures was Ps. (215) , Ps. (270) and Ps. (175), respectively.

Note 11. Leases

For the year ended as of December 31, 2019, the change in the Company's right-of-use assets, is as follows:

	Ps. Total
As of January 1, 2019	1,797
Additions	215
Disposals	(36)
Depreciation	(555)
Hyperinflationary economies effect	20
Indexation effect	15
Effects of changes in foreign exchange rates	(74)
Right-of-use assets, net as of December 31, 2019	Ps.1,382

As of December 31, 2019, scheduled maturities of the Company's lease liabilities, are as follows:

	2019
Maturity analysis	
Less than one year	Ps. 483
One to three years	238
More than three years	662
Total lease liabilities as of December 31, 2019	Ps.1,383
Current	Ps. 483
Non-Current	Ps. 900

The interest expense for leases reported in the income statements for the period ended on December 31, 2019 was Ps. 129.

The expenses for the low value assets and short-term leases reported in the income statements for the period ended on December 31, 2019 was Ps. 187.

Rental expense charged to consolidated net income was Ps. 1,063 and Ps. 1,420 for the years ended December 31, 2018 and 2017, respectively.

Note 12. Property, plant & equipment.

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
Cost as of January 1, 2017	Ps. 5,822	Ps. 19,925	Ps. 41,213	Ps. 19,226	Ps. 15,943	Ps. 4,208	Ps. 645	Ps. 2,074	Ps. 109,056
Additions	110	775	275	758	3,202	5,762	11	176	11,069
Additions from business combinations	5,115	1,691	5,905	482	3,323	820	146	—	17,482
Transfer of completed projects	5	653	2,964	1,968	558	(6,174)	28	(2)	—
Disposals	(115)	(527)	(1,227)	(800)	(193)	—	(3)	(11)	(2,876)
Effects of changes in foreign exchange rates	(1,046)	(1,993)	(2,740)	(1,523)	(1,216)	(747)	(52)	(1,233)	(10,550)
Changes in value on the recognition of inflation effects	518	1,022	2,043	689	(2)	226	—	638	5,134
Capitalization of borrowing costs	—	—	13	—	—	—	—	—	13
Effects of Venezuela (Note 3.3)	(544)	(817)	(1,300)	(717)	(83)	(221)	—	(646)	(4,328)
Cost as of December 31, 2017	Ps. 9,865	Ps. 20,729	Ps. 47,146	Ps. 20,083	Ps. 21,532	Ps. 3,874	Ps. 775	Ps. 996	Ps. 125,000

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
Cost as of January 1, 2018	Ps. 9,865	Ps. 20,729	Ps. 47,146	Ps. 20,083	Ps. 21,532	Ps. 3,874	Ps. 775	Ps. 996	Ps. 125,000
Additions (1)	31	8	1,356	961	2,888	4,578	—	95	9,917
Additions from business combinations	25	451	1,500	537	393	145	2	41	3,094
Transfer of completed projects	504	304	1,160	1,711	3	(3,722)	20	20	—
Disposals	(50)	(71)	(555)	(615)	(312)	—	(1)	(8)	(1,612)
Disposal of Philippines	(4,654)	(2,371)	(11,621)	(2,415)	(10,116)	(489)	(236)	—	(31,902)
Effects of changes in foreign exchange rates	(388)	(1,089)	(3,072)	(765)	(251)	(321)	(81)	(292)	(6,259)
Changes in value on the recognition of inflation effects	242	814	2,551	466	612	66	—	9	4,760
Cost as of December 31, 2018	Ps. 5,575	Ps. 18,775	Ps. 38,465	Ps. 19,963	Ps. 14,749	Ps. 4,131	Ps. 479	Ps. 861	Ps. 102,998

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
Cost as of January 1, 2019	**Ps. 5,575**	**Ps. 18,775**	**Ps. 38,465**	**Ps. 19,963**	**Ps. 14,749**	**Ps. 4,131**	**Ps. 479**	**Ps. 861**	**Ps. 102,998**
Additions (1)	**4**	**27**	**392**	**816**	**2,581**	**6,392**	**—**	**112**	**10,324**
Additions from business combinations	**142**	**227**	**50**	**(13)**	**—**	**—**	**7**	**(8)**	**405**
Transfer of completed projects in progress	**(253)**	**508**	**2,650**	**1,396**	**360**	**(5,004)**	**343**	**—**	**—**
Disposals	**(1)**	**(35)**	**(1,577)**	**(1,032)**	**(1,056)**	**—**	**(13)**	**(35)**	**(3,749)**
Effects of changes in foreign exchange rates	**(323)**	**(1,122)**	**(2,315)**	**(961)**	**(833)**	**(381)**	**(34)**	**(130)**	**(6,099)**
Changes in value on the recognition of inflation effects	**114**	**366**	**1,254**	**241**	**352**	**18**	**—**	**—**	**2,345**
Cost as of December 31, 2019	**Ps. 5,258**	**Ps. 18,746**	**Ps. 38,919**	**Ps. 20,410**	**Ps. 16,153**	**Ps. 5,156**	**Ps. 782**	**Ps. 800**	**Ps. 106,224**

Accumulated Depreciation	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
Accumulated depreciation as of January 1, 2017	Ps.—	Ps.(4,335)	Ps. (17,918)	Ps.(10,157)	Ps. (10,264)	Ps. —	Ps. (235)	Ps. (859)	Ps.(43,768)
Depreciation for the year	—	(626)	(3,007)	(2,490)	(3,365)	—	(43)	(685)	(10,216)
Disposals	—	12	1,555	729	103	—	2	5	2,406
Effects of changes in foreign exchange rates	—	548	447	1,157	94	—	(54)	940	3,132
Changes in value on the recognition of inflation effects	—	(439)	(1,042)	(553)	(46)	—	—	(233)	(2,313)
Effect of Venezuela	—	481	1,186	626	56	—	—	335	2,684
Impairment Venezuela (Note 3.3)	—	(257)	(841)	—	—	—	—	—	(1,098)
Accumulated depreciation as of December 31, 2017	Ps.—	Ps.(4,616)	Ps. (19,620)	Ps.(10,688)	Ps. (13,422)	Ps. —	Ps. (330)	Ps. (497)	Ps.(49,173)

Accumulated Depreciation	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
Accumulated depreciation as of January 1, 2018	—	Ps.(4,616)	Ps. (19,620)	Ps.(10,688)	Ps. (13,422)	Ps. —	Ps. (330)	Ps. (497)	Ps.(49,173)
Depreciation for the year	—	(445)	(2,880)	(2,086)	(2,827)	—	(35)	(131)	(8,404)
Disposals	—	15	497	579	204	—	1	—	1,296
Philippines disposal	—	700	6,125	2,083	7,225	—	77	—	16,210
Effects of changes in foreign exchange rates	—	154	312	244	631	—	11	143	1,495
Changes in value on the recognition of inflation effects	—	(222)	(1,403)	(338)	(517)	—	—	—	(2,480)
Accumulated depreciation as of December 31, 2018	Ps.—	Ps.(4,414)	Ps. (16,969)	Ps.(10,206)	Ps. (8,706)	Ps. —	Ps. (276)	Ps. (485)	Ps.(41,056)

Accumulated Depreciation	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
Accumulated depreciation as of January 1, 2019	**—**	**Ps.(4,414)**	**Ps. (16,969)**	**Ps.(10,206)**	**Ps. (8,706)**	**Ps. —**	**Ps. (276)**	**Ps. (485)**	**Ps.(41,056)**

Depreciation for the year	—	(386)	(2,862)	(2,211)	(2,734)	—	(108)	(86)	(8,387)
Disposals	—	14	1,049	966	1,079	—	9	28	3,145
Effects of changes in foreign exchange rates	—	223	1,013	583	571	—	12	62	2,464
Changes in value on the recognition of inflation effects	—	(92)	(629)	(164)	(302)	—	(2)	(14)	(1,203)
Accumulated depreciation as of December 31, 2019	Ps.—	Ps.(4,655)	Ps. (18,398)	Ps.(11,032)	Ps. (10,092)	Ps. —	Ps. (365)	Ps. (495)	Ps.(45,037)

Carrying Amount	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
As of December31, 2017	Ps.9,865	Ps. 16,113	Ps. 27,526	Ps. 9,395	Ps. 8,110	Ps. 3,874	Ps. 445	Ps.499	Ps.75,827
As of December31, 2018	Ps.5,575	Ps. 14,361	Ps. 21,496	Ps. 9,757	Ps. 6,043	Ps. 4,131	Ps. 203	Ps.376	Ps.61,942
As of December31, 2019	**Ps.5,258**	**Ps. 14,091**	**Ps. 20,521**	**Ps. 9,378**	**Ps. 6,061**	**Ps. 5,156**	**Ps. 417**	**Ps.305**	**Ps.61,187**

During the year ended December 31, 2017 because the economic and operational conditions worsened in Venezuela, the Company has recognized impairment in the property plant and equipment for an amount of Ps 1,098, such charge has been recorded in other expenses line in the consolidated income statement

(1) Total includes Ps. 610 and Ps. 415 outstanding payment with suppliers, as of December 31, 2019 and 2018, respectively

Note 13. Intangible Assets

	Rights to Produce and Distribute Coca-Cola trademark Products	Goodwill	Other indefinite lived intangible assets	Technology costs and management systems	Development systems	Other amortizable	Total
Balance as of January 1, 2017	Ps. 85,338	Ps.33,582	Ps. 1,248	Ps. 4,579	Ps. 798	Ps. 475	Ps.126,020
Purchases	1,288	—	7	179	920	446	2,840
Acquisition from business combinations	9,066	(6,168)	—	6	—	64	2,968
Transfer of completed development systems	—	—	—	412	(412)	—	—
Disposals	—	—	—	—	—	—	—
Effect of movements in exchange rates	(2,318)	(1,186)	101	(86)	(15)	(52)	(3,556)
Changes in value on the recognition of inflation effects	(727)	—	—	—	—	175	(552)
Effect of Venezuela (Note 3.3)	—	—	—	—	—	(139)	(139)
Capitalization of borrowing cost	—	—	—	—	—	—	—
Cost as of December 31, 2017	Ps. 92,647	Ps.26,228	Ps. 1,356	Ps. 5,090	Ps. 1,291	Ps. 969	Ps.127,581
Balance as of January 1, 2018	Ps. 92,647	Ps.26,228	Ps. 1,356	Ps. 5,090	Ps. 1,291	Ps. 969	Ps.127,581
Purchases	—	—	50	226	371	28	675
Acquisition from business combinations	4,602	—	—	26	57	291	4,976
Systems Development	—	—	—	—	—	41	41
Transfer of completed development systems	—	—	—	904	(904)	—	—
Disposals	—	—	—	(5)	—	(93)	(98)
Philippines disposal (Note 5)	(3,882)	—	—	—	—	(596)	(4,478)

Effect of movements in exchange rates	(5, 005)	(2,499)	(352)	(218)	(38)	(31)	(8,143)
Changes in value on the recognition of inflation effects	—	—	—	—	—	57	57
Cost as of December 31, 2018	Ps. 88,362	Ps.23,729	Ps. 1,054	Ps. 6,023	Ps. 777	Ps. 666	Ps.120,611
Balance as of January 1, 2019	**Ps. 88,362**	**Ps.23,729**	**Ps. 1,054**	**Ps. 6,023**	**Ps. 777**	**Ps. 666**	**Ps.120,611**
Purchases	**—**	**—**	**—**	**100**	**334**	**263**	**697**
Acquisition from business combinations	**(2,887)**	**2,903**	**153**	**(6)**	**—**	**(185)**	**(22)**
Transfer of completed development systems	**—**	**—**	**—**	**398**	**(399)**	**1**	**—**
Disposals	**—**	**—**	**—**	**(17)**	**—**	**—**	**(17)**
Effect of movements in exchange rates	**(3,475)**	**(799)**	**(42)**	**(68)**	**(22)**	**13**	**(4,393)**
Changes in value on the recognition of inflation effects	**—**	**—**	**—**	**—**	**—**	**(6)**	**(6)**
Cost as of December 31, 2019	**Ps. 82,000**	**Ps.25,833**	**Ps. 1,165**	**Ps. 6,430**	**Ps. 690**	**Ps. 752**	**Ps.116,870**

	Rights to Produce and Distribute Coca-Cola trademark Products	Goodwill	Other indefinite lived intangible assets	Technology costs and management systems	Development systems	Other amortizable	Total
Accumulated amortization							
Balance as of January 1, 2017	—	—	—	(1,764)	—	(292)	(2,056)
Amortization expense	—	—	—	(605)	—	(42)	(647)
Effect of movements in exchange rate	—	—	—	46	—	184	230
Effect of Venezuela (Note 3.3)	—	—	—	—	—	(120)	(120)
Impairment of Venezuela	(745)	—	—	—	—	—	(745)
Balances as of December 31, 2017	Ps. (745)	Ps. —	Ps. —	Ps. (2,323)	Ps. —	Ps. (270)	Ps. (3,338)
Amortization expense	—	—	—	(797)	—	(201)	(998)
Disposals	—	—	—	5	—	93	98
Philippines disposal (Note 5)	—	—	—	—	—	375	375
Effect of movements in exchange rate	—	—	—	141	—	(33)	108
Changes in value on the recognition of inflation effects	—	—	—	(51)	—	(1)	(52)
Balance as of December 31, 2018	Ps. (745)	Ps. —	Ps. —	Ps. (3,025)	Ps. —	Ps. (37)	Ps. (3,807)
Amortization expense	**—**	**—**	**—**	**(819)**	**—**	**(243)**	**(1,062)**
Disposals	**—**	**—**	**—**	**17**	**—**	**—**	**17**
Effect of movements in exchange rate	**—**	**—**	**—**	**52**	**—**	**9**	**61**
Changes in value on the recognition of inflation effects	**—**	**—**	**—**	**(30)**	**—**	**1**	**(29)**
Balance as of December 31, 2019	**Ps. (745)**	**Ps. —**	**Ps. —**	**Ps. (3,805)**	**Ps. —**	**Ps. (270)**	**Ps. (4,820)**
Balance as of December 31, 2017	Ps. 91,902	Ps.26,228	Ps. 1,356	Ps. 2,767	Ps. 1,291	Ps. 699	Ps.124,243
Balance as of December 31, 2018	Ps. 87,617	Ps.23,729	Ps. 1,054	Ps. 2,998	Ps. 777	Ps. 629	Ps.116,804
Balance as of December 31, 2019	**Ps. 81,255**	**Ps.25,833**	**Ps. 1,165**	**Ps. 2,625**	**Ps. 690**	**Ps. 482**	**Ps.112,050**

The Company’s intangible assets such as technology costs and management systems are subject to amortization with a range in useful lives from 3 to 10 years.

For the year ended December 31, 2019, the amortization of intangible assets is recognized in cost of goods sold, selling expenses and administrative expenses and amounted to Ps. 26, Ps. 245 and Ps. 791, respectively.

For the year ended December 31, 2018, the amortization of intangible assets is recognized in cost of goods sold, selling expenses and administrative expenses and amounted to Ps. 32, Ps. 236 and Ps. 730, respectively.

On March 28, 2017 the Company acquired distribution rights and other intangibles of AdeS soy-based beverages in its territories in Mexico and Colombia for an aggregate amount of Ps. 1,664. This acquisition was made to reinforce the Company’s leadership position.

For the year ended December 31, 2017, the amortization of intangible assets is recognized in cost of goods sold, selling expenses and administrative expenses and amounted to Ps. 22, Ps. 83 and Ps. 544, respectively.

Impairment Tests for Cash-Generating Units Containing Goodwill and Distribution Rights

For the purpose of impairment testing, goodwill and distribution rights are allocated and monitored on an individual country basis, which is considered to be the CGU.

The aggregate carrying amounts of goodwill and distribution rights allocated to each CGU are as follows:

In millions of Ps.	2019	2018
Mexico	Ps. 56,352	Ps. 56,352
Guatemala	1,679	1,853
Nicaragua	420	460
Costa Rica	1,442	1,417
Panamá	1,131	1,182
Colombia	4,367	4,600
Brazil	38,765	42,153
Argentina	306	327
Uruguay	2,626	3,003
Total	Ps.107,088	Ps.111,347

Goodwill and distribution rights are tested for impairments annually. The recoverable amounts of the CGUs are based on value-in-use calculations. Value in use was determined by discounting the future cash flows generated from the continuing use of the CGU.

The foregoing forecasts could differ from the results obtained over time; however, the Company prepares its estimates based on the current situation of each of the CGUs.

The recoverable amounts are based on value in use. The value in use of CGUs is determined based on the method of discounted cash flows. The key assumptions used in projecting cash flows are: volume, expected annual long-term inflation, and the weighted average cost of capital ("WACC") used to discount the projected flows.

To determine the discount rate, the Company uses the WACC as determined for each of the cash generating units in real terms and as described in following paragraphs.

The estimated discount rates to perform, impairment test for each CGU consider market participants' assumptions. Market participants were selected considering the size, operations and characteristics of the business that are similar to those of the Company.

The discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the opportunity cost to a market participant, considering the specific circumstances of the Company and its operating segments and is derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by Company's investors. The cost of debt is based on the interest bearing borrowings the Company is obliged to service, which is equivalent to the cost of debt based on the conditions that a creditor would assess in the market. Segment-specific risk is incorporated by applying beta factors which are evaluated annually based on publicly available market data.

Market participant assumptions are important because, not only do they include industry data for growth rates, management also assesses how the CGU's position, relative to its competitors, might change over the forecasted period.

The key assumptions used for the value-in-use calculations are as follows:

- Cash flows were projected based on actual operating results and the five-year business plan. Cash flows for a further five-year were forecasted maintaining the same stable growth and margins per country of the last year base. The Company believes that this forecasted period is justified due to the non-current nature of the business and past experiences.
- Cash flows after the first ten-year period were extrapolated using a perpetual growth rate equal to the expected annual population growth, in order to calculate the terminal recoverable amount.
- A per CGU-specific Weighted Average Cost of Capital ("WACC") was applied as a hurdle rate to discount cash flows to get the recoverable amount of the units; the calculation assumes, size premium adjustment.

The key assumptions by CGU for impairment test as of December 31, 2019 were as follows:

CGU	Pre-tax WACC	Post –tax WACC	Expected Annual Long-Term Inflation 2020-2029	Expected Volume Growth Rates 2020-2029
Mexico	**7.3%**	**5.2%**	**3.5%**	**0.7%**
Brazil	**9.3%**	**5.6%**	**3.6%**	**2.0%**
Colombia	**8.9%**	**6.2%**	**3.1%**	**4.0%**
Argentina	**21.6%**	**14.8%**	**39.2%**	**3.7%**
Guatemala	**9.1%**	**7.1%**	**4.0%**	**8.5%**
Costa Rica	**13.8%**	**9.7%**	**2.2%**	**2.1%**
Nicaragua	**21.1%**	**12.4%**	**4.4%**	**3.0%**
Panamá	**8.5%**	**6.6%**	**2.0%**	**5.4%**
Uruguay	**9.4%**	**6.8%**	**7.4%**	**2.0%**

The key assumptions by CGU for impairment test as of December 31, 2018 were as follows:

CGU	Pre-tax WACC	Post –tax WACC	Expected Annual Long-Term Inflation 2019-2028	Expected Volume Growth Rates 2019-2028
Mexico	7.4%	5.3%	4.0%	1.4%
Guatemala	9.4%	7.5%	3.2%	7.3%
Nicaragua	21.2%	11.0%	6.2%	3.8%
Costa Rica	13.9%	9.2%	4.0%	1.6%
Panama	9.2%	7.0%	2.4%	3.0%
Colombia	7.8%	5.2%	3.1%	4.0%
Brazil	10.7%	6.6%	3.8%	1.7%
Argentina	19.6%	11.3%	21.9%	2.7%

Sensitivity to Changes in Assumptions

As of December 31, 2019, the Company performed an additional impairment sensitivity calculation, taking into account an adverse change in post-tax WACC, according to the country risk premium, using for each country the relative standard deviation between equity and sovereign bonds and an additional sensitivity to the volume of a 100 basis points and concluded that no impairment would be recorded except for Nicaragua. However, upon further review, the Company also concluded that no impairment would be recorded for Nicaragua.

CGU	Change in WACC	Change in Volume Growth CAGR[(1)]	Effect on Valuation
Mexico	**0.4%**	**-1.0%**	Passes by 4.9x
Brazil	**0.5%**	**-1.0%**	Passes by 1.6x
Colombia	**0.3%**	**-1.0%**	Passes by 4.7x
Argentina	**1.9%**	**-1.0%**	Passes by 13.9x
Guatemala	**0.4%**	**-1.0%**	Passes by 38.5x
Costa Rica	**0.8%**	**-1.0%**	Passes by 3.4x
Nicaragua	**1.4%**	**-1.0%**	Passes by 1.1x
Panamá	**0.2%**	**-1.0%**	Passes by 9.7x
Uruguay	**0.3%**	**-1.0%**	Passes by 3x

(1) Compound Annual Growth Rate (CAGR)

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data). The Company consistently applied its methodology to determine CGU specific WACC's to perform its annual impairment testing.

During the year ended December 31, 2017 and because the economic and operational conditions worsened in Venezuela, the Company has recognized an impairment of the distribution rights in such country for an amount of Ps 745, such charge has been recorded in other expenses line in the consolidated income statement

Note 14. Other non-current assets and other non-current financial assets

14.1 Other Non-Current Assets:

	2019	2018
Non-current prepaid advertising expenses	**Ps. 341**	Ps. 388
Guarantee deposits [(1)]	**1,553**	1,647
Prepaid bonuses	**225**	247
Advances to acquire property, plant and equipment	**203**	233
Shared based payment	**234**	160
Indemnifiable contingencies from business combinations [(2)]	**2,948**	3,336
Recoverable tax	**515**	395
Other	**18**	66
	Ps. 6,037	Ps. 6,472

(1) As it is customary in Brazil, the Company is required to guarantee tax, legal and labor contingencies by guarantee deposits. See Note 26.

(2) Corresponds to indemnification assets that are warranted by former Vonpar owners as per the share purchase agreement.

14.2 Other Non-Current Financial Assets:

	2019	2018
Other non-current financial assets	**Ps. 195**	Ps. 226
Derivative financial instruments (See Note 21)	**9**	1,897
	Ps. 204	Ps. 2,123

Non-current accounts receivable to be held to maturity and the investment in other entities as well as financial derivative instruments are classified as FVOCI financial assets.

Note 15. Balances and Transactions with Related Parties and Affiliated Companies

Balances and transactions between the Company and its subsidiaries, have been eliminated in consolidation and are not disclosed in this note.

The consolidated statements of financial position and consolidated statements of income include the following balances and transactions with related parties and affiliated companies:

	2019	2018
Balances:		
Assets (current included in accounts receivable)		
Due from FEMSA and its subsidiaries (see Note 7) (1) (3)	**Ps.2,039**	Ps. 783
Due from The Coca-Cola Company (see Note 7) (1)	**802**	1,173
Due from Heineken Group (1)	**353**	243
Other receivables (1)	**261**	332
	Ps.3,455	Ps.2,531

	2019	2018
Liabilities (current included in suppliers and other liabilities and loans)		
Due to FEMSA and its subsidiaries (2) (3)	**Ps. 854**	Ps.1,371
Due to The Coca-Cola Company (2)	**4,417**	3,893
Due to Heineken Group(2)	**1,125**	1,446
Other payables (2)	**1,455**	820
	Ps.7,851	Ps.7,530

(1) Presented within accounts receivable.
(2) Recorded within accounts payable and suppliers
(3) Parent

Balances due from related parties are considered to be recoverable. Accordingly, for the years ended December 31, 2019,2018 and 2017, there was no expense resulting from the un-collectability of balances due from related parties.

Details of transactions between the Company and other related parties are disclosed as follows:

Transactions	2019	2018	2017
Income:			
Sales to affiliated parties	**Ps. 5,694**	Ps. 5,200	Ps. 4,761
Heineken	**5**	4	—
Interest income received from BBVA Bancomer, S.A. de C.V.	**30**	180	138
Expenses:			
Purchases and other expenses from FEMSA	**7,756**	8,878	7,773
Purchases of concentrate from The Coca-Cola Company	**34,063**	32,379	30,758
Purchases of raw material, beer and operating expenses from Heineken (3)	**12,755**	14,959	13,608
Advertisement expense paid to The Coca-Cola Company	1,756	2,193	1,392
Purchases from Ades	497	592	—
Purchases from Jugos del Valle	**2,863**	2,872	2,604
Purchase of sugar from Promotora Industrial Azucarera, S.A. de C.V.	**2,728**	2,604	1,885
Purchase of sugar from Beta San Miguel	**655**	651	1,827
Purchase of sugar, cans and aluminum lids from Promotora Mexicana de Embotelladores, S.A. de C.V.	**—**	—	839
Purchase of canned products from Industria Envasadora de Queretaro, S.A. de C.V...	**682**	596	804
Purchase of inventories from Leao Alimentos e Bebidas, LTDA	**1,867**	2,654	4,010
Purchase of resin from Industria Mexicana de Reciclaje, S.A. de C.V.	**281**	298	267
Donations to Instituto Tecnologico y de Estudios Superiores de Monterrey, A.C. (1) (2)	**127**	127	47
Donations to Fundación Femsa, A.C.	**146**	179	2
Interest expense paid to The Coca-Cola Company	**—**	—	11
Interest and fees paid to Bancomer	**98**	168	—
Other expenses with related parties	**15**	79	202

(1) One or more members of the Board of Directors or senior management of the Company are also members of the Board of Directors or senior management of the counterparties to these transactions.
(2) In 2019 and 2018, there were donations to ITESM made through Fundacion FEMSA as intermediary for Ps. 127 and Ps. 127, respectively

(3) Favorable Resolution of Arbitration in Brazil on October 31, 2019, the arbitration tribunal in charge of the arbitration proceeding between us and Cervejarias Kaiser Brasil, S.A., a subsidiary of Heineken, N.V. ("Kaiser"), issued an award confirming that the distribution agreement pursuant to which we distribute Kaiser's portfolio in the country, including Heineken beer, shall continue in full force and effect until and including March 19, 2022.

The aggregate compensation paid to executive officers and senior management of the Company, recognized as an expense during the reporting period were as follows:

	2019	2018	2017
Current compensations and employee benefits	Ps. 978	Ps. 705	Ps. 621
Termination benefits	186	57	27
Shared based payments	188	157	316

Note 16. Balances and Transactions in Foreign Currencies

Assets, liabilities and transactions denominated in foreign currencies are those realized in a currency different from the functional currency of the Company. As of December 31, 2019 and 2018, assets and liabilities denominated in foreign currencies, expressed in Mexican pesos (contractual amounts) are as follows:

	Assets		**Liabilities**	
Balances	**Current**	**Non-current**	**Current**	**Non-current**
As of December 31, 2019				
U.S. dollars	**11,122**	**93**	**2,762**	**37,691**
Euros	**—**	**—**	**49**	**—**
As of December 31, 2018				
U.S. dollars	14,572	—	2,985	43,411
Euros	—	—	93	—

For the years ended December 31, 2019, 2018 and 2017 transactions denominated in foreign currencies, expressed in Mexican pesos (contractual amounts) are as follows:

Transactions	**Revenues**	**Purchases of Raw Materials**	**Interest Expense**	**Other**
Year ended December 31, 2019 U.S. dollars	1,506	14,307	1,910	2,723
Year ended December 31, 2019 Euros	—	454	—	—
Year ended December 31, 2018 U.S. dollars	1,481	18,129	2,223	2,161
Year ended December 31, 2018 Euros	—	—	—	—
Year ended December 31, 2017 U.S. dollars	653	13,381	2,454	1,544
Year ended December 31, 2017 Euros	—	18	—	—

Note 17. Post-Employment and Other Non-current Employee Benefits

The Company has various labor liabilities for employee benefits in connection with pension and retirement plans, seniority premiums and other post-employment benefits. Benefits vary depending upon the country where the individual employees are located. Presented below is a discussion of the Company's labor liabilities in Mexico, which comprise the substantial majority of those, recorded in the consolidated financial statements.

17.1 Assumptions

The Company annually evaluates the reasonableness of the assumptions used in its labor liability for post-employment and other non-current employee benefits computations. In Mexico, actuarial calculations for pension and retirement plans and seniority premiums, as well as the associated cost for the period, were determined using the following long-term assumptions:

Mexico	2019	2018	2017
Financial:			
Discount rate used to calculate the defined benefit obligation	7.5%	9.4%	7.60%
Salary increase	4.5%	4.6%	4.60%
Future pension increases	3.5%	3.6%	3.50%
Biometric:			
Mortality	EMSSA 2009[1]	EMSSA 2009 [1]	EMSSA 2009 [1]
Disability	IMSS-97[2]	IMSS-97[2]	IMSS-97[2]
Normal retirement age	60 years	60 years	60 years
Rest of employee turnover	BMAR2007[3]	BMAR2007 [3]	BMAR2007 [3]

(1) EMSSA. Mexican Experience of Social Security (for its initials in Spanish)
(2) IMSS. Mexican Experience of Instituto Mexicano del Seguro Social (for its initials in Spanish)
(3) BMAR. Actuary experience

In Mexico the methodology used to determine the discount rate was the yield or Internal Rate of Return ("IRR") which involves a yield curve. In this case, the expected rates of each period were taken from a yield curve of the Mexican Federal Government Treasury Bond (known as CETES in Mexico) because there is no deep market in high quality corporate obligations in Mexico.

In Mexico upon retirement, the Company purchases an annuity for senior executives, which will be paid according to the option chosen by the employee.

Based on these assumptions, the amounts of benefits expected to be paid out in the following years are as follows:

	Pension and Retirement Plans	Seniority Premiums
2020	315	38
2021	174	30
2022	143	28
2023	250	27
2024	232	27
2025 to 2029	1,996	145

17.2 Balances of the liabilities for post-employment and other non-current employee benefits

	2019	2018
Pension and Retirement Plans:		
Vested benefit obligation	**Ps. 627**	Ps. 480
Non-vested benefit obligation	**1,421**	1,210
Accumulated benefit obligation	**2,048**	1,690
Excess of projected defined benefit obligation over accumulated benefit obligation	**1,864**	1,695
Defined benefit obligation	**3,912**	3,385
Pension plan funds at fair value	**(1,122)**	(1,031)
Net defined benefit liability	**Ps. 2,790**	Ps. 2,354
Seniority Premiums:		
Vested benefit obligation	**Ps. 214**	Ps. 40
Non-vested benefit obligation	133	204
Accumulated benefit obligation	**347**	244
Excess of projected defined benefit obligation over accumulated benefit obligation	283	165
Defined benefit obligation	**630**	409
Seniority premium plan funds at fair value	(127)	(111)
Net defined benefit liability	**Ps.** 503	Ps. 298
Total post-employment and other non-current employee benefits	**Ps. 3,293**	Ps. 2,652

17.3 Trust assets

Trust assets consist of fixed and variable return financial instruments recorded at market value, which are invested as follows:

Type of instrument	2019	2018
Fixed return:		
Traded securities	**18%**	25%
Life annuities	**20%**	20%
Bank instruments	**9%**	4%
Federal government instruments	**35%**	32%
Variable return:		
Publicly traded shares	**18%**	19%
	100%	100%

In Mexico, the regulatory framework for pension plans is established in the Income Tax Law and its Regulations, the Federal Labor Law and the Mexican Social Security Institute Law. None of these laws establish minimum funding levels or a minimum required level of contributions.

In Mexico, the Income Tax Law requires that, in the case of private plans, certain notifications must be submitted to the authorities and a certain level of instruments must be invested in the Federal Government, among others.

The Company's various pension plans have a technical committee that is responsible for verifying the correct operation of the plan with regard to the payment of benefits, actuarial valuations of the plan, and the monitoring and supervision of the benefit trust. The committee is responsible for determining the investment portfolio and the types of instruments the fund will be invested in. This technical committee is also responsible for reviewing the correct operation of the plan in all of the countries in which the Company has these benefits.

The risks related to the Company's employee benefit plans are primarily attributable to the plan assets. The Company's plan assets are invested in a diversified portfolio, which considers the term of the plan so as to invest in assets whose expected return coincides with the estimated future payments.

Since the Mexican Tax Law limits the plan asset investment to 10% for related parties, this risk is not considered to be significant for purposes of the Company's Mexican subsidiaries.

In Mexico, the Company's policy is to invest at least 30% of the fund assets in Mexican Federal Government instruments. Guidelines for the target portfolio have been established for the remaining percentage and investment decisions are made to comply with these guidelines insofar as the market conditions and available funds allow.

In Mexico, the amounts and types of securities of the Company and related parties included in portfolio fund are as follows:

	2019	2018
Mexico		
Portfolio:		
Debt:		
Grupo Televisa, S.A.B. de C.V.	**Ps. —**	Ps. 17
Grupo Industrial Bimbo, S.A.B. de C. V.	**26**	23
Grupo Financiero Banorte, S.A.B. de C.V.	**8**	8
Banco Compartamos Banco.	**—**	4
Capital:		
Walmart de México S.A. de C.V.	**—**	6
Fomento Económico Mexicano, S.A.B. de C.V.	**2**	5
El Puerto de Liverpool, S.A.B. de C.V.	**2**	3
Grupo aeropuerto del sureste	**—**	2
Grupo Televisa, S.A.B. de C.V.	**—**	1
Alfa, S.A.B. de C.V.	**3**	—

During the years ended December 31, 2019, 2018 and 2017, the Company did not make significant contributions to the plan assets and does not expect to make material contributions to the plan assets during the following fiscal year.

17.4 Amounts recognized in the consolidated income statements and the consolidated statements of equity

2019	Income statement: Current Service Cost	Income statement: Past Service Cost	Income statement: (Gain) or Loss on Settlement or curtailment	Income statement: Net Interest on the Net Defined Benefit Liability	Accumulated OCI: Remeasurements of the Net Defined Benefit Liability net of taxes
Pension and retirement plans	**Ps. 170**	**Ps. (44)**	**Ps. 2**	**Ps. 176**	**Ps. 790**
Seniority premiums	**35**	**76**	**—**	**24**	**65**
Total	**Ps. 205**	**Ps. 32**	**Ps. 2**	**Ps. 200**	**Ps. 855**

2018	Income statement: Current Service Cost	Income statement: Past Service Cost	Income statement: Gain or Loss on Settlement or curtailment	Income statement: Net Interest on the Net Defined Benefit Liability	Accumulated OCI: Remeasurements of the Net Defined Benefit Liability net of taxes
Pension and retirement plans	Ps. 195	Ps. —	Ps. (5)	Ps. 265	Ps. 370
Seniority premiums	42	—	—	34	(26)
Total	Ps. 237	Ps. —	Ps. (5)	Ps. 299	Ps. 344

Remeasurements of the net defined benefit liability recognized in other comprehensive income are as follows (amounts are net of tax):

	2019	2018	2017
Amount accumulated in other comprehensive income as of the beginning of the periods	**Ps.344**	Ps.567	Ps.585
Recognized during the year (obligation liability and plan assets)	**98**	100	(169)
Actuarial gains and losses arising from changes in financial assumptions	**456**	(357)	165
Acquisitions	**—**	(83)	—
Foreign exchange rate valuation (gain)	**(43)**	(66)	(14)
Philippines disposal	**—**	183	—
Amount accumulated in other comprehensive income as of the end of the period, net of tax	**Ps.855**	Ps.344	Ps.567

Remeasurements of the net defined benefit liability include the following:

- The return on plan assets, excluding amounts included in net interest expense.
- Actuarial gains and losses arising from changes in demographic assumptions.
- Actuarial gains and losses arising from changes in financial assumptions.

17.5 Changes in the balance of the defined benefit obligation for post-employment and other non-current employee benefits

	2019	2018	2017
Pension and Retirement Plans:			
Initial balance	**Ps.3,388**	Ps.4,369	Ps.2,915
Current service cost	**170**	195	241
Effect on curtailment	**2**	(5)	—
Interest expense	**275**	265	258
Actuarial gains or losses	**585**	(391)	190
Foreign exchange loss	**(69)**	(86)	(69)
Benefits paid	**(395)**	(265)	(385)
Acquisitions	**—**	417	1,209
Philippines disposal	**—**	(1,111)	—
Past service credit	**(44)**	—	10
	Ps.3,912	Ps.3,388	Ps.4,369
Seniority Premiums:			
Initial balance	**Ps.411**	Ps.461	Ps.416
Current service cost	**35**	42	44
Effect on curtailment	**—**	—	—
Interest expense	**37**	34	29
Actuarial gains or losses	**155**	(84)	12
Benefits paid	**(84)**	(42)	(40)
Past service cost	**76**	—	—
	Ps.630	Ps.411	Ps.461

17.6 Changes in the balance of trust assets

	2019	2018	2017
Pension and retirement plans:			
Balance at beginning of year	**Ps.1,031**	Ps.1,692	Ps.910
Actual return on trust assets	**81**	30	113
Foreign exchange gain	**2**	(2)	86
Life annuities	**8**	16	21
Benefits paid	**—**	(1)	(136)
Acquisitions	**—**	—	698
Philippines disposal	**—**	(704)	—
Balance at end of year	**Ps.1,122**	Ps.1,031	Ps.1,692
Seniority premiums			
Balance at beginning of year	**Ps.111**	Ps.109	Ps.102
Actual return on trust assets	**16**	2	7
Balance at end of year	**Ps.127**	Ps.111	Ps.109

As a result of the Company's investments in life annuities plan, management does not expect the Company will need to make material contributions to the trust assets in order to meet its future obligations.

17.7 Variation in assumptions

The Company decided that the relevant actuarial assumptions that are subject to sensitivity and valuated through the projected unit credit method, are the discount rate and the salary increase rate. The reasons for choosing these assumptions are as follows:

- Discount rate: The rate that determines the value of the obligations over time.
- Salary increase rate: The rate that considers the salary increase which implies an increase in the benefit payable.

The following table presents the impact in absolute terms of a variation of 1.0% in the assumptions on the net defined benefit liability associated with the Company's defined benefit plans. The sensitivity of this 1.0% on the significant actuarial assumptions is based on projected long-term discount rates for Mexico and a yield curve projections of long-term Mexican government bonds - CETES:

+1.0%:			Income Statement		Accumulated OCI
Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability (asset)	**Current Service Cost**	**Past Service Cost**	**Gain or Loss on Settlement or curtailment**	**Net Interest on the Net Defined Benefit Liability**	**Remeasurements of the Net Defined Benefit Liability**
Pension and retirement plans	Ps. 158	Ps. (41)	Ps. 1	Ps. 148	Ps. 781
Seniority premiums	34	72	—	23	100
Total	Ps. 192	Ps. 31	Ps. 1	Ps. 171	Ps. 881

Expected salary increase	**Current Service Cost**	**Past Service Cost**	**Gain or Loss on Settlement or curtailment**	**Net Interest on the Net Defined Benefit Liability**	**Remeasurements of the Net Defined Benefit Liability**
Pension and retirement plans	Ps. 184	Ps. (47)	Ps. 2	Ps. 201	Ps. 844
Seniority premiums	39	83	—	29	120
Total	Ps. 223	Ps. 36	Ps. 2	Ps. 230	Ps. 964

17.8 Employee benefits expense

For the years ended December 31, 2019, 2018 and 2017, employee benefits expenses recognized in the consolidated income statements are as follows:

	2019	2018	2017
Included in cost of goods sold:			
Wages and salaries	**Ps. 4,052**	Ps. 4,295	Ps. 4,323
Social security costs	**1,277**	1,320	1,449
Employee profit sharing	**79**	74	75
Pension and seniority premium costs (Note 17.4)	**34**	26	22
Share-based payment expense (Note 18.2)	**1**	3	6
Included in selling and distribution expenses:			
Wages and salaries	**16,068**	16,590	12,001
Social security costs	**4,717**	4,651	4,417
Employee profit sharing	**539**	496	484
Pension and seniority premium costs (Note 17.4)	**185**	158	125
Share-based payment expense (Note 18.2)	**2**	11	7
Included in administrative expenses:			
Wages and salaries	**2,742**	2,771	2,453
Social security costs	**625**	557	585
Employee profit sharing	**35**	31	31
Pension and seniority premium costs (Note 17.4)	**20**	46	42
Post-employment benefits other (Note 17.4)	**—**	2	10
Share-based payment expense (Note 18.2)	**185**	143	161
Total employee benefits expense	**Ps.30,561**	Ps.31,174	Ps.26,191

Note 18. Bonus Programs

18.1 Quantitative and qualitative objectives

The bonus program for executives is based on achieving certain goals established annually by management and directors, which include quantitative and qualitative objectives and special projects.

The quantitative objectives represent approximately 50% of the bonus and are based on the Economic Value Added ("EVA") methodology. The objective established for the executives at each entity is based on a combination of the EVA generated per entity and by our Company and the EVA generated by our parent Company FEMSA. The qualitative objectives and special projects represent the remaining 50% of the annual bonus and are based on the critical success factors established at the beginning of the year for each executive.

The bonus amount is determined based on each eligible participant's level of responsibility and based on the EVA generated by the applicable business unit the employee works for. This formula is established by considering the level of responsibility within the organization, the employees' evaluation and competitive compensation in the market.

The incentive plan target is expressed in months of salary, and the final amount payable is computed based on a percentage of achievement of the goals established every year. The bonuses are recognized in the income statement in the period ended and are paid in cash the following year. During the years ended December 31, 2019, 2018 and 2017 the bonus expense recorded amounted to Ps. 940, Ps. 659 and Ps. 701, respectively.

18.2 Share-based payment bonus plan

The Company has a stock incentive plan for the benefit of its senior executives. This plan uses as its main evaluation metric the EVA. Under the EVA stock incentive plan, eligible employees are entitled to receive a special annual bonus (fixed amount), to purchase FEMSA and Coca-Cola FEMSA shares or options, based on the executive's responsibility in the organization, their business' EVA result achieved, and their individual performance. The acquired shares or options are deposited in a trust, and the executives may access them one year after they are vested at 33% per year. The 50% of Coca-Cola FEMSA's annual executive bonus is to be used to purchase FEMSA shares or options and the remaining 50% to purchase Coca-Cola FEMSA shares or options. For the years ended December 31, 2019, 2018 and 2017, no stock options have been granted to employees. Beginning with January 1, 2016 the shares ratably vest over a three year period.

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

Coca-Cola FEMSA accounts for its share-based payment bonus plan as an equity-settled share based payment transaction, since it is its parent company, FEMSA, who ultimately grants and settles with shares these obligations due to executives.

At December 31, 2019 the shares granted under the Company's executive incentive plans are as follows:

	Number of shares		
Incentive Plan	**FEMSA**	**KOF**	**Vesting period**
2015	457,925	415,375	2016-2018
2016	567,671	719,132	2017-2019
2017	326,561	369,791	2018-2020
2018	211,290	256,281	2019-2021
2019	312,006	457,338	2020-2022
Total	1,875,453	2,217,917	

For the years ended December 31, 2019, 2018 and 2017, the total expense recognized for the period arising from share-based payment transactions, using the grant date model, was of Ps. 188, Ps. 157 and Ps. 174, respectively.

As of December 31, 2019 and 2018, the asset recorded by Coca-Cola FEMSA in its consolidated statements of financial position amounted to Ps. 234 and Ps. 160, respectively, see Note 14.

Note 19. Bank Loans and Notes Payables

Expressed in millions of Mexican pesos. (1)	2020	2021	2022	2023	2024	2025 and following years	Carrying value as of December 31, 2019	Fair value as of December 31, 2019	Carrying value as of December 31, 2018
Short- term debt:									
Fixed rate debt:									
Argentine pesos									
Bank loans	126	—	—	—	—	—	126	126	157
Interest rate	63.50%	—	—	—	—	—	63.50%	—	36.75%
Uruguayan pesos									
Bank loans	63	—	—	—	—	—	63	63	771
Interest rate	11.59%	—	—	—	—	—	11.59%	—	9.96%
Colombian pesos									
Bank loans	230	—	—	—	—	—	230	230	—
Interest rate	4.37%	—	—	—	—	—	4.37%	—	—
Subtotal	419	—	—	—	—	—	419	419	928
Variable rate debt:									
Colombian pesos									
Bank loans	431	—	—	—	—	—	431	431	454
Interest rate	4.66%	—	—	—	—	—	4.66%	—	5.58%
Argentine pesos									
Bank loans	32	—	—	—	—	—	32	32	—
Interest rate	54.25%	—	—	—	—	—	54.25%	—	—
Subtotal	463	—	—	—	—	—	463	463	454
Short- term debt	**882**	**—**	**—**	**—**	**—**	**—**	**882**	**882**	**1,382**
Long term debt:									
Fixed rate debt:									
U.S. Dollar									
Yankee bond	9,421	—	—	16,840	—	11,314	37,575	41,231	39,204
Interest rate	4.63%	—	—	3.88%	—	5.25%	4.48%	—	4.48%
Colombian pesos									
Bank loans	—	—	—	—	—	—	—	—	—
Interest rate	—	—	—	—	—	—	—	—	—
Brazilian reais									
Notes payable (2)	—	—	—	—	—	—	—	—	4,653
Interest rate	—	—	—	—	—	—	—	—	0.38%
Bank loans	118	72	61	35	23	—	309	309	522
Interest rate	6.05%	6.05%	6.05%	6.05%	6.05%	—	6.05%	—	5.95%
Mexican pesos									
Senior notes	—	2,499	—	7,496	—	8,489	18,484	17,879	18,481
Interest rate	—	8.27%	—	5.46%	—	7.87%	6.95%	—	6.95%

Expressed in millions of Mexican pesos. (1)	2020	2021	2022	2023	2024	2025 and following years	Carrying value as of December 31, 2019	Fair value as of December 31, 2019	Carrying value as of December 31, 2018
Uruguayan pesos									
Bank loans	478	788	—	—	—	—	1,266	1,327	573
Interest rate	10.15%	9.93%	—	—	—	—	10.01%	—	10.15%
U.S. Dollar									
Financial leases.	—	—	—	—	—	—	—	—	10
Interest rate	—	—	—	—	—	—	—	—	3.28%
Subtotal	10,017	3,359	61	24,371	23	19,803	57,634	60,746	63,443
Variable rate debt:									
Mexican pesos									
Senior notes	—	—	1,459	—	—	—	1,459	1,500	1,497
Interest rate	—	—	7.99%	—	—	—	7.99%	—	8.61%
Bank loans	—	—	—	—	—	9,358	9,358	9,401	10,100
Interest rate	—	—	—	—	—	8.20%	8.20%	—	8.56%
U. S. Dollar									
Bank loans	—	—	—	—	—	—	—	—	4,025
Interest rate	—	—	—	—	—	—	—	—	3.34%
Colombian pesos									
Bank loans	402	—	—	—	—	—	402	402	848
Interest rate	5.61%	—	—	—	—	—	5.61%	—	5.67%
Brazilian reais									
Bank loans	184	52	6	—	—	—	242	242	505
Interest rate	7.82%	7.82%	7.82%	—	—	—	7.82%	—	9.53%
Notes payable	—	—	—	—	—	—	—	—	5
Interest rate	—	—	—	—	—	—	—	—	0.40%
Subtotal	586	52	1,465	—	—	9,358	11,461	11,545	16,980
Long term debt	**10,603**	**3,411**	**1,526**	**24,371**	**23**	**29,161**	**69,095**	**72,291**	**80,423**
Current portion of long term debt	10,603	—	—	—	—	—	10,603	—	10,222
Long- term debt	**—**	**3,411**	**1,526**	**24,371**	**23**	**29,161**	**58,492**	**72,291**	**70,201**

(1) All interest rates shown in this table are weighted average contractual annual rates.
(2) Promissory note denominated and payable in Brazilian reais; however, it is linked to the performance of the exchange rate between the Brazilian real and the U.S. dollar. As a result, the principal amount under the promissory note may be increased or reduced based on the depreciation or appreciation of the Brazilian real relative to the U.S. dollar.

For the years ended December 31, 2019, 2018 and 2017, the interest expense related to the bank loans and notes payable is comprised as follows and included in the consolidated income statement under the interest expense caption:

	2019	2018	2017
Interest on debts and borrowings	**Ps.4,459**	Ps.4,786	Ps.4,337
Finance charges for employee benefits	**200**	202	182
Derivative instruments	**1,946**	2,370	4,161
Finance charges of leases	**129**	—	—
Finance operating charges	**170**	210	97
	Ps.6,904	Ps.7,568	Ps.8,777

Coca-Cola FEMSA has the following debt bonds: a) registered with the Mexican stock exchange: i) Ps. 2,500 (nominal amount) with a maturity date in 2021 and fixed interest rate of 8.27% and ii) Ps. 7,500 (nominal amount) with a maturity date in 2023 and fixed interest rate of 5.46% iii) Ps. 1,500 (nominal amount) with a maturity date in 2022 and floating interest rate of TIIE + 0.25% iv) Ps. 8,500 (nominal amount) with a maturity date in 2027 and fixed interest rate of 7.87% and b) registered with the SEC : i) Senior notes of US. $ 500 with interest at a fixed rate of 4.63% and maturity date on February 15, 2020, ii) Senior notes of US. $900 with interest at a fixed rate of 3.88% and maturity date on November 26, 2023 and iii) Senior notes of US. $ 600 with interest at a fixed rate of 5.25% and maturity date on November 26, 2043 all of which are guaranteed by our subsidiaries: Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Distribuidora y Manufacturera del Valle de Mexico, S. de R.L. de C.V (as successor guarantor of Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V.) and Yoli de Acapulco, S. de R.L. de C.V. ("Guarantors"). In Note 29 we present supplemental guarantors consolidating financial information.

During 2018 Coca-Cola FEMSA had credit contracts in Mexican and Uruguayan peso with some banks for Ps. 10,100 and Ps. 1,344, respectively. On November 26, 2018, The Company paid the total balance of its bond in USD for USD 445 million and the total balance of Mexican debt for Ps. 10,100.

During 2019 Coca-Cola FEMSA celebrated bank loans in Mexico for an amount of Ps. 9,400 at an interest rate of 8.39% and 7.91%, such loans were used to settled bank loans denominated in USD and for general corporate purposes. Additionally, the Company obtained during 2019 bank loans in Uruguay, Colombia and Argentina for an amount of Ps. 1,670.

The Company has financing from different financial institutions under agreements that stipulate different restrictions and covenants, which mainly consist of maximum levels of leverage and capitalization as well as minimum consolidated net worth and debt and interest coverage ratios. As of the date of these consolidated financial statements, the Company was in compliance with all restrictions and covenants contained in its financing agreements.

19.1 Reconciliation of liabilities arising from financing activities.

	Carrying Value at December 31, 2018	Cash flows: Repayments	Cash flows: Proceeds	Non-cash flows: New leases	Non-cash flows: Others	Non-cash flows: Foreign Exchange movement	Non-cash flows: Translation Effect	Carrying Value at December 31, 2019
Short-term bank loans	**Ps. 1,382**	**Ps. (852)**	**Ps. 503**	**Ps. —**	**Ps.—**	**Ps. —**	**Ps. (151)**	**Ps. 882**
Short-term notes payable	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total short-term from financing activities	**Ps. 1,382**	**Ps. (852)**	**Ps. 503**	**Ps. —**	**Ps.—**	**Ps. —**	**Ps. (151)**	**Ps. 882**
Long-term bank loans	**16,572**	**(14,926)**	**10,233**	**—**	**—**	**—**	**(303)**	**11,576**
Long-term notes payable	**63,841**	**(4,674)**	**—**	**—**	**—**	**(1,589)**	**(59)**	**57,519**
Long-term lease liabilities	**10**	**(8)**	**—**	**—**	**—**	**(1)**	**(1)**	**—**
Total long-term from financing activities	**Ps. 80,423**	**Ps.(19,608)**	**Ps.10,233**	**Ps. —**	**Ps.—**	**Ps.(1,590)**	**Ps. (363)**	**Ps. 69,095**
Lease liabilities (1)	**Ps. 1,798**	**Ps. (492)**	**Ps. —**	**Ps. 215**	**Ps. (21)**	**Ps. (37)**	**Ps. (80)**	**Ps. 1,383**
Total from financing activities	**Ps. 83,603**	**Ps.(20,952)**	**Ps.10,736**	**Ps. 215**	**Ps. (21)**	**Ps.(1,627)**	**Ps. (594)**	**Ps. 71,360**

(1) Beginning balance as of adoption date; Januray 1st 2019

	Carrying Value at December 31, 2017	Cash flows: Repayments	Cash flows: Proceeds	Non-cash flows: Liability offset	Non-cash flows: Foreign Exchange movement	Non-cash flows: Translation Effect	Carrying Value at December 31, 2018
Short-term bank loans	Ps. 2,057	Ps. (5,188)	Ps. 4,138	Ps. —	Ps. —	Ps. 375	Ps. 1,382
Short-term notes payable	—	—	—	—	—	—	—
Total short-term from financing activities	Ps. 2,057	Ps. (5,188)	Ps. 4,138	Ps. —	Ps. —	Ps. 375	Ps. 1,382
Long-term bank loans	6,563	(1,702)	11,278	—	—	433	16,572
Long-term notes payable	74,740	(9,067)	—	(2,036)	1,157	(953)	63,841
Long-term lease liabilities	—	—	10	—	—	—	10
Total long-term from financing activities	Ps. 81,303	Ps.(10,769)	Ps.11,288	Ps.(2,036)	Ps.1,157	Ps. (520)	Ps. 80,423
Total from financing activities	Ps. 83,360	Ps.(15,957)	Ps.15,426	Ps.(2,036)	Ps.1,157	Ps. (145)	Ps. 81,805

Note 20. Other Income and Expenses

	2019	2018	2017
Other income:			
Gain on sale of long-lived assets	**Ps. 330**	Ps.399	Ps. 323
Cancellation of contingencies	**565**	162	268
Recoverable taxes	—	—	597
Foreign exchange gain related to operating activities	**79**	—	—
Other	**916** (1)	8	354
	Ps.1,890	Ps.569	Ps.1,542

	2019	2018	2017
Other expenses:			
Provisions for contingencies	**Ps.1,305**	Ps. 818	Ps. 943
Loss on the retirement of long-lived assets	**318**	103	174
Loss on sale of long-lived assets	**288**	221	368
Impairment	**948**	432	—
Severance payments	**1,062**(2)	224	180
Donations	**288**	332	83
Foreign exchange losses related to operating activities	—	(25)	2,646
Venezuela impact (Note 3.3)	—	—	28,176
Other	**171**	345	329
	Ps.4,380	Ps.2,450	Ps.32,899

(1) Following a favorable decision from Brazilian tax authorities received during 2019, Coca-Cola FEMSA has been entitled to reclaim indirect tax payments made in prior years in Brazil, resulting in the recognition of a tax credit and a positive effect in the operating revenues and other income captions of the condensed consolidated income statements. See note 25.2.1.

(2) During 2019, the Company incurred restructuring costs related to some of their operations as part of an efficiency program.

Note 21. Financial Instruments

Fair Value of Financial Instruments

The Company uses a three-level fair value hierarchy to prioritize the inputs used to measure the fair value of its financial instruments. The three input levels are described as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- **Level 2**: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company measures the fair value of its financial assets and liabilities classified as level 1 and 2, applying the income approach method, which estimates the fair value based on expected cash flows discounted to net present value. The following table summarizes the Company's financial assets and liabilities measured at fair value, as of December 31, 2019 and 2018:

	2019		2018	
	Level 1	**Level 2**	Level 1	Level 2
Derivative financial instruments asset	**Ps. 91**	**Ps. 905**	Ps. —	Ps.2,605
Derivative financial instruments liability	**47**	**2,191**	236	881
Trust assets of labor obligations	**1,249**	—	1,142	—

21.1 Total debt

The fair value of bank loans is calculated based on the discounted value of contractual cash flows whereby the discount rate is estimated using rates currently offered for debt of similar amounts and maturities, which is considered to be level 2 in the fair value hierarchy. The fair value of the Company's publicly traded debt is based on quoted market prices as of December 31, 2019 and 2018, which is considered to be level 1 in the fair value hierarchy (See Note 19).

21.2 Forward agreements to purchase foreign currency

The Company has entered into forward agreements to reduce its exposure to the risk of exchange rate fluctuations among the Mexican peso and other currencies.

These instruments have been designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value which is determined based on prevailing market exchange rates to terminate the contracts at the end of the period. Changes in the fair value of these forwards are recorded as part of "cumulative other comprehensive income". Net gain/loss on expired contracts is recognized as part of foreign exchange or cost of goods sold, depending on the nature of the hedge in the consolidated income statements.

Net changes in the fair value of forward agreements that do not meet hedging criteria for hedge accounting are recorded in the consolidated income statements under the caption "market value gain on financial instruments".

At December 31, 2019, the Company had the following outstanding forward agreements to purchase foreign currency:

Maturity Date	Notional Amount	Fair Value (Liability)	Fair Value Asset
2020	**Ps.7,692**	**Ps. (315)**	**Ps.20**

At December 31, 2018, the Company had the following outstanding forward agreements to purchase foreign currency:

Maturity Date	Notional Amount	Fair Value (Liability)	Fair Value Asset
2019	Ps.4,768	Ps. (66)	Ps.109

21.3 Options to purchase foreign currency

The Company has executed collar strategies to reduce its exposure to the risk of exchange rate fluctuations. A collar is a strategy that combines call and put options, limiting the exposure to the risk of exchange rate fluctuations in a similar way as a forward agreement.

These instruments have been designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value which is determined based on prevailing market exchange rates to terminate the contracts at the end of the period. Changes in the fair value of these options, corresponding to the intrinsic value, are initially recorded as part of "cumulative other comprehensive income". Changes in the fair value, corresponding to the extrinsic value, are recorded in the consolidated income statements under the caption "market value gain on financial instruments," as part of the consolidated net income. Net gain/(loss) on expired contracts including the net premium paid, is recognized as part of cost of goods sold when the hedged item is recorded in the consolidated income statements.

At December 31, 2019, the Company paid a net premium of Ps. 3 for the following outstanding collar options to purchase foreign currency:

Maturity Date	Notional Amount	Fair Value (Liability)	Fair Value Asset
2020	**Ps. 107**	**Ps. —**	**Ps.2**

As of December 31, 2018, the Company paid a net premium of Ps. 43 million for the following outstanding collar options to purchase foreign currency:

		Fair Value	
Maturity Date	Notional Amount	(Liability)	Asset
2019	Ps.1,734	Ps. (33)	Ps.57

21.4 Cross-currency swaps

The Company has contracts denominated as interest and cross-currency swaps in order to reduce the risk emanated from interest rate and exchange rate fluctuation in the contracted credits denominated in USD, hedging the total contracted loans as of December 2019. Exchange rate swaps are designated as hedge instruments where the Company changes the debt profile to the functional currency to reduce the exchange rate fluctuation risk.

The fair value is estimated using market prices that would apply to terminate the contracts at the end of the period. For accounting purposes, the cross currency swaps are recorded as both, Cash Flow Hedges in regards to the foreign exchange risk, and Fair Value Hedges in regards to the interest rate risk and related foreign exchange risk. The fair value changes related to exchange rate fluctuations of the notional of those cross currency swaps and the accrued interest are recorded in the consolidated income statements. The remaining portion of the fair value changes, when designated as Cash Flow Hedges, are recorded in the consolidated balance sheet in "cumulative other comprehensive income". If they are designated as Fair Value Hedges the changes in this remaining portion are recorded in the income statements as "market value (gain) loss on financial instruments".

At December 31, 2019, the Company had the following outstanding cross currency swap agreements:

		Fair value	
Maturity Date	**Notional Amount**	**(Liability)**	**Asset**
2020	**Ps.13,788**	**Ps. (297)**	**Ps.781**
2021	**—**	**—**	**—**
2023	**10,742**	**(594)**	**—**
2027	**6,596**	**(843)**	**—**

At December 31, 2018, the Company had the following outstanding cross currency swap agreements:

		Fair Value	
Maturity Date	Notional Amount	(Liability)	Asset
2019	Ps. 4,652	Ps. —	Ps.498
2020	14,400	(79)	969
2021	4,035	—	586
2023	11,219	(390)	135
2027	6,889	(42)	202

21.5 Interest Rate swaps

The Company has contracted a number of interest rate swaps to reduce its exposure to interest rate fluctuations associated with its debt denominated in BRL. These interest rate swaps, for accounting purposes are recorded as Cash Flows Hedges and the interest rate variation is recorded in the consolidated balance sheet as "cumulative other comprehensive income".

At December 31, 2019, the Company had the following outstanding interest rate swap agreements:

Maturity Date	Notional Amount	Fair value (Liability)	Fair value Asset
2020	**Ps.4,365**	**Ps. (142)**	**—**

At December 31, 2018, the Company had the following outstanding interest rate swap agreements:

Maturity Date	Notional Amount	Fair Value (Liability)	Fair Value Asset
2019	Ps.4,013	Ps. (49)	—
2020	4,559	(112)	—
2021	4,035	(110)	—

21.6 Treasury Lock contracts

The Company has contracted a number of treasury locks to reduce its exposure to interest rate fluctuations associated with its USD debt These treasury locks, for accounting purposes are recorded as Cash Flow Hedges and the interest rate variation is recorded in the consolidated balance sheet as "cumulative other comprehensive income".

At December 31, 2019, the Company had the following outstanding treasury locks agreements:

Maturity Date	Notional Amount	Fair value (Liability)	Fair value Asset
2020	**Ps.10,365**	**Ps. —**	**Ps.102**

21.7 Commodity price contracts

The Company has entered into various commodity price contracts to reduce its exposure to the risk of fluctuation in the costs of certain raw materials. The fair value is estimated based on the market valuations to terminate the contracts at the end of the period. These instruments are designated as Cash Flow Hedges and the changes in their fair value are recorded as part of "cumulative other comprehensive income".

The fair value of expired or sold commodity contracts are recorded in cost of goods sold with the hedged items.

As of December 31, 2019, the Company had the following aluminum price contracts:

Maturity Date	Notional Amount	Fair value (Liability)	Fair value Asset
2020	**Ps. 394**	**Ps. (1)**	**Ps. 5**

As of December 31, 2019, the Company had the following PX + MEG (resin) price contracts:

Maturity Date	Notional amount	Fair value (Liability)	Fair value Asset
2020	**Ps. 320**	**Ps. (28)**	**Ps.—**

As of December 31, 2019, the Company had the following sugar price contracts:

Maturity Date	Notional Amount	Fair value (Liability)	Fair value Asset
2020	**Ps.1,554**	**Ps. (18)**	**Ps.71**
2021	**98**	—	**Ps.15**

As of December 31, 2018, the Company had the following aluminum price contracts:

Maturity Date	Notional Amount	Fair value (Liability)	Fair value Asset
2019	Ps.265	Ps. (17)	Ps.—

As of December 31, 2018, the Company had the following PX + MEG (resin) price contracts

Maturity Date	Notional Amount	Fair value (Liability)	Fair value Asset
2019	Ps.1,303	Ps. (131)	Ps.—

As of December 31, 2018, the Company had the following sugar price contracts:

Maturity Date	Notional Amount	Fair value (Liability)	Fair value Asset
2019	Ps.1,223	Ps. (88)	Ps.—

21.8 Option embedded in the Promissory Note to fund the Vonpar's acquisition

On December 6, 2016, as part of the purchase price paid for the Company's acquisition of Vonpar, Spal issued and delivered a three-year promissory note to the sellers, for a total amount of 1,166 million Brazilian reais. On November 14, 2018 Spal prepaid an amount for 103 million of USD (393 million of Brazilian real) (and the amount left as of December 31, 2018 is 1,000 million of Brazilian real). The promissory note beards interest at an annual rate of 0.375%, and was denominated and payable in Brazilian reais. The promissory note was linked to the performance of the exchange rate between the Brazilian real and the U.S. dollar. As a result, the principal amount under the promissory note increased or decreased based on the depreciation or appreciation of the Brazilian real relative to the U.S. dollar. The holders of the promissory note had an option, that could be exercised prior to the scheduled maturity of the promissory note, to capitalize the Mexican peso amount equivalent to the amount payable under the promissory note into a recently incorporated Mexican company which would then be merged into the Company in exchange for Series L shares at a strike price of Ps.178.5 per share. On December 6, 2019 the Promissory Note matured and the option embedded expired worthless. As such, the Company paid a total amount of 1,000 million of Brazilian real (approximately Ps. 4,676) for the maturity of the Notes.

21.9 Net effects of expired contracts that met hedging criteria

Derivative	Impact in consolidated income statement	2019	2018	2017
Cross currency swaps [1]	Interest expense	**Ps. 199**	Ps. 157	Ps.2,102
Cross currency swaps [1]	Foreign exchange	**480**	642	—
Interest rate swaps	Interest expense	**515**	—	—
Option to purchase foreign currency	Cost of good sold	**(63)**	(8)	—
Forward agreements to purchase foreign currency	Cost of good sold	**(163)**	240	89
Commodity Price contracts	Cost of good sold	**(391)**	(258)	(6)

(1) The 2018 amount belong to the Brazilian swaps maturity and the amount for 2017 belongs to the maturity of the Mexico swaps portfolio. Both amounts are disclosed as part of the financial activities in each year.

21.10 Net effect of changes in fair value of derivative financial instruments that did not meet the hedging criteria for accounting purposes.

Derivative	Impact in profit and loss	2019	2018	2017
Forward agreements to purchase foreign currency	Market value (loss) gain on financial statements	**Ps. 4**	Ps. (12)	Ps. 12
Cross currency swaps	Market value (loss) gain on financial statements	Ps.(293)	(116)	337

21.11 Net effect of expired contracts that did not meet the hedging criteria for accounting purposes

Type of Derivatives	Impact in Consolidated Income Statement	2019	2018	2017
Cross-currency swaps	Market value (loss) on financial instruments	**Ps.(293)**	**Ps.**(186)	Ps.(104)
Embedded derivatives	Market value gain on financial instruments	4	—	1

21.12 Risk management

The Company has exposure to the following financial risks:

- Market risk;
- Interest rate risk;
- Liquidity risk; and
- Credit risk

The Company determines the existence of an economic relationship between the hedging instruments and the hedged item based on the currency, amount and timing of their respective cash flows. The Company evaluates whether the derivative designated in each hedging relationship is expected to be effective and that it has been effective to offset changes in the cash flows of the hedged item using the hypothetical derivative method.

In these hedging relationships, the main sources of inefficiency are:

- The effect of the credit risk of the counterparty and the Company on the fair value of foreign currency forward contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to change in the types of change; and
- Changes in the period covered.

21.12.1 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices. The Company enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk, interest rates risk and commodity prices risk including:

- Forward Agreements to Purchase Foreign Currency in order to reduce its exposure to the risk of exchange rate fluctuations.
- Options to purchase foreign currency in order to reduce its exposure to the risk of exchange rate fluctuations.
- Cross-Currency Swaps in order to reduce its exposure to the risk of exchange rate fluctuations and interest rate changes.
- Commodity price contracts in order to reduce its exposure to the risk of fluctuation in the costs of certain raw materials.

The Company tracks the fair value (mark to market) of its derivative financial instruments and its possible changes using scenario analyses. The following disclosures provide a sensitivity analysis of the market risks, which the Company is exposed to as it relates to foreign exchange rates, interests rates and commodity prices, which it considers in its existing hedging strategy:

Forward agreement to purchase U.S. Dollar (MXN/USD)	Change in USD rate	Effect on equity	Profit and loss effect
2019	**(9%)**	**Ps. (739)**	**Ps. —**
2018	(13%)	(365)	—
2017	(12%)	(602)	—

Forward agreement to purchase U.S. Dollar (BRL/USD)	Change in USD rate	Effect on equity	Profit and loss effect
2019	**(13%)**	**Ps. (155)**	**Ps. —**
2018	(16%)	(413)	—
2017	(14%)	(234)	—

Forward agreement to purchase U.S. Dollar (COP/USD)	Change in USD rate	Effect on equity	Profit and loss effect
2019	**(10%)**	**Ps. (54)**	**Ps. —**
2018	(12%)	(2)	—
2017	(9%)	(73)	—

Forward agreement to purchase U.S. Dollar (ARS/USD)	Change in USD rate	Effect on equity	Profit and loss effect
2019	**(25%)**	**Ps. (88)**	**Ps. —**
2018	(27%)	(522)	—

Forward agreement to purchase U.S. Dollar (UYU/USD)	Change in USD rate	Effect on equity	Profit and loss effect
2019	**(5%)**	**Ps. (23)**	**Ps. —**
2018	(8%)	(46)	—

Cross currency swaps (USD to MXN)	Change in USD rate	Effect on equity	Profit and loss effect
2019	**(9%)**	**Ps.**(2,315)	**Ps. —**
2018	(13%)	(3,130)	—
2017	(12%)	(3,540)	—

Cross currency swaps (USD to BRL)	Change in USD rate	Effect on equity	Profit and loss effect
2019	**(13%)**	**Ps. (645)**	**Ps. —**
2018	(16%)	(9,068)	—
2017	(14%)	(7,483)	—

Interest rate swaps (floating to fixed rates)	Change in BRL rate	Effect on equity	Profit and loss effect
2019	**(100 bps)**	**Ps. (37)**	**Ps. —**
2018	(100 bps)	(1,976)	—

Sugar price contracts	Change on sugar Price	Effect on equity	Profit and loss effect
2019	**(24%)**	**Ps. (255)**	**Ps. —**
2018	(30%)	(341)	—
2017	(30%)	(32)	—

Aluminum price contracts	Change on Aluminum price	Effect on equity	Profit and loss effect
2019	**(15%)**	**Ps.(1,164)**	**Ps. —**
2018	(22%)	(55)	—
2016	(16%)	(13)	—

Options to purchase foreign currency (MXN to USD)	Change on USD rate	Effect on equity	Profit and loss effect
2019	**(10%)**	**Ps. (6)**	**Ps. —**
2018	(13%)	(303)	—

21.12.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk because it and its subsidiaries borrow funds at both fixed and variable interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and variable rate borrowings, and by the use of the different derivative financial instruments. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The following disclosures provide a sensitivity analysis of the interest rate risks management considered to be reasonably possible at the end of the reporting period, which the Company is exposed to as it relates to its fixed and floating rate borrowings and which considers its existing hedging strategy:

Interest Rate Risk	Change in U.S.$ rate	Effect on (profit) or loss
2019	**+100 bps**	**Ps. (44)**
2018	+100 bps	Ps. (134)
2017	+100 bps	(251)

21.12.3 Liquidity risk

The Company's principal source of liquidity has generally been cash generated from its operations. A significant majority of the Company's sales are on a short-term credit basis. The Company has traditionally been able to rely on cash generated from operations to fund its capital requirements and its capital expenditures. The Company's working capital benefits from the fact that most of its sales are made on a cash basis, while it generally pays its suppliers on credit. In recent periods, the Company has mainly used cash generated from operations to fund acquisitions. The Company has also used a combination of borrowings from Mexican and international banks and issuances in the Mexican and international capital markets to fund acquisitions.

Ultimate responsibility for liquidity risk management rests with the Company's board of directors, which has established an appropriate liquidity risk management framework for the evaluation of the Company's short-, medium- and long-term funding and liquidity requirements. The Company manages liquidity risk by maintaining adequate reserves, and continuously monitoring forecasted and actual cash flows and by maintaining a conservative debt maturity profile.

The Company has access to credit from national and international banking institutions in order to face treasury needs; besides, the Company has the highest rating for Mexican companies (AAA) given by independent rating agencies, allowing the Company to evaluate capital markets in case it needs resources.

As part of the Company's financing policy, management expects to continue financing its liquidity needs with cash from operations. Nonetheless, as a result of regulations in certain countries in which the Company operates, it may not be beneficial or, practicable to remit cash generated in local operations to fund cash requirements in other countries. In the event that cash from operations in these countries is not sufficient to fund future working capital requirements and capital expenditures, management may decide, or be required, to fund cash requirements in these countries through local borrowings rather than remitting funds from another country. In the future management may finance our working capital and capital expenditure needs with short-term or other borrowings.

The Company's management continuously evaluates opportunities to pursue acquisitions or engage in strategic transactions. The Company would expect to finance any significant future transactions with a combination of cash from operations, long-term indebtedness and capital stock.

See Note 19 for a disclosure of the Company's maturity dates associated with its non-current financial liabilities as of December 31, 2019.

The following table reflects all contractually fixed and variable pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. It includes expected gross cash outflows from derivative financial liabilities that are in place as of December 31, 2019.

Such expected net cash outflows are determined based on each particular settlement date of an instrument. The amounts disclosed are undiscounted net cash outflows for the respective upcoming fiscal years, based on the earliest date on which the Company could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on economic conditions (like interest rates and foreign exchange rates) existing at December 31, 2019.

(In millions of Ps)	2020	2021	2022	2023	2024	2025 and thereafter
Non-derivative financial liabilities:						
Notes and bonds	**Ps.9,423**	**Ps.2,500**	**Ps.1,500**	**Ps.24,461**	**Ps.—**	**Ps.19,807**
Loans from banks	**2,064**	**912**	**67**	**35**	**23**	**9,400**
Derivatives financial liabilities (assets)	**828**	**1,015**	**1,032**	**979**	**427**	**1,517**

The Company generally makes payments associated with its financial liabilities with cash generated from its operations.

As of April 10, 2020 considering a 30% depreciation in the value of each local currency in the countries where we operate relative to the U.S. dollar since our closing as of December 31, 2019, as applied to our U.S. dollar-denominated indebtedness, cross-currency swap agreements and U.S. dollar cash balances at December 31, 2019, it would have resulted in a foreign exchange gain of Ps. 1,345 million.

21.12.4 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions is spread amongst approved counterparties.

The Company has a high receivable turnover; hence management believes credit risk is minimal due to the nature of its businesses, which have a large portion of their sales settled in cash. The Company's maximum exposure to credit risk for the components of the statement of financial position at December 31, 2019 and 2018 is the carrying amounts (see Note 7).

The credit risk for liquid funds and derivative financial instruments is limited because the counterparties are highly rated banks as designated by international credit rating agencies.

The Company manages the credit risk related to its derivative portfolio by only entering into transactions with reputable and credit-worthy counterparties as well as by maintaining a Credit Support Annex (CSA) that establishes margin requirements. As of December 31, 2019 the Company concluded that the maximum exposure to credit risk related with derivative financial instruments is not significant given the high credit rating of its counterparties.

21.13 Cash Flow hedges

As of December 31, 2019, the Company’s financial instruments used to hedge its exposure to foreign exchange rates, interest rates and commodity risks were as follows:

	Maturity		
	1-6 months	6-12 months	More than 12
Foreign exchange currency risk			
Foreign exchange currency forward contracts			
Net exposure (in millions of pesos)	**3,742**	**2,086**	—
Average exchange rate MXN/USD	**20.00**	**20.20**	—
Net exposure (in millions of pesos)	**697**	**303**	—
Average exchange rate BRL/USD	**4.04**	**4.16**	—
Net exposure (in millions of pesos)	**220**	**85**	—
Average exchange rate COP/USD	**3,491**	**3,460**	—
Net exposure (in millions of pesos)	**137**	—	—
Average exchange rate ARS/USD	**79.23**	—	—
Net exposure (in millions of pesos)	**335**	**87**	—
Average exchange rate UYU/USD	**37.55**	**40.03**	—
Foreign exchange currency option contracts			
Net exposure (in millions of pesos)	**107**	—	—
Average exchange rate COP/USD	**3,252**	—	—
Foreign exchange currency swap contracts			
Net exposure (in millions of pesos)	**9,423**	—	**8,292**
Average exchange rate MXN/USD	**19.54**	—	**19.92**
Net exposure (in millions of pesos)	—	**4,365**	**9,046**
Average exchange rate BRL/USD	—	**3.41**	**4.00**
Interest rate risk			
Interest rate swaps			
Net exposure (in millions of pesos)	—	**4,365**	—
Average interest rate	—	**8.34%**	—
Treasury Locks			
Net exposure (in millions of pesos)	**10,365**	—	—
Average interest rate	**1.81%**	—	—
Commodities risk			
Aluminum (in millions of pesos)	**276**	**118**	—
Average price (USD/Ton)	**1,796**	**1,812**	—
Sugar (in millions of pesos)	**1,192**	**361**	**98**
Average price (USD cent/Lb)	**13.09**	**12.73**	**13.45**
PX+MEG (in millions of pesos)	**160**	**160**	—
Average price (USD /Ton)	**848**	**848**	—

As of December 31, 2018, the Company's financial instruments used to hedge its exposure to foreign exchange rates, interest rates and commodity risks were as follows:

	Maturity		
	1-6 months	6-12 months	More than 12
Foreign exchange currency risk			
Foreign exchange currency forward contracts			
Net exposure (in millions of pesos)	**3,484**	**683**	—
Average exchange rate MXN/USD	**20.19**	**20.75**	—
Net exposure (in millions of pesos)	**805**	**337**	—
Average exchange rate BRL/USD	**3.75**	**3.83**	—
Net exposure (in millions of pesos)	**429**	**63**	—
Average exchange rate COP/USD	**2,851**	**2,976**	—
Net exposure (in millions of pesos)	**339**	—	—
Average exchange rate ARS/USD	**43.31**	—	—
Net exposure (in millions of pesos)	**196**	**159**	—
Average exchange rate UYU/USD	**32.9**	**33.97**	—
Foreign exchange currency swap contracts			
Net exposure (in millions of pesos)	—	—	**18,502**
Average exchange rate MXN/USD	—	—	**19.72**
Net exposure (in millions of pesos)	—	**4,652**	**18,042**
Average exchange rate BRL/USD	—	**3.36**	**3.59**
Interest rate risk			
Interest rate swaps			
Net exposure (in millions of pesos)	—	**4,013**	**8,594**
Average interest rate	—	**6.29%**	**8.15%**
Commodities risk			
Aluminum (in millions of pesos)	**189**	**75**	—
Average price (USD/Ton)	**1,975**	**1,986**	—
Sugar (in millions of pesos)	**725**	**498**	—
Average price (USD cent/Lb)	**12.86**	**13.11**	—
PX+MEG (in millions of pesos)	**739**	**565**	—
Average price (USD /Ton)	**1,077**	**1,040**	—

As of December 31, 2018, the Company included the following cash flows hedge exposures:

In millions of pesos	Cash flow hedge reserve	Cash flow hedge costs	Remained balances of cash flow hedge reserve from which hedge accounting is not applied
Foreign exchange currency risk			
Net sales, trade account receivables and borrowings	—	—	—
Purchase of stock	**1**	**22**	—

As of December 31, 2017, the Company included the following cash flows hedge exposures:

In millions of pesos	Cash flow hedge reserve	Cash flow hedge costs	Remained balances of cash flow hedge reserve from which hedge accounting is not applied
Foreign exchange currency risk			
Net sales, trade account receivables and borrowings	—	—	—
Purchase of stock	—	**11**	—

As of December 31, 2018, cash flow financial instruments amounts and its related non-effective portion were as follows:

In millions of pesos	Notional	Assets	Liabilities	Financial position category in which the cash flow hedge is included
Foreign exchange currency risk				
Forward contracts: Net sales, trade accounts receivables and borrowings	—	—	—	Other investments including financial derivatives (assets), trade accounts payable (liabilities)
Purchase of stock	**4,768**	**109**	**(66)**	
Exchange rate swaps	**41,195**	**2,390**	**(511)**	
Interest rate risk				
Swap interest rate	**12,607**	—	**(271)**	Other investments including financial derivatives (assets), trade accounts payable (liabilities)
Commodities risk				
Aluminum	**265**	—	**(17)**	
Sugar	**1,223**	—	**(88)**	
PX+MEG	**1,303**	—	**(131)**	

Note 22. Non-Controlling Interest in Consolidated Subsidiaries

An analysis of Coca-Cola FEMSA's non-controlling interest in its consolidated subsidiaries for the years ended December 31, 2019, 2018 and 2017 is as follows:

	2019	2018	2017
Mexico	**Ps.5,671**	Ps.5,700	Ps. 5,994
Colombia	**21**	21	23
Brazil	**1,059**	1,085	1,224
Philippines	**—**	—	10,900
	Ps.6,751	Ps.6,806	Ps.18,141

Non-controlling interests in Mexico primarily represent the individual results of a Mexican holding company Kristine Overseas, S.A.P.I. de C.V. This entity also has non-controlling stakes in certain Brazilian subsidiaries.

Commencing on February 1, 2017, the Company started consolidating CCFPI's financial results in its financial statements.

As disclosed in Note 5, since its designation as discontinued operation, the Asia segment is no longer reported as a separate segment in Note 27. The sale was completed on December 13, 2018 and the related non- controlling interest was eliminated.

The changes in Coca-Cola FEMSA's non-controlling interest were as follows:

	2019	2018	2017
Balance at beginning of the period	**Ps.6,806**	Ps. 18,141	Ps. 7,096
Effects of business combination	—	—	11,072
Net income of non-controlling interest	**529**	1,159	1,148
Exchange differences on translation of foreign operations	**(565)**	(1,338)	(1,138)
Re-measurements of the net defined employee benefit liability	—	37	38
Valuation of the effective portion of derivative financial instruments, net of taxes	**(16)**	(41)	(74)
Dividends paid	**(3)**	—	(1)
Accounting standard adoption effects (see Note 2.4)	—	(12)	—
Philippines deconsolidation	—	(11,140)	—
Balance at end of the period	**Ps.6,751**	Ps. 6,806	Ps.18,141

Note 23. Equity

23.1 Equity accounts

As of December 31, 2019, the common stock of Coca-Cola FEMSA is represented by 16,806,658,096 common shares, with no par value. Fixed capital stock is Ps. 934 (nominal value) and variable capital is unlimited.

The characteristics of the common shares are as follows:

- Series "A" and series "D" shares are ordinary, have all voting rights and are subject to transfer restrictions;
- Series "A" shares may only be acquired by Mexican individuals and may not represent less than 50.1% of the ordinary shares.
- Series "D" shares have no foreign ownership restrictions and may not represent more than 49.9% of the ordinary shares.
- Series "B" and series "L" are free of transference jointly as long as they are listed as linked units. In case the related units are unlinked, the types B shares and the types L share will each be free transfer.

On January 31, 2019, the Board of Coca Cola FEMSA approved:

(i) An eight-for-one stock split (the "Stock Split") of each series of shares of the Company;

(ii) The issuance of Series B ordinary shares with full voting rights;

(iii) The creation of units, comprised of 3 Series B shares and 5 Series L shares, to be listed for trading on the Mexican Stock Exchange ("BMV") and in the form of American depositary shares (ADSs) on the New York Stock Exchange ("NYSE"); and

(iv) Amendments to the Company's bylaws mainly to give effect to the matters approved in paragraphs (i), (ii), and (iii), described above.

On March 22, 2019, the CNBV (Mexican National Banking and Securities Commission) approved and authorized the stock split.

As a result, (i) the percentage of ownership held by the Company's shareholders will not change, and (ii) the percentage of ordinary shares with full voting rights will be adjusted proportionally due to the issuance of the Series B shares, as set forth in the table below.

The capital stock of the Company prior to and immediately after the Stock Split is as follows:

Outstanding shares prior to the Stock Split:

Series of shares	Shareholders	Outstanding shares	% of the capital stock	% of ordinary shares with full voting rights
A	Wholly-owned subsidiary of Fomento Económico Mexicano, S.A.B. de C.V.	992,078,519	47.22%	62.96%
D	Wholly-owned subsidiaries of The Coca-Cola Company	583,545,678	27.78%	37.04%
L	Public float	525,208,065	25.01%	0%
Total		2,100,832,262	100%	100%

Outstanding shares after the Stock Split:

Series of shares	Shareholders	Outstanding shares	% of the capital stock	% of ordinary shares with full voting rights
A	Wholly-owned subsidiary of Fomento Económico Mexicano, S.A.B. de C.V.	7,936,628,152	47.22%	55.97%
D	Wholly-owned subsidiaries of The Coca-Cola Company	4,668,365,424	27.78%	32.92%
B	Public float	1,575,624,195	9.38%	11.11%
L	Public float	2,626,040,325	15.63%	0%
Total		16,806,658,096	100%	100%

As of December 31, 2019, 2018 and 2017, the number of each share series representing Coca-Cola FEMSA's common stock is comprised as follows:

	Thousands of Shares		
Series of shares	**2019**	2018	2017
"A"	**7,936,628**	7,936,628	7,936,628
"B"	**1,575,624**	1,575,624	1,575,624
"D"	**4,668,366**	4,668,366	4,668,366
"L"	**2,626,040**	2,626,040	2,626,040
	16,806,658	**16,806,658**	**16,806,658**

The changes in the share are as follows:

	Thousands of Shares		
Series of shares (1)	**2019**	2018	2017
Initial shares	**16,806,658**	16,806,658	16,659,232
Shares issuance	—	—	147,426
Final shares	**16,806,658**	16,806,658	16,806,658

(1) The information for the years ended December 31, 2018 have been adjusted retrospectively for comparative purposes based on the number of shares resulting from the stock split occurred in March 2019.

The net income of the Company is subject to the legal requirement that 5% thereof be transferred to a legal reserve until such reserve amounts to 20% of common stock at nominal value. This reserve may not be distributed to shareholders during the existence of the Company. As of December 31, 2019, 2018 and 2017, this reserve was Ps. 187, Ps. 164 and Ps. 164 respectively included in retained earnings.

Retained earnings and other reserves distributed as dividends, as well as the effects derived from capital reductions, are subject to income tax at the rate in effect at the date of distribution, except for restated shareholder contributions and distributions made from net consolidated taxable income, denominated "Cuenta de Utilidad Fiscal Neta" ("CUFIN").

Dividends paid in excess of CUFIN are subject to income tax at a grossed-up rate based on the current statutory rate. Since 2003, this tax may be credited against the income tax of the year in which the dividends are paid, and in the following two years against the income tax and estimated tax payments. The Company's balances of CUFIN amounted to Ps. 12,239 not subject to withholding tax.

For the years ended December 31, 2019, 2018 and 2017 the dividends declared and paid per share by the Company are as follows:

Series of shares	**2019** (1)	2018	2017
"A"	**Ps.3,512**	Ps.3,323	Ps.3,280
"D"	**2,066**	1,955	1,929
"L"	**1,162**	1,100	1,085
"B"	**697**	660	651
	Ps.7,437	Ps.7,038	Ps.6,945

(1) At an ordinary shareholders' meeting of Coca-Cola FEMSA held on March 14, 2019, the shareholders declared a dividend of Ps. 7,437 that was paid in May 3, 2019 and November 1, 2019. Represents a dividend of Ps. 3.54 per each ordinary share.

23.2 Capital management

The Company manages its capital to ensure that its subsidiaries will be able to continue as going concerns while maximizing the return to shareholders through the optimization of its debt and equity balance in order to obtain the lowest cost of capital available. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2019 and 2018.

The Company is not subject to any externally imposed capital requirements, other than the legal reserve and debt covenants (see Note 19 and Note 23.1).

The Company's Finance and Planning and the Corporate Practices Committees reviews the capital structure of the Company on a quarterly basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. In conjunction with this objective, the Company seeks to maintain the highest credit rating both national and international, currently rated AAA and A-/A2/A- respectively, which requires us to comply, among others, with the financial metrics that each rating agency considers. For example, some rating agencies maintain a debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio lower than 2.0x. As a result, prior to entering into new business ventures, acquisitions or divestures, management evaluates the impact that these transactions can have on its credit rating.

Note 24. Earnings per Share

Basic earnings per share amounts are calculated by dividing consolidated net income for the year attributable to controlling interest by the weighted average number of shares outstanding during the period adjusted for the weighted average of own shares purchased in the period.

Diluted earnings per share amounts are calculated by dividing consolidated net income for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the period plus the weighted average number of shares for the effects of dilutive potential shares (originated by the Company's commitment to capitalize 27.9 million KOF series L shares).

The earnings per share for the years ended December 31, 2018 and 2017 have been adjusted retrospectively for comparative purposes based on the number of shares resulting from the stock split.

Earnings amounts per share type are as follows:

	2019			
	Per series "A" shares	Per series "D" shares	Per series "B" shares	Per series "L" shares
Consolidated net Income	**Ps. 5,965**	**Ps. 3,508**	**Ps. 1,184**	**Ps. 1,973**
Consolidated net income attributable to equity holders of the parent- continuing operations	**5,714**	**3,361**	**1,135**	**1,891**
Weighted average number of shares for basic earnings per share (millions of shares)	**7,937**	**4,668**	**1,576**	**2,626**

	2018			
	Per series "A" shares	Per series "D" shares	Per series "B" shares	Per series "L" shares
Consolidated net Income	Ps. 7,116	Ps. 4,186	Ps. 1,413	Ps. 2,355
Consolidated net income attributable to equity holders of the parent- continuing operations	5,164	3,038	1,025	1,709
Consolidated net income attributable to equity holders of the parent- discontinued operation	1,405	826	279	465
Weighted average number of shares for basic earnings per share (millions of shares)	7,937	4,668	1,576	2,626

	2017			
	Per series "A" shares	Per series "D" shares	Per series "B" shares	Per series "L" shares
Consolidated net loss	Ps.(6,073)	Ps.(3,572)	Ps.(1,184)	Ps.(1,973)
Consolidated net loss attributable to equity holders of the parent- continuing operations	(7,618)	(4,480)	(1,485)	(2,475)
Consolidated net income attributable to equity holders of the parent- discontinued operation	1,545	908	301	502
Weighted average number of shares for basic earnings per share (millions of shares)	7,937	4,668	1,547	2,579

Note 25. Income Taxes

25.1 Income Tax

The major components of income tax expense for the years ended December 31, 2019, 2018 and 2017 are:

	2019	2018	2017
Current tax expense:			
Current year	**Ps. 6,011**	Ps. 4,763	Ps. 6,108
Deferred tax expense:			
Origination and reversal of temporary differences	**905**	1,579	(1,859)
(Benefit) utilization of tax losses recognized	**(1,268)**	(1,082)	(65)
Total deferred tax income expense (benefit)	**(363)**	497	(1,924)
Total income tax expense in consolidated net income	**Ps. 5,648**	Ps. 5,260	Ps. 4,184

2019	**Mexico**	**Foreign**	**Total**
Current tax expense:			
Current year	**Ps. 5,123**	**Ps. 888**	**Ps. 6,011**
Deferred tax expense:			
Origination and reversal of temporary differences	**(438)**	**1,343**	**905**
(Benefit) utilization of tax losses recognized	**(1,136)**	**(132)**	**(1,268)**
Total deferred tax (benefit)	**(1,574)**	**1,211**	**(363)**
Total income tax expense in consolidated net income	**Ps. 3,549**	**Ps. 2,099**	**Ps. 5,648**

2018	Mexico	Foreign	Total
Current tax expense:			
Current year	Ps. 3,545	Ps. 1,218	Ps. 4,763
Deferred tax expense:			
Origination and reversal of temporary differences	(283)	1,862	1,579
(Benefit) utilization of tax losses recognized	(679)	(403)	(1,082)
Total deferred tax (benefit)	(962)	1,459	497
Total income tax expense in consolidated net income	Ps. 2,583	Ps. 2,677	Ps. 5,260

2017	Mexico	Foreign	Total
Current tax expense:			
Current year	Ps. 3,874	Ps. 2,234	Ps. 6,108
Deferred tax expense:			
Origination and reversal of temporary differences	(1,798)	(61)	(1,859)
(Benefit) utilization of tax losses recognized	179	(244)	(65)
Total deferred tax (benefit)	(1,619)	(305)	(1,924)
Total income tax expense in consolidated net income	Ps. 2,255	Ps. 1,929	Ps. 4,184

Recognized in Consolidated Statement of Other Comprehensive Income (OCI)

	2019	2018	2017
Income tax related to items charged or recognized directly in OCI during the year:			
Unrealized (gain) loss on cash flow hedges	**Ps.(373)**	Ps.(208)	Ps.(160)
Remeasurements of the net defined benefit liability	**(192)**	152	(61)
Total income tax recognized in OCI	**Ps.(565)**	Ps. (56)	Ps.(221)

Balance of income tax included in Accumulated Other Comprehensive Income (AOCI) as of:

	2019	2018	2017
Income tax related to items charged or recognized directly in OCI as of year-end:			
Unrealized loss (gain) on derivative financial instruments	**Ps.(481)**	Ps.(128)	Ps.59
Comprehensive income to be reclassified to profit or loss in subsequent periods	**(481)**	(128)	59
Re-measurements of the net defined benefit liability	**(240)**	(56)	(199)
Balance of income tax in AOCI	**Ps.(721)**	Ps.(184)	Ps.(140)

A reconciliation between income tax expense and income (loss) before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method multiplied by the Mexican domestic statutory tax rate for the years ended December 31, 2019, 2018 and 2017 is as follows:

	2019	2018	2017
Mexican statutory income tax rate	**30%**	30%	30%
Income tax from prior years	**(2.66)**	(0.50)	3.16
(Loss) on monetary position for subsidiaries in hyperinflationary economies	**(0.50)**	(0.96)	4.26
Annual inflation tax adjustment	**0.78**	(0.32)	(3.65)
Non-deductible expenses	**3.92**	2.43	(5.54)
Non-taxable income	—	(0.78)	1.17
Income taxed at a rate other than the Mexican statutory rate	**1.28**	1.69	(2.54)
Effect of restatement of tax values	**(1.47)**	(3.38)	5.53
Effect of change in statutory rate	**(0.52)**	(0.38)	0.20
Income tax credits	**(0.18)**	(0.13)	9.68
Effect of Venezuela (Note 3.3)	—	—	(75.56)
Tax loss	**(1.01)**	1.04	(6.00)
Other	**1.04**	1.89	2.12
	30.68%	30.60%	(37.17)%

In 2017, the Venezuela deconsolidation impacted significantly the effective tax rate. Had this effect not occurred, the effective tax rate would have been 28.12%

Deferred income tax

An analysis of the temporary differences giving rise to deferred income tax liabilities (assets) is as follows:

	Consolidated Statement of Financial Position as of		Consolidated Income Statement		
	2019	2018	2019	2018	2017
Allowance for doubtful accounts	**Ps. (60)**	Ps. (33)	**Ps. (18)**	Ps. 76	Ps. 16
Inventories	**(61)**	(32)	**(37)**	(33)	(60)
Prepaid expenses	**43**	3	**41**	(19)	5
Property, plant and equipment, net	**(863)**	(1,051)	**128**	(392)	(1,783)
Rights of use assets	**197**	—	**197**	—	—
Other assets	**20**	38	**24**	74	(166)
Finite useful lived intangible assets	**148**	225	**(78)**	182	761
Indefinite lived intangible assets	**1,039**	1,081	**114**	31	743
Post-employment and other non-current employee benefits	**(387)**	(457)	**65**	(114)	(56)
Derivative financial instruments	**(7)**	3	**(12)**	(39)	(44)
Contingencies	**(2,169)**	(2,209)	**(94)**	1,146	(886)
Employee profit sharing payable	**(201)**	(184)	**17**	—	6
Tax loss carryforwards	**(9,224)**	(8,358)	**(1,268)**	(1,082)	(13)
Tax credits to recover [1]	**(1,855)**	(1,855)	**(122)**	(109)	(1,159)
Cumulative other comprehensive income	**(721)**	(184)	**29**	(54)	(224)
Liabilities of amortization of goodwill of business acquisition	**7,663**	7,299	**860**	1,125	(554)
Financial leasing	**(190)**	—	**(190)**	—	—
Other liabilities	**(33)**	132	**(19)**	(295)	1,490
Deferred tax (income)			**Ps. (363)**	Ps. 497	Ps.(1,924)
Deferred tax, asset	**Ps.(10,432)**	Ps.(8,438)			
Deferred tax, liability	**3,771**	2,856			
Deferred income taxes, net	**Ps. (6,661)**	Ps.(5,582)			

(1) Correspond to income tax credits arising from dividends received from foreign subsidiaries to be recovered within the next ten years accordingly to the Mexican Income Tax law as well as effects of the exchange of foreign currencies with Related and Non-Related Parties.

The changes in the balance of the net deferred income tax asset are as follows:

	2019	2018	2017
Balance at beginning of the period	**Ps.(5,582)**	Ps.(6,298)	Ps.(4,776)
Deferred tax provision for the period	**(363)**	497	(1,763)
Change in the statutory rate	**(66)**	63	—
Acquisition of subsidiaries, see Note 4	**57**	(413)	(563)
Venezuela effect	**—**	—	261
Effects in equity:			
Unrealized (gain) on derivative financial instruments	**(373)**	(21)	(160)
Cumulative translation adjustment	**(230)**	31	221
Remeasurements of the net defined benefit liability	**(192)**	152	(61)
Inflation adjustment	**88**	20	543
Philippines disposal	**—**	387	—
Balance at end of the period	**Ps.(6,661)**	Ps.(5,582)	Ps.(6,298)

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same tax authority.

The Company has determined that undistributed profits of its subsidiaries, will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, associates and joint ventures, for which deferred tax liabilities have not been recognized, aggregate to December 31, 2019: Ps. 13,187, December 31, 2018: Ps. 9,237 and, December 31, 2017: Ps. 5,847.

Tax Loss Carryforwards

Some subsidiaries in Mexico, Colombia and Brazil have tax loss carryforwards. Unused tax loss carryforwards, for which a deferred income tax asset has been recognized, may be recovered provided certain requirements are fulfilled. The tax losses carryforwards for which deferred tax asset has been recorded and their corresponding years of expiration are as follows:

	Tax Loss Carryforwards amounts in Millions
2024	Ps. 1
2025	4,714
2026	4,655
2027	—
2028	2,188
2029 and thereafter	3,243
No expiration (Brazil)	14,070
	Ps. 28,871

During 2013, the Company completed certain acquisitions in Brazil. In connection with the acquisitions in Brazil the Company recorded certain goodwill balances that are deductible for Brazilian income tax reporting purposes. The deduction of such goodwill amortization has resulted in the creation of Net Operating Losses (NOLs) in Brazil which NOLs have no expiration, but their usage is limited to 30% of Brazilian taxable income in any given year. As of December 31, 2019 and 2018 the Company believes that it is more likely than not that it will ultimately recover such NOLs through the reversal of temporary differences and future taxable income. Accordingly, the related deferred tax assets have been fully recognized.

Additionally as of December 31, 2019 and 2018, the Company has unused tax losses in Colombia for an amount of Ps. 2 and Ps. 2, respectively.

The changes in the balance of tax loss carryforwards are as follows:

	2019	2018	2017
Balance at beginning of the period	Ps.25,879	Ps.24,817	Ps.24,791
Increase	6,029	3,398	3,334
Usage of tax losses	(1,854)	(352)	(2,723)
Effect of foreign currency exchange rates	(1,183)	(1,984)	(585)
Balance at end of the period	Ps.28,871	Ps.25,879	Ps.24,817

There were no withholding taxes associated with the payment of dividends in 2019, 2018 and 2017 by the Company to its shareholders.

25.2 Recoverable taxes

Recoverable taxes are mainly integrated by higher provisional payments of income tax during 2019 in comparison to current year, which will be compensated in future years.

The operations in Guatemala, Colombia, Nicaragua and Panama are subject to a minimum tax. In Guatemala and Colombia this tax is recoverable under certain circumstances only. Guatemala tax basis is determined considering the highest between total assets and net income; in Colombia tax basis is equity.

25.2.1 Exclusion of the State VAT (ICMS) on the federal sale taxes (PIS / COFINS) calculate basis

On March 15, 2017 the Brazilian Federal Supreme Court (STF) ruled that the inclusion of the VAT (ICMS) on federal sales taxes (PIS and COFINS) taxable basis is unconstitutional. During 2019, our companies in Brazil obtained conclusive favorable motions over this exclusion of VAT (ICMS) over PIS / COFINS calculation. The net favorable effects of each case are to be recorded at the time all formalities and legal procedures are finalized and the asset become virtually certain. During 2019, the administrative formalities for one of the motions and the recoverable taxes for this motion was concluded were recorded in the income statement.

As of December 31, 2019 and 2018 the amount of recoverable taxes in Brazil including PIS and COFINS is Ps. 4,223 and Ps. 2,361.

25.3 Tax Reform

Since 2016, the Brazilian federal production and sales tax rates have being modified. However, the Supreme Court decided in early 2017 that the value-added tax will not be used as the basis for calculating the federal sales tax, which resulted in a reduction of the federal sales tax. Notwithstanding the above, the tax authorities appealed the Supreme Court's decision and are still waiting for a final resolution. For 2019, the federal production and sales taxes together resulted in an average of 16.3% tax over net sales.

In addition, the excise tax on concentrate in Brazil was reduced from 20.0% to 4.0% from September 1, 2018 to December 31, 2018. Temporarily the excise tax rate on concentrate increased from 4.0% to 12.0% from January 1, 2019 to June 30, 2019, and then it was reduced to 8.0% from July 1, 2019 to September 30, 2019, and increased to 10.0% from October 1, 2019 to December 31, 2019. On January 1, 2020 the excise tax rate will be reduced back to 4.0%.

On January 1, 2017, a general tax reform in Colombia reduced the income tax rate from 35.0% to 34.0% for 2017 and then to 33.0% for the following years. In addition, for entities located outside the free trade zone, this reform imposed an extra income tax rate of 6.0% for 2017 and 4.0% for 2018.

For taxpayers located in the free trade zone, the special income tax rate increased from 15.0% to 20.0% for 2017. Additionally, the reform eliminated the temporary tax on net equity, the supplementary income tax at a rate of 9.0% as contributions to social programs and the temporary contribution to social programs at a rate of 5.0%, 6.0%, 8.0% and 9.0% for the years 2015, 2016, 2017 and 2018, respectively.

On January 1, 2019, a new tax reform became effective in Colombia. This reform reduced the income tax rate from 33.0% to 32.0% for 2020, to 31.0% for 2021 and to 30.0% for 2022. The minimum assumed income tax (renta presuntiva sobre el patrimonio) was also reduced from 3.5% to 1.5% for 2019 and 2020, and to 0% for 2021. In addition, the thin capitalization ratio was adjusted from 3:1 to 2:1 for operations with related parties only.

Effective January 1, 2019, the value-added tax was calculated at each sale instead of applied only to the first sale (being able to transfer the value-added tax throughout the entire supply chain). For the companies located in the free trade zone, the value-added tax was calculated based on the cost of production instead of the cost of the imported raw materials (therefore, we were able to credit the value added-tax on goods and services against the value added-tax on the sales price of our products). The municipality sales tax was 50.0% credited against payable income tax for 2019 and 100.0% credited for 2020. Finally, the value-added tax paid on acquired fixed assets can be credited against income tax or the minimum assumed income tax.

The Tax Reform increased the dividend tax on distributions to foreign nonresident's entities and individuals from 5% to 7.5%. In addition, the tax reform established a 7.5% dividend tax on distributions between Colombian companies. The tax is charged only on the first distribution of dividends between Colombian entities, and could be credited against the dividend tax due once the ultimate Colombian company makes a distribution to its shareholders nonresident shareholders (individuals or entities) or to Colombian individual residents.

In October 2019, the Colombian Constitutional Court declared unconstitutional the tax reform of 2018 (Law 1943). On December 27, 2019, the Senate enacted a new tax reform through the Economic Growth Law, which became effective as of January 1, 2020. In general, the reform maintains the provisions introduced under Law 1943 with certain changes as follow: (i) reduction of the minimum assumed income tax rate (renta presuntiva sobre el patrimonio) from 1.5% to 0.5% for 2020 and maintained the 0% rate for year 2021 and onwards; (ii) reduction of dividends tax rate applicable to Colombian resident individuals from 15% to 10%; (iii) increasing of dividends tax rate applicable to foreign nonresidents (individuals and companies) from 7.5% to 10%; (iv) it postponed to 2022 the possibility of taxpayers to claim 100% of municipality sales tax as a credit against their income tax liability; and (v) gave more flexibility to recover VAT of imported goods from free trade zones.

On January 1, 2018, a tax reform became effective in Argentina. This reform reduced the income tax rate from 35.0% to 30.0% for 2018 and 2019, and then to 25.0% for the following years. In addition, such reform imposed a new tax on dividends paid to non-resident stockholders and resident individuals at a rate of 7.0% for 2018 and 2019, and then to 13.0% for the following years.

However, on December 23, 2019, Argentina enacted a tax reform that became effective since January 2020, keeping the corporate income tax rate of 30% and the dividend withholding tax of 7% for two more years. Besides, beginning on 1 January 2020, taxpayers may deduct 100% of the negative or positive inflation adjustment the year in which the adjustment is calculated, instead of a six years period allocation.

In addition, this reform imposed a new tax applicable for 2020-2024 period, to purchases of foreign currency by Argentine residents to pay goods, services or obligations from abroad. The tax rate will be 30% and will apply to the amount of the taxable purchases. The tax will be withheld at the time of payment for the purchases.

Regarding sales tax in the province of Buenos Aires, the tax rate decreased from 1.75% to 1.5% valid since 2018; while in the City of Buenos Aires, the tax rate increased from 1.0% to 2.0% in 2018, and was reduced to 1.5% in 2019, and will be reduced to 1.0% in 2020, to 0.5% in 2021 and will be zero in 2022.

Effective January 1, 2019, the Mexican government eliminated the right to offset any tax credit against any payable tax (general offset or compensación universal). As of such date, the right to offset any tax credit will be against taxes of the same nature and payable by the same person (not being able to offset tax credits against taxes payable by third parties).

On October 30, 2019, Mexico approved a new Tax Reform, which became effective on January 1, 2020. The most relevant changes are: (i) Taxpayers will be limited to a net interest deduction equal to 30% of the entity's Adjusted Taxable Income (ATI). ATI will be determined similarly to EBITDA (earnings before interest, taxes, depreciation and amortization). A $20,000,000 pesos (approximately USD 1M) exception applies for deductible interest at a Mexican group level. The non-deductible interests that exceed the limitation could be carried forward for the subsequent 10 tax years; (ii) The reform modifies the excise tax (IEPS) of 1.17 pesos to 1.2616 per liter on the production, sale and import of beverages with added sugar and HFCS (High-fructose corn syrup) for flavored beverages and starting January 1, 2021, this tax will be subject to an annual increase based on the inflation of the previous year; (iii) The excise tax of 25% on energized beverages will be applicable whenever the beverages include a mixture of caffeine with any other stimulating effects substances; (iv) Federal Fiscal Code (FFC) was modified to attribute joint liability to partners, shareholders, directors, managers or any other responsible of the management of the business; (v) added a disclosure obligation of certain reportable transactions to tax authorities; and (vi), increased the tax authorities' discretion to limit tax benefits or attributes in situations where authorities understand there is a lack of business reason and no economic benefit obtained, other than the tax benefit.

On January 1, 2019 a tax reform became effective in Costa Rica. This reform will allow that the tax on sales not only be applied to the first sale, but to be applied and transferred for each sale; therefore, the tax credits on tax on sales will be recorded not only on goods related to production and on administrative services, but on a greater number of goods and services. Value-added tax on services provided within Costa Rica will be charged at a rate of 13.0% if provided by local suppliers, or withheld at the same rate if provided by foreigner suppliers. Although a territorial principle is still applicable in Costa Rica for operations abroad, a tax rate of 15.0% has been imposed on capital gains from the sale of assets located in Costa Rica. New income tax withholding rates were imposed on salaries and compensations of employees, at the rates of 25.0% and 20.0% (which will be applicable depending on the employee's salary). Finally, the thin capitalization rules were adjusted to provide that the interest expenses (generated with non-members of the financial system) that exceed 20.0% of the company's EBITDA will not be deductible for tax purposes.

On November 18, 2019, Panama's National Assembly voted through a national health program that included a tax on sugar-sweetened beverages. It imposed a 5.0% excise tax (Impuesto Selectivo al Consumo) to non-carbonated beverages added with sugar or any caloric sweetener applicable since December 2019.

Starting January 1, 2020, the excise tax increased from 5.0% to 7.0% to carbonated beverages added with sugar or any caloric sweetener. Drinkable foods based on dairy products, grains or cereals, nectars, fruit juices and vegetables with natural fruit concentrates are exempt from this tax.

Note 26. Other Liabilities, Provisions and Commitments

26.1 Other current financial liabilities

	2019	2018
Sundry creditors	**Ps. 482**	Ps.182
Derivative financial instruments	**802**	384
Total	**Ps.1,284**	Ps.566

26.2 Provisions and other non-current liabilities

	2019	2018
Provisions	**Ps.7,983**	Ps.8,298
Taxes payable	**227**	371
Other	**581**	759
Total	**Ps.8,791**	Ps.9,428

26.3 Other non-current financial liabilities

	2019	2018
Derivative financial instruments	**Ps.1,436**	Ps. 733
Security deposits	**461**	643
Total	**Ps.1,897**	Ps.1,376

26.4 Provisions recorded in the consolidated statement of financial position

The Company has various loss contingencies, and has recorded reserves as other liabilities for those legal proceedings for which it believes an unfavorable resolution is probable. The following table presents the nature and amount of the loss contingencies recorded as of December 31, 2019 and 2018:

	2019	2018
Taxes	**Ps.4,696**	Ps.5,038
Labor	**2,222**	2,340
Legal	**1,065**	920
Total	**Ps.7,983**	Ps.8,298

26.5. Changes in the balance of provisions recorded

26.5.1 Taxes

	2019	2018	2017
Balance at beginning of the period	**Ps.5,038**	Ps.6,717	Ps.10,223
Penalties and other charges	**1**	7	148
New contingencies	**368**	178	4
Cancellation and adjusmets	**(247)**	(44)	(98)
Contingencies added in business combinations	**—**	104	861
Payments	**(68)**	(110)	(944)
Brazil tax amnesty	**—**	—	(3,069)
Effect of foreign currency exchange rates	**(396)**	(951)	(408)
Philippines disposal	**—**	(863)	—
Balance at end of the period	**Ps.4,696**	Ps.5,038	Ps. 6,717

26.5.2 Labor

	2019	2018	2017
Balance at beginning of the period	**Ps.2,340**	Ps.2,365	Ps.2,356
Penalties and other charges	**249**	279	56
New contingencies	**465**	205	115
Cancellation and expiration	**(273)**	(109)	(33)
Contingencies added in business combinations	**44**	289	—
Payments	**(401)**	(20)	(76)
Effects of foreign currency exchange rates	**(202)**	(669)	(52)
Effect of Venezuela deconsolidation (Note 3.3)	**—**	—	(1)
Balance at end of the period	**Ps.2,222**	Ps.2,340	Ps.2,365

26.5.3 Legal

	2019	2018	2017
Balance at beginning of the period	**Ps. 920**	Ps.1,985	Ps.1,049
Penalties and other charges	**94**	86	121
New contingencies	**128**	61	170
Cancellation and expiration	**(45)**	(9)	(16)
Contingencies added in business combinations	**77**	67	783
Payments	**(44)**	(251)	(80)
Brazil tax amnesty	**—**	—	7
Effects of foreign currency exchange rates	**(65)**	(135)	(47)
Effects of Venezuela deconsolidation (Note 3.3)	**—**	—	(2)
Philippines disposal	**—**	(884)	—
Balance at end of the period	**Ps.1,065**	Ps. 920	Ps.1,985

While provision for all claims has already been made, the actual outcome of the disputes and the timing of the resolution cannot be estimated by the Company at this time.

26.6 Unsettled lawsuits

The Company has entered into several proceedings with its labor unions, tax authorities and other parties that primarily involve Coca-Cola FEMSA and its subsidiaries. These proceedings have resulted in the ordinary course of business and are common to the industry in which the Company operates. Such contingencies were classified by the Company as less than probable but not remote, the estimated amount including uncertain tax position as of December 31, 2019 of these lawsuits is Ps. 77,649, however, the Company believes that the ultimate resolution of such proceedings will not have a material effect on its consolidated financial position or result of operations.

The Company has tax contingencies, most of which are related to its Brazilian operations, with loss expectations assessed by management and supported by the analysis of legal counsel considered as possible. The main possible contingencies of Brazilian operations amounting to approximately Ps. 53,937. This refers to various tax disputes related primarily to: (i) Ps. 10,378 of credits for ICMS (VAT); (ii) Ps. 34,102 related to tax credits of IPI over raw materials acquired from Free Trade Zone Manaus; (iii) Claims of Ps. 6,274 related to compensation of federal taxes not approved by the Tax authorities; and (iv) Ps. 3,183 related to the requirement by the Tax Authorities of State of São Paulo for ICMS (VAT), interest and penalty due to the alleged underpayment of tax arrears for the period 1994-1996. The Company is defending its position in these matters and final decision is pending in court.

In recent years in its Mexican and Brazilian territories, Coca-Cola FEMSA has been requested to present certain information regarding possible monopolistic practices. These requests are commonly generated in the ordinary course of business in the soft drink industry where this subsidiaries operates. The Company does not expect any material liability to arise from these contingencies.

26.7 Collateralized contingencies

As is customary in Brazil, the Company has been required by the tax authorities there to collateralize tax contingencies currently in litigation amounting to Ps. 10,471, Ps. 7,739 and Ps. 9.433 as of December 31, 2019, 2018 and 2017, respectively, by pledging fixed assets and entering into available lines of credit covering the contingencies. Also as disclosed in Note 9.2 there is some restricted cash in Brazil relates to short term deposits in order to fulfill the collateral requirements for accounts payable.

26.8 Commitments

The Company has firm commitments for the purchase of property, plant and equipment of Ps. 556 as December 31, 2019.

Note 27. Information by segment

The Company's chief operating decision maker ("CODM") is the Chief Executive Officer, who periodically reviews financial information at the country level. Thus, each of the separate countries in which the Company operates is considered and operating segments, with the exception of the countries in Central America which represent a single operating segment.

The Company has aggregated operating segments into the following reporting segments for the purposes of its consolidated financial statements: (i) Mexico and Central America division (comprising the following countries: Mexico (including corporate operations), Guatemala, Nicaragua, Costa Rica and Panama), and (ii) the South America division (comprising the following countries: Brazil, Argentina, Colombia, and Uruguay); Venezuela (consolidated until 2017) operated in an economy with exchange control and/ or hyper-inflation and, as a result, apply IAS 29, "Financial Reporting in Hyperinflationary Economies," which does not allow the Company from aggregating their results with those of other countries in the South America segment. The Company's results for 2017 reflect a reduction in the share of the profit of associates and joint ventures accounted for using the equity method, net of taxes, as a result of this consolidation. As disclosed in Note 3.3, the Company deconsolidated its operations in Venezuela as of December 31, 2017, consequently there is no financial information for this segment in 2018 and future years.

The Company is of the view that the quantitative and qualitative aspects of the aggregated operating segments are similar in nature for all periods presented. In evaluating the appropriateness of aggregating operating segments, the key indicators considered included but were not limited to:(i) similarities of customer base, products, production processes and distribution processes, (ii) similarities of governments, (iii) inflation trends, since hyper-inflationary economy has different characteristics that carry out to making decision on how to deal with the cost of the production and distribution, Venezuela (up until 2017) has been presented as a separate segment, (iv) currency trends and (v) historical and projected financial and operating statistics, historically and according to our estimates the financial trends of the countries aggregated into an operating segment have behaved in similar ways and are expected to continue to do so.

Segment disclosure for the Company's consolidated operations is as follows:

2019	Mexico and Central America(1)	South America(2)	Consolidated
Total revenues	**Ps.109,249**	**Ps. 85,222**	**Ps.194,471**
Intercompany revenue	**5,673**	**15**	**5,688**
Gross profit	**52,384**	**35,123**	**87,507**
Income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method	**10,349**	**8,060**	**18,409**
Depreciation and amortization	**6,380**	**4,262**	**10,642**
Non-cash items other than depreciation and amortization	**878**	**205**	**1,083**
Equity in earnings (loss) of associated companies and joint ventures	**(177)**	**46**	**(131)**
Total assets	**147,374**	**110,465**	**257,839**
Investments in associate companies and joint ventures	**6,198**	**3,553**	**9,751**
Total liabilities	**95,694**	**32,460**	**128,154**
Capital expenditures, net(3)	**6,677**	**4,788**	**11,465**

2018	Mexico and Central America(1)	South America(2)	Consolidated
Total revenues	Ps.100,162	Ps. 82,180	Ps.182,342
Intercompany revenue	5,143	17	5,160
Gross profit	48,162	35,776	83,938
Income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method	7,809	9,381	17,190
Depreciation and amortization	5,551	3,852	9,403
Non-cash items other than depreciation and amortization	1,249	132	1,381
Equity in earnings (loss) of associated companies and joint ventures	326	(100)	(226)
Total assets	147,748	116,039	263,787
Investments in associate companies and joint ventures	6,789	3,729	10,518
Total liabilities	96,525	35,512	132,037
Capital expenditures, net(3)	6,574	4,495	11,069

2017 (Restated)[4]	Mexico and Central America[1]	South America[2]	Venezuela	Consolidated
Total revenues	Ps. 92,643	Ps. 86,608	Ps. 4,005	Ps.183,256
Intercompany revenue	4,661	18	—	4,679
Gross profit	45,106	37,756	646	83,508
Income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method	(18,261)	8,792	(1,786)	(11,255)
Depreciation and amortization	4,801	3,442	807	9,050
Non-cash items other than depreciation and amortization	1,011	213	1,021	2,245
Equity in earnings (loss) of associated companies and joint ventures	(63)	123	—	60
Total assets	163,635	122,042	—	285,677
Investments in associate companies and joint ventures	7,046	4,455	—	11,501
Total liabilities	101,330	43,637	—	144,967
Capital expenditures, net [3]	8,245	4,686	—	12,931

(1) Central America includes Guatemala, Nicaragua, Costa Rica and Panama. Domestic (Mexico only) revenues were Ps. 91,358, Ps. 84,352 and Ps. 79,836 during the years ended December 31, 2019, 2018 and 2017, respectively. Domestic (Mexico only) total assets were Ps. 145,389, Ps. 130,865 and Ps. 133,315 as of December 31, 2019, 2018 and 2017, respectively. Domestic (Mexico only) total liabilities were Ps. 91,831, Ps. 92,340 and Ps. 88,283 as of December 31, 2019, 2018 and 2017, respectively.

(2) South America includes Brazil, Argentina, Colombia and Uruguay, although Venezuela is shown separately above for 2017. South America revenues include Brazilian revenues of Ps. 60,670, Ps. 56,523 and Ps. 58,518 during the years ended December 31, 2019, 2018 and 2017, respectively. Brazilian total assets were Ps. 81,230, Ps. 86,007 and Ps. 95,713 as of December 31, 2019, 2018 and 2017, respectively. Brazilian total liabilities Ps. 24,104, Ps. 26,851 and Ps. 31,580 as of December 31, 2019, 2018 and 2017, respectively. South America revenues also include Colombian revenues of Ps. 13,522, Ps. 14,580 and Ps. 14,222 during the years ended December 31, 2019, 2018 and 2017, respectively. Colombian total assets were Ps. 12,153, Ps. 17,626 and Ps. 14,180 as of December 31, 2019, 2018 and 2017, respectively. Colombian total liabilities were Ps. 4,154, Ps. 4,061 and Ps. 7,993 as of December 31, 2019, 2018 and 2017, respectively. South America revenues also include Argentine revenues of Ps. 6,725, Ps. 9,152 and Ps. 13,869 during the years ended December 31, 2019, 2018 and 2017, respectively. Argentine total assets were Ps. 5,038, Ps. 6,021 and Ps. 5,301 as of December 31, 2019, 2018 and 2017, respectively. Argentine total liabilities were Ps. 1,637, Ps. 2,059 and Ps. 3,660 as of December 31, 2019, 2018 and 2017, respectively. South America revenues also include Uruguay revenues of Ps. 3,421 and Ps. 1,925, during the years ended on December 31, 2019 and 2018, respectively. Uruguay total assets were Ps. 3,312 and Ps. 6,385 as of December 31, 2019 and 2018, respectively. Uruguay total liabilities were Ps. 2,566 and Ps. 2,541, as of December 31, 2019 and 2018, respectively.

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

(4) Restated due to Philippines deconsolidation

Note 28. Future Impact of Recently Issued Accounting Standards not yet in Effect:

The Company has not applied the following standards, amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Modifications to the Conceptual Framework

The Conceptual Framework for Financial Information ("Conceptual Framework") have been issued on March 2018 replacing the previous version of the Conceptual Framework issued on 2010. The Conceptual Framework describes the purpose and concepts of general purpose for the financial information. The purpose of the Conceptual Framework is to:

a) Help to the IASB to develop standards that are based on consistent concepts;

b) Assist to preparers to develop congruent accounting policies when no Standard is applicable to a specific transaction or event, or when a Standard allows an accounting policy option; and

c) Help to all parties to understand and interpret the Standards.

The Conceptual Framework is not a Standard. No content of the Conceptual Framework prevails over any Standard or requirement of a Standard.

The Conceptual Framework is effective immediately for the IASB and the IFRIC, and is effective for periods beginning on or after January 1, 2020, and its early application is permitted, for companies that use the Conceptual Framework to develop their policies Accountants when IFRS are not applicable for a particular transaction.

Modifications to IFRS 3 Definition of a Business ("IFRS 3")

Issued in October 2018. The modified definition emphasizes that the purpose of a business is to provide goods and services to the customers, while the previous definition was focus on returns in dividends, lower costs or other economic benefits for investors and others. The distinction between a business and a group of assets is important because an acquirer recognizes a goodwill when a business is acquired. The amendments to IFRS 3 are effective beginning on January 1, 2020 and their early application is allowed.

Modifications to IAS 1 and IAS 8 Definition of Material or relative importance ("IAS 1" and "IAS 8").

The definition of material or relative importance helps to the Company to determine whether information about an item, transaction or other event should be provided to the users of the financial statements. However, the Companies had difficulty using the above definition of material or with relative importance in making materiality judgments or with relative importance in the preparation of the financial statements. Accordingly, the IASB published the Definition of Material or Relative Importance (Amendments to IAS 1 and IAS 8) in October 2018. The amendments to IAS 1 and IAS 8 will be effective on January 1, 2020 and its early application is allowed.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 *Financial Instruments: Disclosures*, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments to IFRS 9

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Application of the reliefs is mandatory. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable
- Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss
- The assessment of the economic relationship between the hedged item and the hedging instrument

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

A fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship. Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedged items are initially designated within the hedging relationship.

To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value.

The reliefs continue indefinitely in the absence of any of the events described in the amendments. When an entity designates a group of items as the hedged item, the requirements for when the reliefs cease are applied separately to each individual item within the designated group of items.

The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed. Company does not expect any impact since they do not have contracts with IBOR rates.

Note 29. Supplemental Guarantor Information

Condensed Consolidating Financial Information

The following consolidating information presents condensed consolidating statements of financial position as of December 31, 2019 and 2018 and condensed consolidating statements of income, other comprehensive income and cash flows for each of the three years in the period ended December 31, 2019, 2018 and 2017 of the Company and Propimex, S. de R.L. de C.V., Comercializadora la Pureza de Bebidas, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V., Grupo Embotellador CIMSA, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Distribuidora y Manufacturera del Valle de Mexico, S. de R.L. de C.V (as successor guarantor of Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V.) and Yoli de Acapulco, S. de R. L. de C.V. (the Guarantors).

These statements are prepared in accordance with IFRS, as issued by the IASB, with the exception that the subsidiaries are accounted for as investments under the equity method rather than being consolidated. The guarantees of the Guarantors are full and unconditional.

The accounting policies applied in the preparation of the condensed financial statements is the same as those used in the preparation of the consolidated financial statements (see Note 3).

The Company's consolidating condensed financial information for the (i) Company; (ii) its 100% owned guarantors subsidiaries (on standalone basis), which are wholly and unconditional guarantors under both prior years debt and current year debt referred to as "Senior Notes" in Note 19; (iii) the combined non-guarantor subsidiaries; iv) eliminations and v) the Company's consolidated financial statements are as follows:

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Consolidated Statement of Financial Position As of December 31, 2019				
Assets:					
Current assets:					
Cash and cash equivalents	Ps. 9,849	Ps. 4,464	Ps. 6,178	Ps. —	Ps. 20,491
Accounts receivable, net	18,832	28,528	59,730	(91,614)	15,476
Inventories	—	1,462	9,076	—	10,538
Recoverable taxes	189	1,474	5,904	—	7,567
Other current assets	188	522	2,014	—	2,724
Total current assets	29,058	36,450	82,902	(91,614)	56,796
Non-current assets:					
Investments in other entities	153,782	147,846	3,571	(295,448)	9,751
Rights of use assets	—	594	788	—	1,382
Property, plant and equipment, net	—	19,130	42,057	—	61,187
Intangible assets, net	27,608	36,501	47,941	—	112,050
Deferred tax assets	4,411	2,208	3,813	—	10,432
Other non-current assets and Other current financial assets	22,697	5,742	19,663	(41,861)	6,241
Total non-current assets	208,498	212,021	117,833	(337,309)	201,043
Total assets	Ps.237,556	Ps. 248,471	Ps.200,735	Ps.(428,923)	Ps.257,839
Liabilities:					
Current liabilities:					
Short-term bank loans and notes payable and current portion of non-current debt	Ps. 9,421	Ps. —	Ps. 2,064	Ps. —	Ps. 11,485
Current portion of lease liabilities	—	143	340	—	483
Interest Payable	422	—	17	—	439
Suppliers	11	3,735	16,225	(139)	19,832
Other current liabilities	33,151	48,249	28,846	(91,475)	18,771
Total current liabilities	43,005	52,127	47,492	(91,614)	51,010
Non-current liabilities:					
Bank loans and notes payable	57,455	—	1,037	—	58,492
Lease liabilities	—	452	448	—	900
Other non-current liabilities	14,161	36,797	8,653	(41,859)	17,752
Total non-current liabilities	71,616	37,249	10,138	(41,859)	77,144
Total liabilities	114,621	89,376	57,630	(133,473)	128,154
Equity:					
Equity attributable to equity holders of the parent	122,935	159,095	136,354	(295,450)	122,934
Non-controlling interest in consolidated subsidiaries	—	—	6,751	—	6,751
Total equity	122,935	159,095	143,105	(295,450)	129,685
Total liabilities and equity	Ps.237,556	Ps. 248,471	Ps.200,735	Ps.(428,923)	Ps.257,839

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Consolidated Statement of Financial Position As of December 31, 2018				
Assets:					
Current assets:					
Cash and cash equivalents	Ps. 16,529	Ps. 1,025	Ps. 6,173	Ps. —	Ps. 23,727
Accounts receivable, net	19,388	31,461	51,028	(87,030)	14,847
Inventories	—	2,717	7,334	—	10,051
Recoverable taxes	80	1,870	4,088	—	6,038
Other current assets and Other current financial assets	—	170	2,657	—	2,827
Total current assets	35,997	37,243	71,280	(87,030)	57,490
Non-current assets:					
Investments in associates and joint ventures	160,014	131,357	3,766	(284,619)	10,518
Property, plant and equipment, net	—	18,378	43,564	—	61,942
Intangible assets, net	27,824	36,361	52,619	—	116,804
Deferred tax assets	3,043	1,807	3,588	—	8,438
Other non-current assets and financial assets	19,060	6,282	25,149	(41,896)	8,595
Total non-current assets	209,941	194,185	128,686	(326,515)	206,297
Total assets	Ps.245,938	Ps. 231,428	Ps. 199,966	Ps.(413,545)	Ps.263,787
Liabilities:					
Current liabilities:					
Short-term bank loans and notes payable and current portion of non-current debt	Ps. 4,700	Ps. —	Ps. 6,904	Ps. —	Ps. 11,604
Interest Payable	477	—	20	—	497
Suppliers	11	2,531	17,257	(53)	19,746
Other current liabilities	32,909	82,359	(14,614)	(86,977)	13,677
Total current liabilities	38,097	84,890	9,567	(87,030)	45,524
Non-current liabilities:					
Bank loans and notes payable	68,607	—	1,594	—	70,201
Other non-current liabilities	14,292	670	43,246	(41,896)	16,312
Total non-current liabilities	82,899	670	44,840	(41,896)	86,513
Total liabilities	120,996	85,560	54,407	(128,926)	132,037
Equity:					
Equity attributable to equity holders of the parent	124,942	145,868	138,753	(284,619)	124,944
Non-controlling interest in consolidated subsidiaries	—	—	6,806	—	6,806
Total equity	124,942	145,868	145,559	(284,619)	131,750
Total liabilities and equity	Ps.245,938	Ps. 231,428	Ps. 199,966	Ps.(413,545)	Ps.263,787

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed consolidating income statements: For the year ended December 31, 2019				
Total revenues	Ps. 2	Ps. 96,169	Ps. 155,767	Ps.(57,467)	Ps.194,471
Cost of goods sold	—	54,714	101,268	(49,018)	106,964
Gross profit	2	41,455	54,499	(8,449)	87,507
Administrative expenses	404	3,194	7,815	(2,986)	8,427
Selling expenses	—	24,308	33,265	(5,463)	52,110
Other expenses (income), net	3	1,579	908	—	2,490
Interest expense, net	4,568	3,745	(2,639)	—	5,674
Foreign exchange (loss) gain, net	379	(80)	(629)	—	(330)
Other financing (expense) income, net	—	—	(67)	—	(67)
Income taxes	(1,105)	2,536	4,217	—	5,648
Share of the profit of subsidiaries, associates and joint ventures accounted for using the equity method, net of taxes	15,590	11,676	48	(27,445)	(131)
Consolidated Net income	Ps.12,101	Ps. 17,689	Ps. 10,285	Ps.(27,445)	Ps. 12,630
Attributable to:					
Equity holders of the parent- continuing	12,101	17,689	9,756	(27,445)	12,101
Non-controlling interest- continuing	—	—	529	—	529
Consolidated Net income	Ps.12,101	Ps. 17,689	Ps. 10,285	Ps.(27,445)	Ps. 12,630

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed consolidating income statements: For the year ended December 31, 2018				
Total revenues	Ps. 1	Ps. 86,736	Ps. 165,325	Ps.(69,720)	Ps.182,342
Cost of goods sold	—	49,104	108,671	(59,371)	98,404
Gross profit	1	37,632	56,654	(10,349)	83,938
Administrative expenses	135	5,403	8,054	(5,593)	7,999
Selling expenses	—	22,814	31,867	(4,756)	49,925
Other expenses (income), net	—	627	1,254	—	1,881
Interest expense, net	4,425	3,514	(1,375)	—	6,564
Foreign exchange (loss) gain, net	(96)	(91)	(90)	—	(277)
Other financing (expense) income, net	—	—	(102)	—	(102)
Income taxes	(731)	1,455	4,536	—	5,260
Share of the profit of subsidiaries, associates and joint ventures accounted for using the equity method, net of taxes	17,833	14,732	105	(32,896)	(226)
Net income from continuing operations	Ps.13,911	Ps. 18,460	Ps. 12,229	Ps.(32,896)	Ps. 11,704
Net income after tax from discontinued operations	Ps. —	Ps. —	Ps. 3,366	Ps. —	Ps. 3,366
Consolidated Net income	Ps.13,911	Ps. 18,460	Ps. 15,595	Ps.(32,896)	Ps. 15,070
Attributable to:					
Equity holders of the parent- continuing	13,911	18,460	11,461	(32,896)	10,936
Equity holders of the parent- discountinued	—	—	2,975	—	2,975
Non-controlling interest- continuing	—	—	768	—	768
Non-controlling interest discontinued	—	—	391	—	391
Consolidated Net income	Ps.13,911	Ps. 18,460	Ps. 15,595	Ps.(32,896)	Ps. 15,070

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed consolidating income statements: For the year ended December 31, 2017				
Total revenues	Ps. 1	Ps. 80,179	Ps. 126,031	Ps. (22,955)	Ps. 183,256
Cost of goods sold	—	40,870	71,402	(12,524)	99,748
Gross profit	1	39,309	54,629	(10,431)	83,508
Administrative expenses	140	5,598	7,003	(5,048)	7,693
Selling expenses	—	22,589	33,146	(5,384)	50,351
Other expenses (income), net	(314)	(330)	32,000	1	31,357
Interest expense, net	3,717	3,210	1,058	1	7,986
Foreign exchange (loss) gain, net	846	255	(313)	—	788
Other financing (expense) income, net	(104)	—	1,940	—	1,836
Income taxes	238	2,270	1,676	—	4,184
Share of the profit of subsidiaries, associates and joint ventures accounted for using the equity method, net of taxes	(9,765)	9,647	148	30	60
Net income from continuing operations	Ps. (12,803)	Ps. 15,874	Ps. (18,479)	Ps. 29	Ps. (15,379)
Net income after tax from discontinued operations	Ps. —	Ps. —	Ps. 3,725	Ps. —	Ps. 3,725
Consolidated Net income	Ps. (12,803)	Ps. 15,874	Ps. (14,754)	Ps. 29	Ps. (11,654)
Attributable to:					
Equity holders of the parent- continuing	(12,803)	15,874	(19,158)	29	(16,058)
Equity holders of the parent- discountinued	—	—	3,256	—	3,256
Non-controlling interest- continuing	—	—	679	—	679
Non-controlling interest discontinued	—	—	469	—	469
Consolidated Net income	Ps. (12,803)	Ps. 15,874	Ps. (14,754)	Ps. 29	Ps. (11,654)

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed consolidating statements of comprehensive income For the year ended December 31, 2019				
Consolidated net income	Ps.12,101	Ps. 17,689	Ps. 10,285	Ps.(27,445)	Ps. 12,630
Other comprehensive income, net of taxes:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Valuation of the effective portion of derivative financial instruments, net of taxes	(819)	157	(330)	157	(835)
Exchange differences on translation of foreign operations	(5,013)	(10,391)	(5,578)	15,403	(5,579)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	(5,832)	(10,234)	(5,908)	15,560	(6,414)
Items not to be reclassified to profit or loss in subsequent periods:					
Loss from equity financial asset classified at FVOCI	(216)	—	(216)	216	(216)
Remeasurements of the net defined benefit liability, net of taxes	(511)	(64)	(899)	963	(511)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods:	(727)	(64)	(1,115)	1,179	(727)
Total comprehensive (loss) income, net of tax	(6,559)	(10,298)	(7,023)	16,739	(7,141)
Consolidated comprehensive income for the year, net of tax	Ps. 5,542	Ps. 7,391	Ps. 3,262	Ps.(10,706)	Ps. 5,489
Attributable to:					
Equity holders of the parent- continuing	Ps. 5,542	Ps. 7,391	Ps. 3,314	Ps.(10,706)	Ps. 5,541
Non-controlling interest-continuing	—	—	(52)	—	(52)
Consolidated comprehensive income for the year, net of tax	Ps. 5,542	Ps. 7,391	Ps. 3,262	Ps.(10,706)	Ps. 5,489

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed consolidating statements of comprehensive income For the year ended December 31, 2018				
Consolidated net income	Ps.13,911	Ps. 18,460	Ps. 15,595	Ps.(32,896)	Ps. 15,070
Other comprehensive income, net of taxes:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Valuation of the effective portion of derivative financial instruments, net of taxes	(396)	(1,102)	2,142	(1,081)	(437)
Exchange differences on translation of foreign operations	(6,937)	23,618	(7,127)	(16,788)	(7,234)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	(7,333)	22,516	(4,985)	(17,869)	(7,671)
Items not to be reclassified to profit or loss in subsequent periods:					
Loss from equity financial asset classified at FVOCI	(1,039)	—	(1,039)	1,039	(1,039)
Remeasurements of the net defined benefit liability, net of taxes	223	(6)	101	(59)	259
Net other comprehensive income not being reclassified to profit or loss in subsequent periods:	(816)	(6)	(938)	980	(780)
Total comprehensive (loss) income, net of tax	(8,149)	22,510	(5,923)	(16,889)	(8,451)
Consolidated comprehensive income for the year, net of tax	Ps. 5,762	Ps. 40,970	Ps. 9,672	Ps.(49,785)	Ps. 6,619
Attributable to:					
Equity holders of the parent- continuing	Ps. 5,762	Ps. 40,970	Ps. 7,037	Ps.(49,785)	Ps. 3,984
Equity holders of the parent- discontinued	—	—	2,817	—	2,817
Non-controlling interest-continuing	—	—	(421)	—	(421)
Non-controlling interest- discontinued	—	—	239	—	239
Consolidated comprehensive income for the year, net of tax	Ps. 5,762	Ps. 40,970	Ps. 9,672	Ps.(49,785)	Ps. 6,619

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed consolidating statements of comprehensive income For the year ended December 31, 2017				
Consolidated net income (loss)	Ps.(12,803)	Ps. 15,874	Ps. (14,754)	Ps. 29	Ps.(11,654)
Other comprehensive income, net of taxes:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Valuation of the effective portion of derivative financial instruments, net of taxes	(192)	(554)	(266)	746	(266)
Exchange differences on translation of foreign operations	16,345	5,245	15,293	(21,676)	15,207
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	16,053	4,691	15,027	(20,930)	14,941
Items not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of the net defined benefit liability, net of taxes	(10)	171	32	(165)	28
Net other comprehensive income not being reclassified to profit or loss in subsequent periods:	(10)	171	32	(165)	28
Total comprehensive (loss) income, net of tax	16,143	Ps. 4,862	Ps. 15,059	Ps.(21,095)	Ps. 14,969
Consolidated comprehensive income for the year, net of tax	Ps. 3,340	Ps. 20,736	Ps. 305	Ps.(21,066)	Ps. 3,315
Attributable to:					
Equity holders of the parent- continuing	Ps. 3,340	Ps. 20,736	Ps. (2,169)	Ps.(21,066)	Ps. 841
Equity holders of the parent- discontinued	—	—	2,500	—	2,500
Non-controlling interest-continuing	—	—	146	—	146
Non-controlling interest- discontinued	—	—	(172)	—	(172)
Consolidated comprehensive income for the year, net of tax	Ps. 3,340	Ps. 20,736	Ps. 305	Ps.(21,066)	Ps. 3,315

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed Consolidated Statements of Cash Flows For the year ended December 31, 2019				
Cash flows from operating activities:					
Income before income taxes for continuing op.	Ps. 10,995	Ps. 20,226	Ps. 14,502	Ps.(27,445)	Ps. 18,278
Non-cash items	(13,994)	(9,829)	12,276	27,445	15,898
Changes in working capital	(222)	(4,975)	2,310	—	(2,887)
Net cash flows (used in)/from operating activities from continuing operations	(3,221)	5,422	29,088	—	31,289
Investing activities:					
Interest received	2,957	2,460	5,446	(9,633)	1,230
Acquisition of long-lived assets, net	—	(4,218)	(5,776)	—	(9,994)
Acquisition of intangible assets and other investing activities	(3,693)	189	2,095	—	(1,409)
Investments in financial assets, net	(86)	(224)	(3,705)	3,443	(572)
Dividends received	15,052	868	1	(15,920)	1
Net cash flows used in investing activities from continuing operations	14,230	(925)	(1,939)	(22,110)	(10,744)
Financing activities:					
Proceeds from borrowings	9,400	Ps. —	1,336	—	10,736
Repayment of borrowings	(14,137)	—	(6,323)	—	(20,460)
Interest paid	(4,006)	(31)	(10,278)	9,633	(4,682)
Dividends paid	(7,437)	(12,261)	(3,662)	15,920	(7,440)
Interest paid on lease liabilities	—	(129)	(125)	125	(129)
Payments of leases	—	(105)	(473)	86	(492)
Other financing activities	(1,016)	11,484	(7,141)	(3,654)	(327)
Net cash flows (used in)/from financing activities from continuing operations	(17,196)	(1,042)	(26,666)	22,110	(22,794)
Net (decrease) increase in cash and cash equivalents	(6,187)	3,455	483	—	(2,249)
Initial balance of cash and cash equivalents	16,529	1,026	6,172	—	23,727
Effects of exchange rate changes and inflation effects on the balance sheet of cash held in foreign currencies	(493)	(17)	(477)	—	(987)
Ending balance of cash and cash equivalents	Ps. 9,849	Ps. 4,464	Ps. 6,178	Ps. —	Ps. 20,491

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed Consolidated Statements of Cash Flows For the year ended December 31, 2018				
Cash flows from operating activities:					
Income before income taxes for continuing op.	Ps. 13,180	Ps. 19,914	Ps. 16,766	Ps.(32,896)	Ps. 16,964
Non-cash items	(15,622)	(7,476)	8,957	32,896	18,755
Changes in working capital	(89)	(10,958)	2,909	—	(8,138)
Net cash flows (used in)/from operating activities from continuing operations	(2,531)	1,480	28,632	—	27,581
Income before income taxes from discontinued operations	—	—	1,308	—	1,308
Operating activities from discontinued operations	—	—	654	—	654
Investing activities:					
Acquisition and mergers, net of cash acquired	—	—	1,957	—	1,957
Interest received	2,994	2,187	4,513	(8,690)	1,004
Acquisition of long-lived assets, net	—	(3,506)	(6,012)	—	(9,518)
Acquisition of intangible assets and other investing activities	(10,153)	6,710	2,088	—	(1,355)
Investments in shares	(9,576)	(1,948)	(23,820)	34,957	(387)
Dividends received	4,816	—	8	(4,816)	8
Net cash flows used in investing activities from continuing operations	(11,919)	3,443	(21,266)	21,451	(8,291)
Net cash flows used from investing activities from discontinued operations	—	—	(962)	—	(962)
Financing activities:					
Proceeds from borrowings	10,100	—	5,326	—	15,426
Repayment of borrowings	(9,028)	—	(6,929)	—	(15,957)
Interest paid	(4,189)	(5,487)	(3,998)	8,690	(4,984)
Dividends paid	(7,038)	(4,434)	(382)	4,816	(7,038)
Proceeds from issuing shares	—	—	—	—	—
Other financing activities	34,314	5,118	(6,157)	(34,957)	(1,682)
Net cash flows (used in)/from financing activities from continuing operations	24,159	(4,803)	(12,140)	(21,451)	(14,235)
Net cash flows used from financing activities from discontinued operations	—	—	(37)	—	(37)
Net (decrease) increase in cash and cash equivalents **from continuing operations**	9,709	120	(4,774)	—	5,055
Net (decrease) increase in cash and cash equivalents from discontinued operations	—	—	963	—	963
Initial balance of cash and cash equivalents	7,017	926	10,824	—	18,767
Effects of exchange rate changes and inflation effects on the balance sheet of cash held in foreign currencies	(197)	(20)	(841)	—	(1,058)
Ending balance of cash and cash equivalents	Ps. 16,529	Ps. 1,026	Ps. 6,172	Ps. —	Ps. 23,727

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed Consolidated Statements of Cash Flows For the year ended December 31, 2017				
Cash flows from operating activities:					
Income before income taxes for continuing op.	Ps.(12,565)	Ps. 18,144	Ps. (16,803)	Ps. 29	Ps.(11,195)
Non-cash items	10,474	(4,564)	39,495	(29)	45,376
Changes in working capital	118	1,803	(9,566)	—	(7,645)
Net cash flows (used in)/from operating activities from continuing operations	(1,973)	15,383	13,126	—	26,536
Income before taxes from discontinued operations	—	—	1,265	—	1,265
Operating activities from discontinued operations	—	—	5,435	—	5,435
Investing activities:					
Acquisition and mergers, net of cash acquired	—	—	26	—	26
Deconsolidation of Venezuela	—	—	(170)	—	(170)
Interest received	4,753	1,693	1,471	(7,126)	791
Acquisition of long-lived assets, net	—	(2,646)	(6,746)	—	(9,392)
Acquisition of intangible assets and other investing activities	4,901	(995)	(7,461)	—	(3,555)
Investments in shares	(100)	(405)	305	(1,243)	(1,443)
Dividends received	3,187	—	33	(3,187)	33
Net cash flows (used in)/from investing activities from continuing operations	12,741	(2,353)	(12,542)	(11,556)	(13,710)
Net cash flows (used in)/from investing activities from discontinued operations	—	—	2,820	—	2,820
Financing activities:					
Proceeds from borrowings	10,200	—	2,288	—	12,488
Repayment of borrowings	(9,926)	—	(3,183)	—	(13,109)
Interest paid	(5,169)	(4,740)	(1,775)	7,126	(4,558)
Dividends paid	(6,991)	(3,187)	(1)	3,187	(6,992)
Other financing activities	2,730	(5,293)	(881)	1,243	(2,201)
Proceeds from issuing shares	4,082	—	—	—	4,082
Net cash flows (used in)/from financing activities from continuing operations	(5,074)	(13,220)	(3,552)	11,556	(10,290)
Net cash flows (used in)/from financing activities from discontinued operations	—	—	(485)	—	(485)
Net (decrease) increase in cash and cash equivalents from continuing operations	5,694	(190)	(2,968)	—	2,536
Net (decrease) increase in cash and cash equivalents from discontinued operations	—	—	9,035	—	9,035
Initial balance of cash and cash equivalents	1,106	1,119	8,251	—	10,476
Effects of exchange rate changes and inflation effects on the balance sheet of cash held in foreign currencies	217	(3)	(3,494)	—	(3,280)
Ending balance of cash and cash equivalents	Ps. 7,017	Ps. 926	Ps. 10,824	Ps. —	Ps. 18,767

Note 30. Subsequent Events

30.1 Debt

During March 2020, we took bank debt in Mexico with a maturity of one year for a total amount of Ps. 10,000 million at floating rate.

On February 7, 2020, we issued (i) Ps.3,000 million aggregate amount of 8-year fixed rate certificados bursátiles bearing an annual interest rate of 7.35% and due January 2028, and (ii) Ps.1,727 million aggregate amount of 5.5-year floating rate certificados bursátiles, priced at 28-day Tasa de Interés Interbancaria de Equilibrio (Equilibrium Interbank Interest Rate, or TIIE) plus 0.08% and due August 2025.

On January 22, 2020, we issued US1,250 million aggregate principal amount of 2.750% senior notes due January 22, 2030. These notes were used to prepaid Senior Note of $ 900 with an interest rate of 3.88% with due date on November 26, 2023. These notes are guaranteed by the Guarantors (as defined in Note 29). The indenture governing these notes imposes, among others, certain conditions upon a consolidation or merger by us and restricts the incurrence of liens and the entering into sale and leaseback transactions by us and our significant subsidiaries.

Our 4.625% Notes due 2020 matured and were repaid in full on February 15, 2020.

30.2 Dividend payment approval

On March 17, 2020, the Company’s Shareholders Meeting approved the payment of cash dividends for Ps. 0.6075 per share that is outstanding on the date of the payment of dividends (equivalent to Ps. 4.86 per related unit), these will be paid in two equal installments on May 5, 2020 and November 3, 2020.

30.3 Impact derived from COVID-19

As of the date of issuance of the Financial Statements, currencies in most of the countries where we operate have suffered a significant depreciation against the U.S. dollar as compared to December 31, 2019. Likewise, we have additional impacts in the business as a result of the outbreak of the novel Covid-19 and its spread in the countries where we operate. The Company will continue monitoring the impact that this outbreak could have in our following financial statements.

Exhibit 2.11

Execution version

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

as Issuer

Propimex, S. de R.L. de C.V.,
Comercializadora La Pureza de Bebidas, S. de R.L. de C.V.,
Grupo Embotellador Cimsa, S. de R.L. de C.V.,
Refrescos Victoria del Centro, S. de R.L. de C.V.,
Yoli de Acapulco, S. de R.L. de C.V.,
Controladora Interamericana de Bebidas, S. de R.L. de C.V. and
Distribuidora y Manufacturera del Valle de México, S. de R.L. de C.V.,

as Guarantors

and

The Bank of New York Mellon,

as Trustee, Security Registrar, Paying Agent and Transfer Agent

---

NINTH SUPPLEMENTAL INDENTURE

Dated as of January 22, 2020

3.875% Senior Notes due 2023

TABLE OF CONTENTS

NINTH SUPPLEMENTAL INDENTURE, dated as of January 22, 2020 (this "Ninth Supplemental Indenture"), among (i) Coca-Cola FEMSA, S.A.B. de C.V., a *sociedad anónima bursátil de capital variable* organized and existing under the laws of the United Mexican States ("Mexico") (herein called the "Company"), having its principal office at Calle Mario Pani No. 100, Colonia Santa Fe Cuajimalpa, Alcaldía Cuajimalpa de Morelos, 05348, Mexico City, Mexico; (ii) Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Yoli de Acapulco, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V. and Distribuidora y Manufacturera del Valle de México, S. de R.L. de C.V., as guarantors (the "Guarantors"); and (iii) The Bank of New York Mellon, a corporation duly organized and existing under the laws of the State of New York authorized to conduct a banking business, as trustee (herein called the "Trustee"), security registrar, paying agent and transfer agent, to the indenture dated as of February 5, 2010, between the Company and the Trustee (herein called the "Base Indenture").

W I T N E S S E T H:

WHEREAS, the Company, the Guarantors, the Trustee (in such capacity, and as paying agent, registrar and transfer agent) and The Bank of New York Mellon SA/NV, Dublin Branch, as Irish paying agent (the "Irish Agent") previously have entered into the fifth supplemental indenture, dated as of November 26, 2013 (the "Fifth Supplemental Indenture"), pursuant to which the Company established under the Base Indenture a series of Securities known as the Company's "3.875% Senior Notes due 2023" (the "Notes") and issued U.S.$750,000,000 in aggregate principal of Notes;

WHEREAS, the Company, the Guarantors, the Trustee (in such capacity, and as paying agent, registrar and transfer agent) and the Irish Agent previously have entered into the sixth supplemental indenture, dated as of January 21, 2014 (the "Sixth Supplemental Indenture" and together with the Base Indenture and the Fifth Supplemental Indenture, the "Indenture"), pursuant to which the Company issued additional U.S.$150,000,000 in aggregate principal of Notes;

WHEREAS, Section 902 of the Base Indenture provides that the Company and the Trustee may enter into a supplemental indenture to the Base Indenture for the purposes of amending or modifying such Base Indenture as it applies to a series of Securities with the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series affected by such supplemental indenture (the "Required Consents");

WHEREAS, the Company has solicited (the "Consent Solicitation") consents (the "Consents") from each Holder of the Notes upon the terms of, and subject to the conditions set forth in, the Offer to Purchase and Consent Solicitation Statement, dated as of January 6, 2020 (as amended, restated and supplemented from time to time, the "Statement") to effect certain amendments to the Indenture and the Notes as described in the Statement and set forth in this Ninth Supplemental Indenture (the "Proposed Amendments");

WHEREAS, as evidenced by the Officers' Certificate delivered to the Trustee by the Company on the date hereof, (i) the Holders of at least a majority in aggregate principal amount of the Notes Outstanding have duly consented to the Proposed Amendments in accordance with the Indenture, which such consents have not been withdrawn or revoked as of the date hereof, (ii) the Company has (x) accepted for purchase all of the Notes tendered by consenting Holders as of the Consent Payment and Withdrawal Deadline (as such term is defined in the Statement) in accordance with the Statement and (y) paid to such Holders all amounts due to such Holders in accordance with the terms of the Statement;

WHEREAS, pursuant to the Consent Solicitation, there have been validly delivered to the Company the Required Consents to effect the Proposed Amendments;

WHEREAS, pursuant to Section 902 of the Base Indenture, the Trustee is authorized to execute and deliver this Ninth Supplemental Indenture;

WHEREAS, by delivery of their Consents, Holders of the Notes have authorized and directed the Trustee to (i) enter into this Ninth Supplemental Indenture to give effect to the Proposed Amendments, and (ii) to do all such other things as may be necessary or expedient to carry out and give effect to the Consents or the Consent Solicitations;

WHEREAS, the Company and each of the Guarantors has duly authorized the execution and delivery of this Ninth Supplemental Indenture to effect the Proposed Amendments; and

WHEREAS, all things necessary to make this Ninth Supplemental Indenture a valid agreement of the Company and the Guarantors, in accordance with its terms, have been done.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company, the Guarantors and the Trustee hereby agree, as follows:

ARTICLE ONE

INDENTURE AND DEFINITIONS

Section 101. *Provisions of the Base Indenture*.

Except insofar as herein otherwise expressly provided, all the definitions, provisions, terms and conditions of the Indenture shall remain in full force and effect. The Indenture, as supplemented by this Ninth Supplemental Indenture, is in all respects ratified and confirmed, and the Indenture and this Ninth Supplemental Indenture shall be read, taken and considered as one and the same instrument for all purposes and every Holder of Notes authenticated and delivered under the Indenture shall be bound hereby. This Ninth Supplemental Indenture shall not modify, amend or otherwise affect the Indenture insofar as it relates to any other series of Securities or modify, amend or otherwise affect in any manner the terms and conditions of the Securities of any other series. Notwithstanding any other provision of this Section 101 or the Indenture or this Ninth Supplemental Indenture to the contrary, to the extent any provisions of this Ninth Supplemental Indenture shall conflict with any provision of the Indenture or any Note issuer thereunder, the provisions of this Ninth Supplemental Indenture, shall govern.

Section 102. *Definitions*.

For all purposes of this Ninth Supplemental Indenture and the Notes, except as otherwise expressly provided or unless the subject matter or context otherwise requires:

(a) any reference to an “Article” or a “Section” refers to an Article or Section, as the case may be, of this Ninth Supplemental Indenture;

(b) the words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Ninth Supplemental Indenture as a whole and not to any particular Article, Section or other subdivision; and

(c) all terms used in this Ninth Supplemental Indenture that are not defined herein shall have the meanings assigned to them in the Indenture.

ARTICLE TWO

CONSENT AND AMENDMENT

Section 201. *Consent and Amendments*. From and after the Supplement Operative Time (as defined below) and without further action by any party hereto, the Indenture is hereby amended as follows.

(a) Section 203(b) “Forms; Terms and Conditions in Forms. – Form of Reverse of Note” to the Fifth Supplemental Indenture shall be amended solely with respect to redemption of the Notes by deleting and replacing the words “upon not less than 30 nor more than 60 days’ written notice” with “upon not less than three Business Days nor more than 60 days’ written notice”;

(b) Section 701 “Optional Redemption by the Company” to the Fifth Supplemental Indenture shall be amended and restated solely with respect to the Notes by deleting it in its entirety and replacing it with the following:

“Each series of Notes may be redeemed at the option of the Company on the terms and conditions set forth in the form of Note as set forth in Section 203(b) of this Fifth Supplemental Indenture and in accordance with Article Eleven of the Base Indenture, modified with respect to the Notes only as follows:

(a) The election of the Company to redeem any Notes shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company of the Notes of any series, the Company shall, at least three Business Days prior to the Redemption Date fixed by the Company, notify the Trustee in writing of such Redemption Date, of the principal amount of Notes of such series to be redeemed and, if applicable, of the tenor of the Notes to be redeemed. Such notice, once given to the Trustee, shall be irrevocable;

(b) Notice of redemption shall be given by the Company (or by the Trustee at the request of the Company) first-class mail, postage prepaid, mailed not less than three Business Days nor more than 60 days prior to the Redemption Date, to each Holder of Notes to be redeemed, at his address appearing in the Security Register;

provided that, as long as the Notes are represented by Global Notes registered in the name of, the Depositary for such Notes or a nominee thereof, notices to be given to Holders will be given to the Depositary in accordance with the Applicable Procedures of the Depositary."

Section 202. *Modifications of the Notes*. From and after the Supplement Operative Time and without further action by any party hereto, any provision contained in each Global Note representing the Notes that relates to the sections in the Indenture that are amended pursuant to Section 201 hereof shall likewise be amended so that any such provision contained in such Global Note will conform to and be consistent with the Indenture, as amended by this Ninth Supplemental Indenture.

Section 203. *References to Deleted or Amended Provisions*. From and after the Supplement Operative Time and without any further action by any party hereto, all references in the Indenture or any Global Note representing the Notes, as amended by Sections 201 and 202 hereof, as applicable, to any of the provisions so amended, or to terms defined in such provisions, shall also be deemed amended, in accordance with the terms of this Ninth Supplemental Indenture. From and after the Supplement Operative Time and without any further action by any party hereto, the Company, the Guarantors, the Trustee and the Holders of the Notes or other parties to or beneficiaries of the Indenture shall only have such rights, obligations or liabilities as provided for under such Sections, subsections or clauses as amended and such Sections, subsections or clauses shall only be considered as amended in determining whether an Event of Default has occurred or whether the Company or any Guarantor has observed, performed or complied with the provisions of the Indenture or any Note.

ARTICLE THREE
MISCELLANEOUS PROVISIONS

Section 301. *Effect of Ninth Supplemental Indenture*. From and after the Supplement Operative Time, the Indenture and the Notes shall be amended and supplemented in accordance herewith. Each reference in the Indenture to "this Indenture," "hereunder," "hereof," or "herein," and each reference in the Notes to "the Indenture," "thereunder," "thereof," or "therein" shall mean and be a reference to the Indenture as amended and supplemented by this Ninth Supplemental Indenture unless the context otherwise requires. Additionally, each reference in the Notes to "this Note,", "hereunder," "hereof," or "herein," and each reference in the Indenture to "the Notes," "thereunder," "thereof," or "therein" shall mean and be a reference to the Notes as amended and supplemented by this Ninth Supplemental Indenture unless the context otherwise requires. The Indenture as amended and supplemented by this Ninth Supplemental Indenture shall be read, taken and construed as one and the same instrument, and every Holder of the Notes heretofore or hereafter authenticated and delivered under the Indenture as supplemented by this Ninth Supplemental Indenture shall be bound thereby.

Section 302. *Effectiveness*. This Ninth Supplemental Indenture shall become effective on the Company, the Guarantors, the Trustee, the Irish Agent and each Holder of the Notes heretofore or hereafter authenticated and delivered under the Indenture, following payment to the consenting Holders of the consideration set forth in the Statement and at the time of execution and delivery of this Ninth Supplemental Indenture by the parties hereto (such time of execution, the "Supplement Operative Time").

Section 303. *Ratification of Indenture; Ninth Supplemental Indenture Part of the Indenture*. Except as expressly amended hereby, the Indenture and the Notes are in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall not in any way be affected or impaired thereby and such provision shall be ineffective only to the extent of such invalidity, illegality or unenforceability.

Section 304. *Consent to Service; Jurisdiction*

Each party hereto agrees that any legal suit, action or proceeding arising out of or relating to this Ninth Supplemental Indenture, the Base Indenture, the Notes, or the Guarantees may be instituted in any federal or state court in the Borough of Manhattan, The City of New York, New York and in the courts of its own corporate domicile, in respect of actions brought against each such party as a defendant, and each waives any objection which it may now or hereafter have to the laying of the venue of any such legal suit, action or proceeding, waives any immunity from jurisdiction or to service of process in respect of any such suit, action or proceeding, waives any right to any jurisdiction to which it may be entitled on account of place of residence, domicile or any other reason and irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding. Each of the Company and each of the Guarantors hereby designates and appoints CT Corporation System, 28 Liberty Street, New York, NY 10005, as its authorized agent upon which process may be served in any legal suit, action or proceeding arising out of or relating to this Ninth Supplemental Indenture, the Base Indenture, the Notes, or the Guarantees which may be instituted in any federal or state court in the Borough of Manhattan, The City of New York, New York, and agrees that service of process upon such agent shall be deemed in every respect effective service of process upon the Company and/or the Guarantors, as applicable, in any such suit, action or proceeding and further designates its domicile, the domicile of CT Corporation System specified above and any domicile CT Corporation System may have in the future as its domicile to receive any notice hereunder (including service of process). If for any reason CT Corporation System (or any successor agent for this purpose) shall cease to act as agent for service of process as provided above, each of the Company and the Guarantors will promptly appoint a successor agent for this purpose reasonably acceptable to the Trustee. Each of the Company and the Guarantors agree to take any and all actions as may be necessary to maintain such designation and appointment of such agent in full force and effect.

Section 305. *Governing Law; Waiver of Jury Trial*

(a) THIS NINTH SUPPLEMENTAL INDENTURE, THE BASE INDENTURE, THE NOTES AND THE GUARANTEES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

(b) EACH OF THE PARTIES HERETO (EXCEPT FOR THE AVOIDANCE OF DOUBT THE HOLDERS OF THE NOTES) HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THE BASE INDENTURE, THIS NINTH SUPPLEMENTAL INDENTURE, THE NOTES, THE GUARANTEES OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 306. *Separability of Invalid Provisions*

In case any one or more of the provisions contained in this Ninth Supplemental Indenture, the Base Indenture, the Notes or the Guarantees should be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions contained in this Ninth Supplemental Indenture, and to the extent and only to the extent that any such provision is invalid, illegal or unenforceable, this Ninth Supplemental Indenture shall be construed as if such provision had never been contained herein.

Section 307. *Execution in Counterparts*

This Ninth Supplemental Indenture may be simultaneously executed and delivered in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

Section 308. *Certain Matters*

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Ninth Supplemental Indenture, the Base Indenture, the Notes, the Guarantees or for or in respect of the recitals contained herein, all of which are made solely by the Company and the Guarantors.

Section 309. *Certain Duties and Responsibilities of the Trustee*. In entering into this Ninth Supplemental Indenture, the Trustee shall be entitled to the benefit of every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee (including, without limitation, the right to be indemnified), whether or not elsewhere herein so provided. The Trustee, for itself and its successors, accepts the terms of the Indenture as amended by this Ninth Supplemental Indenture, and agrees to perform the same, but only upon the terms and provisions defining and limiting the liabilities and responsibilities of the Trustee, which terms and provisions shall in like manner define and limit its liabilities and responsibilities in the performance of the trust created by the Indenture. The Trustee shall not be responsible in any manner whatsoever for or in respect of and makes no representations (i) as to the validity or sufficiency of this Ninth Supplemental Indenture or any of the terms or provisions hereof, other than as to the validity of its execution and delivery by the Trustee, (ii) in respect of recitals contained herein (all of which recitals or statements are made solely by the Company and the Guarantors), (iii) as to the due execution hereof by the Company and the Guarantors, or (iv) as to the consequences of any amendment and/or waiver herein provided for.

[*Signature pages follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Ninth Supplemental Indenture to be duly executed on their respective behalves, all as of the day and year first written above.

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

By /s/ José Castro Godard
Name: José Castro Godard
Title: Attorney-in-fact

By /s/ Marlene Fernanda Castillo Jiménez
Name: Marlene Fernanda Castillo Jiménez
Title: Attorney-in-fact

PROPIMEX, S. DE R.L. DE C.V.

By /s/ Gerardo Cruz Celaya
Name: Gerardo Cruz Celaya
Title: Attorney-in-fact

By /s/ Marlene Fernanda Castillo Jiménez
Name: Marlene Fernanda Castillo Jiménez
Title: Attorney-in-fact

COMERCIALIZADORA LA PUREZA DE BEBIDAS, S. DE R.L. DE C.V.

By /s/ Gerardo Cruz Celaya
Name: Gerardo Cruz Celaya
Title: Attorney-in-fact

By /s/ Marlene Fernandez Castillo Jiménez
Name: Marlene Fernandez Castillo Jiménez
Title: Attorney-in-fact

GRUPO EMBOTELLADOR CIMSA, S. DE R.L. DE C.V.

By /s/ Gerardo Cruz Celaya
Name: Gerardo Cruz Celaya
Title: Attorney-in-fact

By /s/ Marlene Fernandez Castillo Jiménez
Name: Marlene Fernandez Castillo Jiménez
Title: Attorney-in-fact

REFRESCOS VICTORIA DEL CENTRO, S. DE R.L. DE C.V.

By /s/ Gerardo Cruz Celaya
Name: Gerardo Cruz Celaya
Title: Attorney-in-fact

By /s/ Marlene Fernandez Castillo Jiménez
Name: Marlene Fernandez Castillo Jiménez
Title: Attorney-in-fact

CONTROLADORA INTERAMERICANA DE BEBIDAS, S. DE R.L. DE C.V.

By /s/ Gerardo Cruz Celaya
Name: Gerardo Cruz Celaya
Title: Attorney-in-fact

By /s/ Marlene Fernanda Castillo Jiménez
Name: Marlene Fernanda Castillo Jiménez
Title: Attorney-in-fact

DISTRIBUIDORA Y MANUFACTURERA DEL VALLE DE MÉXICO, S. DE R.L. DE C.V.

By /s/ Gerardo Cruz Celaya
Name: Gerardo Cruz Celaya
Title: Attorney-in-fact

By /s/ Marlene Fernandez Castillo Jiménez
Name: Marlene Fernandez Castillo Jiménez
Title: Attorney-in-fact

YOLI DE ACAPULCO, S. DE R.L. DE C.V.

By /s/ Gerardo Cruz Celaya
Name: Gerardo Cruz Celaya
Title: Attorney-in-fact

By /s/ Marlene Fernandez Castillo Jiménez
Name: Marlene Fernandez Castillo Jiménez
Title: Attorney-in-fact

THE BANK OF NEW YORK MELLON,
as Trustee, Security Registrar,
Principal Paying Agent and Transfer Agent

By: /s/ Latoya S. Elvin
Name: Latoya S. Elvin
Title: Vice President

Exhibit 2.12

DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT

As of the date of this report, Coca-Cola FEMSA, S.A.B. de C.V. ("Coca-Cola FEMSA," "our company," "we," "us," and "our") had the following classes of securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading symbol (s)	Name of each exchange on which registered
American Depositary Shares, each representing 10 units	**KOF**	NYSE
Units, each consisting of 3 Series B shares and 5 Series L shares, without par value*	—	NYSE
Series B shares, without par value*	—	NYSE
Series L shares, without par value*	—	NYSE
2.750% Senior Notes due 2030	—	NYSE

* Not for trading, but only in connection with the registration of American Depositary Shares ("ADSs") representing such units or shares, pursuant to the requirements of the Securities and Exchange Commission.

Capitalized terms used but not defined herein have the meanings given to them in our annual report on Form 20-F for the fiscal year ended December 31, 2019 (our "2019 Form 20-F").

I. Description of Our Capital Stock

Our capital stock is divided into four series of shares, in each case without par value: Series A shares, Series B shares, Series D shares, and Series L shares. Our bylaws require that at least 75.0% of our capital stock be comprised of ordinary shares with full voting rights (i.e., the Series A shares, Series D shares and Series B shares). Our capital stock may be comprised of no more than 25.0% of shares with limited voting rights (i.e., the Series L shares). Series A shares must at all times constitute at least 50.1% of all outstanding common shares with full voting rights (i.e., excluding the Series L shares) and may only be held by Mexican investors. Series B shares jointly with Series D shares may not exceed 49.9% of all outstanding common shares with full voting rights (i.e., excluding the Series L shares).

The following is a summary of certain provisions of our bylaws and Mexican law relating to our Series B shares, our Series L shares and the units. The summary is not complete. Our Series B shares, our Series L shares and the units are described in greater detail in our bylaws, which are attached to our 2019 Form 20-F as Exhibit 1.1. We encourage you to read our bylaws and the applicable sections of our annual report for additional information. ***See "Item 10. Additional Information—Bylaws"*** *in our 2019 Form 20-F.*

Description of Our Series B and Series L Shares

Voting Rights, Transfer Restrictions and Certain Minority Rights

Series B shares have full voting rights, and Series L shares have limited voting rights. Series B shares and Series L shares are freely transferable in the form of units, for so long as Series B shares and Series L shares trade together as units. If the units are unwound, as described below under "Description of Our Units," the underlying Series B shares and Series L shares will be freely transferable on an individual basis. None of our Series B shares or Series L shares are exchangeable for shares of a different series. The rights of all series of our capital stock (including the Series B and Series L shares) are substantially identical except as described herein and under **"Item 10. Additional Information—Bylaws"** in our 2019 Form 20-F.

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

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

- holders of 5.0% of our outstanding capital stock, either individually or as a group, to bring an action for liability against our directors, the secretary of the board of directors and certain key officers;
- holders of 10.0% of our outstanding capital stock entitled to vote, including in a limited or restricted manner, either individually or as a group, to require the chairman of the board of directors or the chairmen of the Audit or Corporate Practices Committees to call a shareholders meeting;
- holders of 10.0% of our outstanding capital stock entitled to vote, including in a limited or restricted manner, either individually or as a group, to request at any shareholders meeting that resolutions be postponed with respect to any matter on which they considered they were not sufficiently informed;
- for every 10.0% of our outstanding capital stock entitled to vote, including in a limited or restricted manner, held either individually or as a group, to appoint one member of our board of directors and one alternate member of our board of directors up to the maximum number of directors that each series is entitled to appoint under our bylaws; if a holder or group of holders of Series B shares are entitled to appoint a director, the shareholders meeting will reduce the number of directors entitled to be appointed by holders of another series of shares; provided that, the number of directors entitled to be appointed by holders of Series D shares will remain unchanged, unless otherwise agreed; and
- holders of 20.0% of our outstanding capital stock, either individually or as a group, to oppose any resolution adopted at a shareholders meeting in which they are entitled to vote and file a petition for a court order to suspend the resolution temporarily within 15 days following the adjournment of the meeting at which the action was taken, provided that (1) the challenged resolution violates Mexican law or our bylaws, (2) the opposing shareholders neither attended the meeting nor voted in favor of the challenged resolution and (3) the opposing shareholders deliver a bond to the court to secure payment for any damages that we may suffer as a result of suspending the resolution in the event that the court ultimately rules against the opposing shareholder.

Shareholders Meetings

General shareholders meetings may be ordinary meetings or extraordinary meetings. Extraordinary meetings are those called to consider certain specific matters including: amendments to our bylaws, liquidation, dissolution, merger and transformation from one form of company to another, issuance of preferred stock and increases and reductions of the fixed portion of our capital stock. In addition, our bylaws require an extraordinary meeting to consider the cancellation of the registration of our equity securities with the RNV maintained by the CNBV and the delisting of our equity securities from the Mexican Stock Exchange or any other foreign stock exchanges on which our equity securities may be listed, the amortization of distributable earnings into capital stock, and issuances of treasury shares for future subscription and payment. All other matters, including increases or decreases affecting the variable portion of our capital stock, are considered at an ordinary meeting.

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

The quorum for ordinary and extraordinary meetings at which holders of Series L shares are not entitled to vote is 76.0% of the holders of our fully subscribed and paid voting shares. Resolutions adopted at such ordinary or extraordinary shareholders meetings are valid when adopted with the affirmative vote of holders of at least a majority of our fully subscribed and paid voting shares voting (and not abstaining) at the meeting, including the affirmative vote of holders of a majority of the Series D shares. However, for a shareholders meeting to vote on a payment of dividends in an amount not to exceed 20.0% of the preceding years' consolidated net profits, the approval of our financial statements for the preceding fiscal year with an unqualified auditor's opinion, or our normal operations plan, our bylaws only require a quorum of a majority of our fully subscribed and paid voting shares and resolutions are validly adopted at such meeting with the affirmative vote of a majority of the holders of our voting shares voting (and not abstaining) at the meeting.

Under our bylaws, holders of Series B shares are entitled to vote on all matters discussed at an ordinary or extraordinary meeting. These holders are entitled to elect and remove one director for every 10.0% of all issued, subscribed and paid shares of our capital stock that they may hold either individually or as a group, up to a maximum number of three directors out of the total of 21 directors.

The quorum for an extraordinary meeting at which holders of Series L shares are entitled to vote is 82.0% of all of our fully subscribed and paid shares, and resolutions issued at such extraordinary meeting are valid when adopted with the affirmative vote of holders of at least a majority of our fully subscribed and paid shares voting (and not abstaining) at the meeting. The following matters may be approved in such a meeting:

- changes in our corporate form from one type of company to another (other than changing from a variable capital to fixed-capital corporation and vice versa); and
- any merger where we are not the surviving entity or any merger with an entity whose principal corporate purposes are different from those of the Registrant or its subsidiaries.

Series L shares will also be entitled to vote on any other matters for which the Mexican Securities Market Law expressly allows Series L shares to vote.

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

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

Mexican law provides for a special meeting of shareholders to allow holders of shares of a specific series to vote as a class on any action that would prejudice exclusively the rights of holders of such series. There are no procedures for determining whether a particular proposed shareholder action requires a class vote, and Mexican law does not provide extensive guidance on the criteria to be applied in making such a determination. Holders of Series B and Series L shares at their respective special meetings or at an annual ordinary meeting, must appoint, remove or ratify directors, as well as determine their compensation. The quorum for special meetings of any series of shares is 75.0% of the holders of the fully subscribed and paid shares of the series entitled to attend such special meeting. Except for resolutions to unwind the units into individual Series B and Series L shares as described above, resolutions adopted at a special shareholders meeting are valid when adopted by the holders of at least a majority of the fully subscribed and paid shares of the series entitled to attend such special meeting. Resolutions to unwind the units into individual Series B shares and Series L shares as described above are valid when adopted by the holders of at least 51.0% of each of the fully subscribed and paid Series B shares and Series L shares.

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

Dividend Rights

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

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

Changes in Capital Stock

According to our bylaws, any change in our authorized capital stock requires a resolution of a shareholders meeting. We are permitted to issue shares representing fixed capital and shares representing variable capital. The fixed portion of our capital stock may be increased or decreased only by amendment of our bylaws adopted by a resolution at an extraordinary shareholders meeting. The variable portion of our capital stock may be increased or decreased by resolution of an ordinary shareholders meeting without amending our bylaws. All changes in the fixed or variable capital have to be registered in our capital variation registry book, as required by the applicable law. A capital stock increase may be effected through the issuance of new shares for payment in cash or in kind, or by capitalization of indebtedness or of certain items of equity. Treasury stock may only be sold pursuant to a public offering.

Preemptive Rights

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

Redemption

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

Repurchase of Shares

According to our bylaws, and subject to the provisions of the Mexican Securities Market Law and under rules promulgated by the CNBV, we may freely repurchase our own shares for a maximum amount in Mexican pesos previously approved by our shareholders meeting. In accordance with the Mexican Securities Market Law, our subsidiaries may not purchase, directly or indirectly, shares of our capital stock or any security that represents such shares.

Forfeiture of Shares

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

Appraisal Rights

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

Liquidation

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

Description of Our Units

Holders of the Units are entitled to the same rights and are subject to the same restrictions regarding dividends, voting rights, transfers, minority rights, ownership, redemption, repurchases, changes in capital stock, preemptive rights, appraisal rights, liquidation and forfeiture as apply to the underlying Series B and Series L shares that form each Unit. See "Description of Our Series B and Series L Shares" above.

According to our bylaws, during the fifth year after the creation of the Units, the Units may be unwound into the underlying Series B and Series L shares through a special shareholders meeting which will require 75% of each of the Series B and the Series L shares to be present or represented and the affirmative vote of holders representing at least 51% of the fully subscribed and paid shares of each series. Alternatively, our board of directors may at any time submit for vote to the holders of Series B and Series L shares whether to unwind the Units into Series B and Series L shares. The board of directors would need to provide three months' notice of the special shareholders meeting, and the same quorum and voting thresholds would apply. If the holders of the Series B and Series L shares vote to unwind the Units, the underlying Series B and Series L shares would trade separately on the Mexican Stock Exchange one year after the approval.

Description of American Depositary Shares

The Bank of New York Mellon serves as the depositary for the ADSs (the "Depositary") pursuant to an Amended and Restated Deposit Agreement dated April 11, 2019, between Coca-Cola FEMSA and The Bank of New York Mellon, as ADS depositary (the "Deposit Agreement"). ADSs represent ownership interests in securities that are on deposit with the Depositary. The Depositary typically appoints a custodian to safekeep the securities on deposit. The Deposited Securities are deposited with BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, the custodian and agent of the Depositary in Mexico (the "Custodian"). ADSs are normally evidenced by certificates that are commonly known as American Depositary Receipts ("ADRs"). So long as any ADSs are listed on one or more stock exchanges in the United States, the Depositary will act as registrar or, with our approval, appoint a registrar or one or more co-registrars, for registration of ADRs in accordance with any requirements of such exchanges.

Set forth below is a summary description of the material terms of the ADSs and the material rights of a holder of ADSs. Because it is a summary, it does not describe every aspect of the ADSs and the Deposit Agreement. For more complete information, you should read the entire Deposit Agreement, which includes the form of ADR. The Deposit Agreement is attached to our 2019 Form 20-F as Exhibit 2.1.

Under the Deposit Agreement, the Depositary executes and delivers ADRs. Each ADS represents 10 Units, each Unit consisting of three Series B shares and five Series L shares (together, the "Deposited Securities"). If the Units are unwound, as described in "Description of Our Units," we expect that each ADS will continue to represent the same underlying 30 Series B shares and 50 Series L shares. Only persons in whose names ADRs are registered on the books of the Depositary will be treated by us and the Depositary as owners of ADSs.

Procedures for Voting

Holders of ADSs receive notice of shareholders meetings from the Depositary in sufficient time to enable such holders to return voting instructions to the Depositary in a timely manner. We give the Depositary notice of our shareholder meetings with time in advance to so that the Depositary may notify holders of ADSs of upcoming vote requests and request their instructions. The Depositary does not vote or attempt to exercise the right to vote that attaches to the Deposited Securities, other than in accordance with the instructions received by an ADS holder. Upon written request of any holder or beneficial owner of ADSs received on or before the date established by the Depositary for such purpose, the Depositary will (a) as early as practicable prior to such meeting, issue to such beneficial owner an admission ticket for such meeting and (b) notify us, at least two Mexico City business days prior to such meeting, of the identity of such beneficial owner.

Dividends and Distributions

Holders of ADSs have the right to receive dividends and distributions made on the Deposited Securities. Receipt of these distributions may be limited, however, by practical considerations and legal restrictions. Holders will receive distributions they are entitled to receive under the terms of the Deposit Agreement in proportion to the number of ADSs they hold as of a specified record date.

Dividends on the Deposited Securities are paid in Mexican pesos. Whenever a dividend or distribution is made on the Deposited Securities, the Depositary will convert the cash dividend or other cash distribution into U.S. dollars and distribute the proceeds as promptly as practicable in proportion to the number of ADSs held, so long as the conversion pursuant to applicable law is reasonable and the U.S. dollars are transferable into the United States. The amounts distributed to ADS holders will be net of fees, expenses, taxes and governmental charges payable by the ADS holders under the terms of the Deposit Agreement and applicable law. If the Depositary determines that Mexican pesos received by it cannot be converted on a reasonable basis or transferred into the United States, or if any approval or license of any government or agency thereof which is required for such conversion is denied or in the opinion of the Depositary is not obtainable, or if any such approval or license is not obtained within a reasonable period, the Depositary will (a) as to that portion of Mexican pesos that is convertible into Dollars, make such conversion and, if permitted by applicable law, transfer such U.S. dollars to the United States for distribution to ADS holders and (b) as to the nonconvertible balance, if any, (i) if requested in writing by an ADS holder, distribute or cause the Custodian to distribute the Mexican pesos (or an appropriate document evidencing the right to receive Mexican pesos) received by the Depositary or Custodian to such holder and (ii) the Depositary will hold or will cause the Custodian to hold any amounts of nonconvertible Mexican pesos not distributed (without liability for interest) for the respective accounts of the ADS holders entitled to receive the cash dividend or distribution. Mexico does not currently impose any restrictions on the payment and transfer of U.S. dollars outside of Mexico.

Whenever we make a free distribution of Deposited Securities, the Depositary may, after consultation with us, and will if we shall so request, distribute as promptly as practicable to holders of ADSs entitled thereto, in proportion to the number of ADSs held by them, additional ADSs evidencing an aggregate number of ADSs representing the amount of Deposited Securities received as such dividend or free distribution, subject to the terms and conditions of the Deposit Agreement with respect to the deposit of Deposited Securities and the issuance of ADSs, including the withholding of any tax or other governmental charge and the payment of fees of the Depositary. If additional ADSs are not so distributed, each ADS will thereafter also represent the additional securities distributed upon the Deposited Securities represented. The Depositary will distribute only whole numbers of ADSs. The Depositary will sell any remaining fractional entitlements and distribute the proceeds of that sale in the same manner as in a cash distribution. The distribution of ADSs will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the Deposit Agreement and applicable law. In order to pay those taxes and governmental charges, the Depositary may sell all or a portion of the Deposited Securities.

Whenever we intend to offer rights to the holders of Deposited Securities to subscribe for additional securities or any other rights of any other nature, after consultation with us, the Depositary will determine the procedure to be followed in making such rights available to ADS holders or in disposing of such rights for the benefit of such ADS holders and making the net proceeds available in U.S. dollars to such ADS holders. If the Depositary determines it is lawful and feasible, the Depositary may, and will, at our request, make the rights available to ADS holders by means of warrants or otherwise. If the Depositary distributes warrants or other instruments for rights to purchase additional Deposited Securities, holders of ADSs may instruct the Depositary to exercise such rights and upon payment by such holder to the Depositary of an amount equal to the purchase price of the Deposited Securities to be received upon the exercise of such rights and the fees of the Depositary and any other charges as set forth in such warrants or other instruments, the Depositary will, on behalf of such holder, exercise the rights and purchase such Deposited Securities, and we will cause such Deposited Securities so purchased to be delivered to the Depositary on behalf of such holder. As agent for such holder, the Depositary will cause the Deposited Securities so purchased to be deposited with the Custodian and will execute and deliver ADSs to such holder. If the Depositary determines that it is not lawful or feasible to make the rights available to ADS holders but that it is lawful and feasible to sell the rights, the Depositary may, and will if we request, sell the rights, warrants or other instruments at public or private sale, at such place or places and upon proper terms, allocating the net proceeds of the sale for the accounts of the ADS holders otherwise entitled to such rights, warrants or other instruments upon an averaged or other practicable basis without regard to any distinctions among holders on account of exchange restrictions or the date of delivery of an ADS or otherwise.

We may, in our sole discretion, decide not to register under the Securities Act securities to which such rights relate where registration under the Securities Act may be required in connection with the offer or sale of such securities. In such case, ADS holders would not be permitted to purchase such securities or otherwise exercise such rights and the Depositary may dispose of such rights for the account of such holders as described in the prior paragraph. Such a disposal of such rights may reduce the equity interest of the holders of ADSs in us. Because Mexican law prohibits the issuance of preemptive rights in negotiable form, it is unlikely that there will be any opportunity for the Depositary to sell preemptive rights.

If the Depositary determines that a distribution of property other than cash (including Deposited Securities or subscription rights for Deposited Securities) is subject to any taxes or governmental charges that the Depositary is obligated to withhold, the Depositary may dispose of all or a portion of such property in such amounts and in such manner, including by public or private sale, as the Depositary deems necessary and practicable to pay such taxes or charges, and thereafter will distribute the net proceeds of any such sale or the balance of any such property after deduction of such taxes or charges to the ADS holders entitled thereto.

Notices, Reports, and Proxy Soliciting Materials

On or before the day we send a notice of any shareholders meeting or any adjourned meeting, or any taking of any action in respect of any cash or other distributions, we will send to the Depositary and the Custodian a copy of the notice.

We will also promptly furnish to the Depositary and the Custodian English translations of any reports, notices or other communications generally transmitted to shareholders. If requested in writing by us, the Depositary will arrange for the mailing, at our expense (unless otherwise agreed by us and the Depositary), of copies of such notices, reports and communications to all holders of ADSs.

The Depositary will make available for inspection by ADS holders at its corporate trust office any reports and communications received from us, including any proxy soliciting material distributed by us, which are both (a) received by the Depositary, the Custodian or a nominee of either as the holder of the Deposited Securities and (b) made generally available to the holders of such Deposited Securities by us. The Depositary will also, upon written request, send to ADS holders copies of such reports and communications, including any such proxy soliciting material, furnished by us as provided in the Deposit Agreement.

We are required to file certain reports with the Commission pursuant to the Exchange Act. Such reports are available for review and copying at the public reference facilities of the Commission. We are exempt from the rules under the Exchange Act prescribing the furnishing and the content of proxy statements.

Amendment, Extension or Termination of the Deposit

The form of the ADRs and the Deposit Agreement may be amended at any time by us and the Depositary without the consent of holders of ADSs. Any amendment that imposes or increases any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or that otherwise prejudices any substantial existing right of ADS holders, will not affect the outstanding ADSs until the expiration of 30 days after notice of such amendment has been given to the holders of outstanding ADSs. Every holder of an ADS at the time such amendment becomes effective will be deemed, by continuing to hold such ADS, to consent and agree to such amendment and to be bound by the amended Deposit Agreement. Except to comply with mandatory provisions of applicable law, in no event may any amendment impair the right of any ADS holder to surrender its ADSs in exchange for the Deposited Securities or other deposited securities represented by those ADSs.

If we so instruct, the Depositary will terminate the Deposit Agreement by mailing a termination notice to the holders of all applicable ADSs then outstanding at least 30 days prior to the date fixed in such notice for the termination. The Depositary may also terminate the Deposit Agreement at any time 60 days after the Depositary shall have delivered to us a notice of its election to resign. If any ADSs remain outstanding after the date of termination, the Depositary will discontinue the registration of transfers of ADSs subject to the Deposit Agreement, will suspend the distribution of dividends to the holders and will not give any further notices or perform any further acts under such Deposit Agreement, except (1) the collection of dividends and other distributions pertaining to the Deposited Securities, (2) the sale of rights and other property as provided in the Deposit Agreement and (3) the delivery of Deposited Securities, together with any dividends or other distributions and the net proceeds of the sale of any rights or other property received, in exchange for surrendered ADSs subject to the applicable terms of the Deposit Agreement, including the payment of the fees and other charges of the Depositary. At any time after the expiration of two months from the date of termination, the Depositary may sell the Deposited Securities and hold the net proceeds, together with any other cash then held, without liability for interest, in trust for the pro rata benefit of the holders of ADSs that have not already been surrendered. After making such sale, the Depositary will be discharged from all its obligations to us except for certain indemnification and accounting obligations. Upon the termination of the Deposit Agreement, we will also be discharged of all obligations, except for certain obligations to the Depositary.

Execution and Transfer

The ADSs are transferable on the books of the Depositary, provided that the Depositary may close the transfer books, after consultation with us, at any time and from time to time, (a) after consultation with us to the extent practicable, when deemed expedient by it in connection with the performance of its duties or (b) at our reasonable request. As a condition precedent to the execution and delivery, registration of transfer, split-up, combination or surrender of any ADS, the delivery of any distribution thereon or withdrawal of Deposited Securities, we, the registrar, the Depositary, or the Custodian may require payment from the person presenting the ADS or the depositor of such Deposited Securities of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax, charge or fee with respect to the Deposited Securities being deposited or withdrawn) and payment of any applicable fees payable to the Depositary. The Depositary may refuse to deliver ADSs, register the transfer of any ADS or make any distribution of, or related to, the underlying Deposited Securities until it has received proof of citizenship or residence, exchange control approval, legal or beneficial ownership of the ADSs or other securities. The execution and delivery or transfer of ADSs generally may be suspended during any period when the transfer books of the Depositary or our transfer books are closed or if any such action is deemed necessary or advisable by the Depositary or us at any time or from time to time because of any requirement of law or of any government or governmental body or commission, or any securities exchange on which the Deposited Securities or ADSs are listed, or under any provision of the Deposit Agreement, or for any other reason.

ADS holders may inspect the transfer books of the Depositary at any reasonable time, provided that such inspection will not be for the purpose of communicating with holders of ADSs in the interest of a business or object other than our business or a matter related to the Deposit Agreement or the ADSs.

Deposit and Withdrawal of Deposited Securities

The Deposited Securities are deposited with the Custodian in an account maintained with Indeval and registered in the name of the Custodian. The Custodian is the holder of record of all Deposited Securities represented by ADSs. Subject to the terms and conditions of the Deposit Agreement, upon transfer of additional Deposited Securities to the account of the Custodian at Indeval, the Depositary must execute and deliver additional ADRs. Ownership of beneficial interests in the Deposited Securities transferred in this way must be shown on, and transfers of the ownership of such interests must be effected through, records maintained by Indeval or institutions with accounts at Indeval.

When Deposited Securities are deposited or evidence of rights to receive Deposited Securities by physical delivery or electronic transfer is given to the Custodian, the Depositary will execute and deliver ADRs, either to its corporate trust office, or upon written order directly to named person(s) for the number of ADSs issuable in respect of such deposit of Deposited Securities. The deposit of Deposited Securities or evidence of rights to receive Deposited Securities must be accompanied by appropriate instruments or evidence of transfer acceptable to the Custodian, a delivery order and any other documents the Custodian or the Depositary may require. The ADR delivery will only be made upon payment of applicable fees, taxes and other charges.

A holder of ADSs is entitled to surrender its ADSs to the Depositary for cancellation and to receive delivery of the Deposited Securities represented by its ADSs. In order to withdraw the Deposited Securities represented by its ADSs, the holder withdrawing will be required to pay the fees of the Depositary for cancellation of its ADSs and the charges and taxes payable for the transfer of the deposited securities being withdrawn. A holder will have the right to withdraw the Deposited Securities at any time except for:

- temporary delays caused by closing of the transfer books of the Depositary or our transfer books, or the deposit of securities in connection with voting at a shareholder's meeting or the payment of dividends;
- obligations to pay fees, taxes and similar charges; or
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADSs or to the withdrawal of the Deposited Securities.

Upon surrender of ADSs at the corporate trust office of the Depositary, and after payment of the fees, taxes and governmental charges provided in the Deposit Agreement and, subject to the terms and conditions of the Deposit Agreement, ADS holders are entitled to delivery, to them or upon their order, of the Deposited Securities (or, if the Deposited Securities are in book entry form, registration of ownership) and any other property represented by the surrendered ADSs. The delivery will be made at the office of the Custodian except that the Depositary may deliver any property at its office. The holder withdrawing the ADSs assumes the risk for delivery of all funds and securities upon withdrawal.

Preemptive Rights

As a result of applicable United States securities laws, holders of ADSs may be restricted in their ability to participate in the exercise of preemptive rights under the terms of the Deposit Agreement. Shares subject to a preemptive rights offering, with respect to which preemptive rights have not been exercised, may be sold by us to third parties on the same terms and conditions previously approved by the shareholders or the board of directors. Under Mexican law, preemptive rights cannot be waived in advance or be assigned, or be represented by an instrument that is negotiable separately from the corresponding shares.

Limitation Upon the Liability of the Depositary

Neither the Depositary nor the Registrant are liable to holders of ADSs (a) if prevented or delayed in performing their obligations under the Deposit Agreement by the law of any country, by any governmental authority or by any circumstances beyond their control or any provision of our bylaws or of the Deposited Securities deposited pursuant to the Deposit Agreement, (b) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement, (c) for the inability of any holder or beneficial owner of ADSs to benefit from any distribution, offering, right or other benefit that is made available to holders of Deposited Securities but is not, under the terms of the Deposit Agreement, made available to holders or beneficial owners of ADSs, or (d) for any special, consequential, indirect or punitive damages as a result of any breach of the terms of the Deposit Agreement. Neither the Depositary nor the Registrant will be liable for any action or nonaction by it in reliance upon the advice of or information from legal counsel, accountants, any governmental authority, any person presenting securities for deposit, any holder or beneficial owner of ADSs or any other person believed by it in good faith to be competent to give such advice or information.

In addition, the Depositary will not be liable for (a) any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary, (b) the acts or omissions of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of ADSs or Deposited Securities or otherwise; provided that the Depositary performed its obligations without negligence or bad faith, or (c) any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any such vote is cast or the effect of any such vote, provided that any such action or nonaction is in good faith.

Our obligations and those of the Depositary to holders of ADSs under the Deposit Agreement are expressly limited to performing their respective duties specified therein without negligence or bad faith.

Fees and Charges

An ADS holder is required to pay the following fees and charges to the Depositary:

- a fee of $5.00 or less per 100 ADSs (or portion thereof) for the execution, delivery and surrender of ADRs;
- a fee of $0.02 or less per ADS (or portion thereof) for cash distributions;
- a fee for the distribution of securities or rights equal to the fee for the execution and delivery of ADSs referred to above which would have been charged as a result of the deposit of such securities, but which securities or rights are instead distributed by the Depositary to the ADSs holders;
- an annual fee of $0.05 or less per ADS (or portion thereof) for depositary services; and
- any other charge payable by the Depositary, the Custodian, or any of the Depositary's other agents in connection with the servicing of Deposited Securities or other deposited securities.

An ADS holder is also responsible for paying or reimbursing the Depositary for expenses, taxes and governmental charges including, but not limited to:

- transfer and registration fees charged by the registrar and transfer agent for eligible and deposited securities, such as upon deposit of eligible securities and withdrawal of deposited securities;
- expenses for cable, telex and fax transmissions and for delivery of securities;
- expenses incurred for converting Mexican pesos into U.S. dollars; and
- taxes and duties upon the transfer of securities, such as when eligible securities are deposited or withdrawn.

Note that the fees and charges that a holder of ADSs is required to pay vary over time and may be changed by us and the Depositary.

II. Description of Notes

Each series of notes listed on the NYSE and set forth on the cover page to our 2019 Form 20-F was issued pursuant to an effective registration statement and a related prospectus and prospectus supplement.

The following table sets forth each relevant series of notes (the "notes") registered pursuant to Section 12(b) of the Exchange Act:

Series	Date of Issuance	Principal Amount	Interest	Interest Payment Date	Maturity Date	Indenture
2.750% Senior Notes due 2030	January 22, 2020	US$1,250 million	2.750%	January 22 and July 22 of each year, beginning on July 22, 2020	January 22, 2030	Indenture, dated February 5, 2010, as amended by the Eighth Supplemental Indenture, dated January 22, 2020.

The following is a summary of the general terms and provisions of the notes. The summary is not complete and is subject to, and qualified in its entirety by reference to, all of the definitions and provisions of the indenture, dated February 5, 2010, as amended by the eighth supplemental indenture, dated January 22, 2020 (the "indenture").

In this section, references to:

- "Coca-Cola FEMSA," "we," "us" and "our" are to Coca-Cola FEMSA, S.A.B. de C.V. only and do not include our subsidiaries or affiliates;
- "Guarantors" are to Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Distribuidora y Manufacturera del Valle de México, S. de R.L. de C.V., Yoli de Acapulco, S. de R.L. de C.V. and Controladora Interamericana de Bebidas, S. de R.L. de C.V., which are our wholly owned subsidiaries and the guarantors of the notes;
- "holders" mean those who have notes registered in their names on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in notes issued in book-entry form through The Depository Trust Company ("DTC") or in notes registered in street name; and
- "significant subsidiary" means any of our subsidiaries that meets the definition of significant subsidiary under Regulation S-X as promulgated by the SEC. As of December 31, 2019, our significant subsidiaries consisted of Propimex, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V., Spal Indústria Brasileira de Bebidas, S.A., Distribuidora y Manufacturera del Valle de México, S. de R.L. de C.V. and Servicios Refresqueros del Golfo y Bajío, S. de R.L. de C.V.

Principal and Interest

The aggregate principal amount of notes is U.S.$1,250,000,000. The notes will mature on January 22, 2030. The notes accrue interest at a rate of 2.750% per year from January 22, 2020. Interest on the notes is payable on January 22 and July 22 of each year and on the maturity date, to the holders in whose names the notes are registered at the close of business on the 15th day (whether or not a business day) immediately preceding such payment date. Each payment of interest due on an interest payment date or at maturity will include interest accrued from and including the last date to which interest has been paid or made available for payment, or from the issue date, if none has been paid or made available for payment, to but excluding the relevant payment date. We compute interest on the notes on the basis of a 360-day year consisting of twelve 30-day months.

"Business day" means each Monday, Tuesday, Wednesday, Thursday and Friday that is (a) not a day on which banking institutions in New York City or Mexico City generally are authorized or obligated by law, regulation or executive order to close and (b) in the case of notes issued in certificated form, a day on which banks and financial institutions are generally open for business in New York City.

If any payment is due on the notes on a day that is not a business day, we make the payment on the next business day. Payments postponed to the next business day in this situation are treated under the indenture as if they were made on the original payment date. Postponement of this kind does not result in a default under the notes or the indenture, and no interest accrues on the postponed amount from the original payment date to the next business day.

Subsidiary Guarantors

Each of the Guarantors has irrevocably and unconditionally guaranteed, on a joint and several basis, the full and punctual payment of principal, premium, if any, interest, additional interest and any other amounts that may become due and payable by us in respect of the notes and the indenture. If we fail to pay any such amount that is due and required to be paid, holders may seek payment from any Guarantor.

If any such payments are subject to withholding for or on account of any taxes, duties, assessments or other governmental charges imposed with respect to that payment by a Taxing Jurisdiction (as defined below), the Guarantors will pay additional interest to the holders of the notes so that the net amount received equals the amount that would have been received absent such withholding, as described in, and subject to the limitations set forth under, "—Payment of Additional Interest".

Ranking of the Notes and the Guarantees

The notes are our unsecured and unsubordinated obligations. As a result, the notes are not secured by any of our assets or properties and are effectively subordinated to all of our existing and future secured obligations to the extent of the value of the assets securing such obligations. The notes are structurally subordinated to all existing and future indebtedness and other obligations, including trade payables, of our non-guarantor subsidiaries in respect of assets of and revenue generated by such non-guarantor subsidiaries. In the event of dissolution, liquidation, reorganization, *concurso mercantil*, bankruptcy, *quiebra* or other similar proceeding by or against us, the notes would rank equal in right of payment with all our other existing and future unsecured and unsubordinated obligations, and junior to certain obligations given preference under applicable law, including tax, labor and social security obligations. The notes do not restrict our ability or the ability of our subsidiaries to incur additional indebtedness in the future.

With respect to each Guarantor, its guarantee of the notes are the unsecured and unsubordinated obligation of such Guarantor. As a result, the guarantee of each such Guarantor is not secured by any of the assets or properties of such Guarantor and is effectively subordinated to all of the existing and future secured obligations of such Guarantor to the extent of the value of the assets securing such obligations. In the event of dissolution, liquidation, reorganization, *concurso mercantil*, bankruptcy, *quiebra* or other similar proceeding by or against a Guarantor, the guarantee of such Guarantor would rank equal in right of payment with all other existing and future unsecured and unsubordinated obligations of such Guarantor, and junior to certain obligations given preference under applicable law, including tax, labor and social security obligations.

Claims of creditors of our subsidiaries, including trade creditors and bank and other lenders, will have priority over the holders of the notes in claims to assets of our subsidiaries.

Currency of Payment

All payments in respect of the notes and the guarantees, including, without limitation, payments of principal, premium, if any, interest and additional interest must be made in U.S. dollars.

Stated Maturity and Maturity

The day or dates on which the principal amount of the notes is scheduled to become due is called the "stated maturity" of the principal of the notes. On the stated maturity of the principal of the notes, the full principal amount of the notes will become due and payable. The principal may become due before the stated maturity by reason of redemption or acceleration after a default. The day or dates on which the principal actually becomes due, whether at the stated maturity or earlier, is called the "maturity" of the principal.

We also use the terms "stated maturity" and "maturity" to refer to the dates when interest payments become due. For example, we may refer to a regular interest payment date when an installment of interest is scheduled to become due as the "stated maturity" of that installment. When we refer to the "stated maturity" or the "maturity" of the notes without specifying a particular payment, we mean the stated maturity or maturity, as the case may be, of the principal.

Form and Denominations

The notes were issued only in registered form without coupons and in minimum denominations of U.S.$150,000 and integral multiples of U.S.$1,000 in excess thereof. The notes were issued in the form of global notes.

Changes not Requiring Approval

Some changes do not require the approval of holders of notes. These changes are limited to specific kinds of changes, such as (i) curing any ambiguity, or correcting or supplementing any provision in the supplemental indenture which may be defective or inconsistent with any other provision therein, (ii) making changes to conform the provisions contained in the supplemental indenture to the relevant description of the notes and description of the guarantees sections contained in the prospectus and prospectus supplement relating to the notes, (iii) the addition of covenants, events of default or security, and (iv) other clarifications and changes that would not adversely affect the right of holders of notes in any material respect.

Payment of Additional Interest

We are required by Mexican law to deduct Mexican withholding taxes from payments of interest (or amounts deemed interest) to holders of notes who are not residents of Mexico for tax purposes.

Subject to the limitations and exceptions described below, we pay to holders of the notes all additional interest that may be necessary so that every net payment of interest or principal (including any premium paid upon redemption of the notes and any discount or other amount deemed interest under Mexican law), if any, to the holder will not be less than the amount provided for in the notes. By net payment, we mean the amount that we or our paying agent pays the holder after we deduct or withhold an amount for or on account of any present or future taxes, duties, assessments or other governmental charges imposed or levied with respect to that payment (or the payment of such additional interest) by a Mexican taxing authority or the taxing authority of any other country under whose laws we or any successor of us (assuming the obligations of the notes, the base indenture and any applicable supplemental indenture following a merger, consolidation or transfer, lease or conveyance of substantially all of our assets and properties) are organized at the time of payment, except for the United States (each, a "Taxing Jurisdiction").

Our obligation to pay additional interest is, however, subject to several important exceptions. We are not required to pay additional interest to or on behalf of any holder or beneficial owner, or to the trustee, for or on account of any of the following:

- any taxes, duties, assessments or other governmental charges imposed solely because at any time there is or was a connection between the holder and the Taxing Jurisdiction (other than the mere receipt of a payment or the ownership or holding of a debt security or the enforcement of rights with respect to a debt security);

- any estate, inheritance, gift, sales, transfer, personal property or other similar tax, assessment or other governmental charge imposed with respect to the notes;
- any taxes, duties, assessments or other governmental charges imposed solely because the holder or any other person fails to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Taxing Jurisdiction of the holder or any beneficial owner of the debt security if compliance is required by law, regulation or by an applicable income tax treaty to which such Taxing Jurisdiction is a party and which is effective, as a precondition to exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and we have given the holders at least 30 calendar days' notice prior to the first payment date with respect to which such certification, identification or reporting requirement is required to the effect that holders will be required to provide such information and identification;
- any tax, duty, assessment or other governmental charge payable otherwise than by deduction or withholding from payments on the notes;
- any taxes, duties, assessments or other governmental charges with respect to a debt security presented for payment more than 15 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to holders, whichever occurs later, except to the extent that the holders of such debt security would have been entitled to such additional interest on presenting such debt security for payment on any date during such 15-day period;
- any payment on a debt security to a holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the additional interest had the beneficiary, settlor, member or beneficial owner been the holder of such debt security;
- any taxes imposed under FATCA; and
- any combination of the items in the bullet points above.

The limitations on our obligations to pay additional interest described in the third bullet point above will not apply if the provision of information, documentation or other evidence described in the applicable bullet point would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a debt security, taking into account any relevant differences between U.S. and Mexican law, regulation or administrative practice, or the laws, regulations or administrative practices of any other Taxing Jurisdiction, than comparable information or other reporting requirements imposed under U.S. tax law (including the United States/Mexico Income Tax Treaty), regulations (including proposed regulations) and administrative practice.

Applicable Mexican regulations currently allow us to withhold at a reduced rate, provided that we comply with certain information reporting requirements. Accordingly, the limitations on our obligations to pay additional interest described in the third bullet point above also will not apply with respect to any Mexican withholding taxes unless (a) the provision of the information, documentation or other evidence described in the applicable bullet point is expressly required by the applicable Mexican regulations, (b) we cannot obtain the information, documentation or other evidence necessary to comply with the applicable Mexican regulations on our own through reasonable diligence and (c) we otherwise would meet the requirements for application of the applicable Mexican regulations.

In addition, the limitation described in the third bullet point above does not require that any person that is not a resident of Mexico for tax purposes, including any non-Mexican pension fund, retirement fund, tax exempt organization, financial institution or any other holder or beneficial owner of a debt security, register with, or provide information to, the Mexican Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público)*, or with the Mexican Tax Administration Service (*Servicio de Administración Tributaria*) to establish eligibility for an exemption from, or a reduction of, Mexican withholding tax.

We will remit the full amount of any taxes withheld to the applicable taxing authorities in accordance with the applicable law of the Taxing Jurisdiction. We will also provide the trustee with documentation (which may consist of copies of such documentation) reasonably satisfactory to the trustee evidencing the payment of taxes in respect of which we have paid any additional interest. We will provide copies of such documentation to the holders of the notes or the relevant paying agent upon request.

In the event that additional interest actually paid with respect to the notes pursuant to the preceding paragraphs is based on rates of deduction or withholding of taxes in excess of the appropriate rate applicable to the holder of such notes, and as a result thereof such holder is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to us. However, by making such assignment, the holder makes no representation or warranty that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto.

"FATCA" means Sections 1471 through 1474 of the Internal Revenue Code of 1986 (as amended) (the "Code"), as in effect on the date of issuance of the notes (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement, treaty or convention among governmental authorities and implementing such Sections of the Code.

Redemption of Notes

We may not redeem the notes before their stated maturity, except as set forth below. The notes will not be entitled to the benefit of any sinking fund (meaning that we will not deposit money on a regular basis into any separate account to repay the notes). In addition, holders will not be entitled to require us to repurchase their notes before the stated maturity.

Optional Redemption With "Make-Whole" Amount

We have the right at our option to redeem the notes, in whole at any time or in part from time to time prior to October 22, 2029 (the date that is three months prior to the stated maturity date of the notes or the "Par Call Date"), on at least 15 days' but not more than 60 days' notice, at a redemption price equal to the greater of (1) 100% of the principal amount of the notes to be redeemed on such redemption date and (2) the sum of the present values of each remaining scheduled payment of principal and interest thereon through the Par Call Date, as if the notes were redeemed on the Par Call Date (exclusive of accrued and unpaid interest to the redemption date on the principal amount of the notes being redeemed on such redemption date) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 15 basis points, *plus* accrued and unpaid interest and any additional interest thereon to, but excluding, the redemption date.

"Comparable Treasury Issue" means the U.S. Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the period from the redemption date to the Par Call Date that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the period from the redemption date to the Par Call Date.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations quoted to an Independent Investment Banker selected by us for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if such Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by us.

"Reference Treasury Dealer" means each of BofA Securities, Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC or their respective affiliates, which are primary U.S. government securities dealers in New York City, and two other leading primary United States government securities dealers in New York City reasonably designated by us in writing; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by an Independent Investment Banker selected by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to such Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Par Redemption

On and after the Par Call Date, we have the right, at our option. to redeem the notes, in whole at any time or in part from time to time, on at least 15 days' but not more than 60 days' notice, at a redemption price equal to 100% of the outstanding principal amount of the notes to be redeemed on such redemption date, *plus* accrued and unpaid interest and any additional interest thereon to, but excluding, the redemption date.

Open Market Purchases

We or any of our affiliates may at any time purchase notes in the open market or otherwise at any price. Any such purchased notes will not be resold, except in compliance with applicable requirements or exemptions under the relevant securities laws.

General Provisions for Optional Redemption

On and after the redemption date, interest will cease to accrue on the notes or any portion of the notes called for redemption (unless we default in the payment of the redemption price and accrued interest). On or before the redemption date, we will deposit with the trustee money sufficient to pay the redemption price and (unless the redemption date shall be an interest payment date) accrued and unpaid interest to the redemption date on the notes to be redeemed on such date and additional interest thereon. If less than all of the outstanding notes are to be redeemed, the notes to be redeemed shall be selected by the trustee by such method as the trustee shall deem fair and appropriate or in accordance with the applicable procedures of DTC.

We may make any redemption or redemption notice subject to the satisfaction of conditions precedent. If such redemption or notice is subject to the satisfaction of one or more conditions precedent, such notice shall state that, in our discretion, the redemption date may be delayed until such time (but no more than 60 days after the date of the notice of redemption) as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date as so delayed. In addition, we may provide in such notice that payment of the redemption price and performance of our obligations with respect to such redemption may be performed by another person.

Tax Redemption

If either:

- as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of Mexico, or any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change of such laws, rules or regulations becomes effective on or after the date the notes were first issued, we would be obligated on the next succeeding interest payment date, after taking such measures as we may consider reasonable to avoid this requirement, to pay additional interest in excess of that attributable to a withholding tax rate of 4.9% with respect to the notes; or
- in the event that we or any successor of us (assuming the obligations of the notes and the indenture following a merger, consolidation or transfer, lease or conveyance of substantially all of our assets and properties) are organized under the laws of any Taxing Jurisdiction other than Mexico (the date on which we or a successor become subject to any such Taxing Jurisdiction, the "Succession Date"), and as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of such Taxing Jurisdiction, or any political subdivision or taxing authority thereof or therein affecting taxation, any amendment to or change in an official interpretation or application of such laws, rules or regulations, which amendment to or change of such laws, rules or regulations becomes effective after the Succession Date, we would be obligated on the next succeeding interest payment date, after taking such measures as we may consider reasonable to avoid this requirement, to pay additional interest in excess of that attributable to any withholding tax rate imposed by such Taxing Jurisdiction as of the Succession Date with respect to the notes,

then we may, at our option, redeem the notes, in whole but not in part, at any time on giving not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the outstanding principal amount of the notes being redeemed, plus accrued and unpaid interest and any additional interest due thereon up to but not including the date of redemption; provided, however, that (1) no notice of redemption for tax reasons may be given earlier than 90 days prior to the earliest date on which we would be obligated to pay this additional interest if a payment on the notes were then due and (2) at the time such notice of redemption is given such obligation to pay such additional interest remains in effect.

Prior to the giving of any notice of redemption for taxation reasons, we will deliver to the trustee:

- a certificate signed by one of our duly authorized representatives stating that we are entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to our right of redemption for taxation reasons have occurred; and
- an opinion of legal counsel (which may be our in-house counsel) of recognized standing to the effect that we have or will become obligated to pay such additional interest as a result of such change or amendment.

This notice, after it is delivered to the holders, will be irrevocable.

Covenants

Holders of the notes benefit from certain covenants contained in the indenture and affecting our ability to incur liens to secure debt, enter into sale and leaseback transactions, merge or consolidate with other entities and take other specified actions, as well as requiring us to provide certain reports or information to holders of notes.

Limitation on Liens

We may not, and we may not allow any of our significant subsidiaries to, create, incur, issue or assume any liens on our or their respective property to secure debt for borrowed money where such debt secured by such liens would exceed an aggregate amount equal to the greater of (1) U.S.$1.0 billion and (2) 20.0% of our Consolidated Tangible Assets less, in each case, the aggregate amount of attributable debt of us and our significant subsidiaries pursuant to the first bullet point under "—Limitation on Sales and Leasebacks," unless we secure the notes equally with, or prior to, the debt for borrowed money secured by such liens. This restriction does not, however, apply to the following:

- liens on property acquired and existing on the date the property was acquired or arising after such acquisition pursuant to contractual commitments entered into prior to such acquisition and not in contemplation of such acquisition;
- liens on any property securing debt incurred or assumed for the purpose of financing its purchase price or the cost of its construction, improvement or repair; provided that such lien attaches to the property within 12 months of its acquisition or the completion of its construction, improvement or repair and does not attach to any other property;
- liens existing on any property of any subsidiary prior to the time that the subsidiary became a subsidiary of ours or liens arising after that time under contractual commitments entered into prior to and not in contemplation of that event;
- liens on any property securing debt owed by any of our subsidiaries to us or to another of our subsidiaries;
- liens existing on the date the notes are issued;
- liens resulting from the deposit of funds or evidence of debt in trust for the purpose of defeasing our debt or the debt of any of our subsidiaries;
- any (i) liens for taxes, assessments and other governmental charges and (ii) attachment or judgment liens, in each case, the payment of which is being contested in good faith by appropriate proceedings for which such reserves or other appropriate provision, if any, as may be required by International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS");
- liens on accounts receivable, inventory or bottles and cases to secure working capital or revolving credit debt incurred in the ordinary course of business; and
- liens arising out of the refinancing, extension, renewal or refunding of any debt described above, provided that the aggregate principal amount of such debt is not increased and such lien does not extend to any additional property.

"Consolidated Tangible Assets" means at any time the total assets (stated net of properly deductible items, to the extent not already deducted in the computation of total assets) appearing on our consolidated balance sheet less all goodwill and intangible assets appearing on such balance sheet, all determined on a consolidated basis at such time in accordance with IFRS.

Limitation on Sales and Leasebacks

We may not, and we may not allow any of our significant subsidiaries to, enter into any sale and leaseback transaction without effectively providing that the notes will be secured equally and ratably with or prior to the sale and leaseback transaction, unless:

- the aggregate amount of attributable debt of us and our significant subsidiaries pursuant to this bullet point would not exceed an aggregate amount equal to the greater of (1) U.S.$1.0 billion or (2) 20.0% of our Consolidated Tangible Assets less, in each case, the aggregate principal amount of our and our significant subsidiaries' indebtedness then outstanding that is secured by any lien on any property as described in "—Limitation on Liens" (without giving effect to any indebtedness secured by the liens described in the bullet points thereof); or

- we or one of our subsidiaries, within 12 months of the sale and leaseback transaction, retire debt not owed to us or any of our subsidiaries that is not subordinated to the notes or invest in equipment, plant facilities or other fixed assets used in the operations of us or any of our subsidiaries, in an aggregate amount equal to the greater of (1) the net proceeds of the sale or transfer of the property or other assets that are the subject of the sale and leaseback transaction and (2) the fair market value of the property leased.

Notwithstanding the foregoing, we and/or our significant subsidiaries may enter into sale and leaseback transactions that solely refinance, extend, renew or refund sale and leaseback transactions permitted under the bullet points above and the restriction described in the preceding paragraph will not apply to such sale and leaseback transactions.

"Sale and leaseback transaction" means a transaction or arrangement between us or one of our subsidiaries and a bank, insurance company or other lender or investor where we or our subsidiary leases property for an initial term of three years or more that was or will be sold by us or our significant subsidiary to that lender or investor for a sale price of U.S.$15 million (or its equivalent in other currencies) or more.

"Attributable debt" means, with respect to any sale and leaseback transaction, the lesser of (1) the fair market value of the asset subject to such transaction and (2) the present value, discounted at a rate per annum equal to the discount rate of a capital lease obligation with a like term in accordance with IFRS, of the obligations of the lessee for net rental payments (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments and similar charges and contingent rents) during the term of the lease.

Provision of Information

We must furnish the trustee with copies of our annual report and the information, documents and other reports that we are required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, including our annual reports on Form 20-F and reports on Form 6-K, within 15 days after we file them with the SEC. In addition, we must make the same information, documents and other reports available, at our expense, to holders who so request in writing.

If, in the future, we are not required to file such information, documents or other reports pursuant to Section 13 or 15(d) of the Exchange Act, we will furnish to the trustee copies of the audited annual financial statements within 120 days after the end of our fiscal year and copies of the unaudited quarterly financial statements within 60 days of the end of each of the first three fiscal quarters of each year.

If any of our senior executive officers becomes aware that a default or event of default or an event that with notice or the lapse of time would be an event of default has occurred and is continuing, as the case may be, we will deliver a certificate to the trustee describing the details thereof and the action we are taking or propose to take.

If we are not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act at any time when debt securities are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will furnish to any holder of notes, or to any prospective purchaser designated by such holder, financial and other information described in Rule 144A(d)(4) with respect to us to the extent required to permit such holder to comply with Rule 144A in connection with any resale of the notes held by such holder.

Merger, Consolidation or Sale of Assets

We may not consolidate with or merge into any other person or, directly or indirectly, transfer, convey, sell, lease or otherwise dispose of all or substantially all of our assets and properties and may not permit any person to consolidate with or merge into us, unless all of the following conditions are met:

- if we are not the successor person in the transaction, the successor expressly assumes our obligations under the notes and the indenture;
- immediately after the transaction, no default under the notes has occurred and is continuing. For this purpose, "default under the notes" means an event of default or an event that would be an event of default with respect to the notes if the requirements for giving us default notice and for our default having to continue for a specific period of time were disregarded. See "—Defaults, Remedies and Waiver of Defaults"; and
- we have delivered to the trustee an officer's certificate and opinion of counsel, each stating, among other things, that the transaction complies with the indenture.

If the conditions described above are satisfied, we will not have to obtain the approval of the holders in order to merge or consolidate or to sell or otherwise dispose of our properties and assets substantially as an entirety. In addition, these conditions will apply only if we wish to merge into or consolidate with another person or sell or otherwise dispose of all or substantially all of our assets and properties. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another person, any transaction that involves a change of control of our company, but in which we do not merge or consolidate, or any transaction in which we sell or otherwise dispose of less than substantially all our assets.

A Guarantor may not consolidate with or merge into any other person or, directly or indirectly, transfer, convey, sell, lease or otherwise dispose of all or substantially all of its assets and properties and may not permit any person to consolidate with or merge into it, unless substantially the same conditions set forth above are satisfied with respect to such Guarantor.

Defaults, Remedies and Waiver of Defaults

Holders of the notes have special rights if an event of default with respect to the notes occurs and is not cured.

Events of Default

Each of the following is an "event of default" with respect to the notes:

- we fail to pay interest on any note within 30 days after its due date;
- we fail to pay the principal or premium, if any, of any note on its due date;
- we remain in breach of any covenant in the indenture for the benefit of holders of the notes, for 90 days after we receive a notice of default (sent by the trustee at the written request of holders of not less than 25.0% in principal amount of the notes to us or by the holders of at least 25.0% in principal amount of the notes to us and the trustee) stating that we are in breach;
- we or any of our significant subsidiaries experience a default or event of default under any instrument relating to debt, prior to its maturity, that results in the acceleration of an aggregate principal amount equal to or greater than U.S.$150 million (or its equivalent in other currencies);
- a final judgment is rendered against us or any of our significant subsidiaries in an aggregate amount in excess of U.S.$100 million (or its equivalent in other currencies) that is not discharged or bonded in full within 90 days, for 10 days after we receive a notice of this default (sent by the trustee at the written request of holders of not less than 25.0% in principal amount of the notes to us or by the holders of at least 25.0% in principal amount of the notes to us and the trustee); or

- we or any of our significant subsidiaries file for bankruptcy, or other events of bankruptcy, insolvency or reorganization or similar proceedings occur relating to us or any of our significant subsidiaries.

If an event of default with respect to the notes occurs and is not cured or waived, the trustee, at the written request of holders of not less than 25% in principal amount of the outstanding notes, may declare the entire principal amount of all the notes to be due and payable immediately, and upon any such declaration the principal, any accrued interest and any additional interest shall become due and payable. If, however, an event of default with respect to the notes occurs because of a bankruptcy, insolvency or reorganization relating to us or any of our significant subsidiaries, the entire principal amount of the notes and any accrued interest and any additional interest will be automatically accelerated, without any action by the trustee or any holder and any principal, interest or additional interest will become immediately due and payable.

Each of the situations described in the preceding paragraph is called an acceleration of the maturity of the notes. At any time after a declaration of acceleration with respect to the notes is made and before a judgment for payment has been obtained, the holders of a majority in aggregate principal amount of the outstanding notes (except in the event of an event of default arising from bankruptcy, insolvency or reorganization or similar proceedings) may rescind and annul such declaration and its consequences, provided that all amounts then due (other than amounts due solely because of such acceleration) have been paid and all other defaults with respect to the notes have been cured or waived.

If any event of default occurs, the trustee will be obligated to use those of its rights and powers under the indenture, and to use the same degree of care and skill in doing so, that a prudent person would use under the circumstances in conducting his or her own affairs.

The trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection, known as an indemnity, from expenses and liability. Subject to the trustee's right to receive an indemnity that is reasonably satisfactory to it, the holders of a majority in principal amount of the outstanding notes may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in writing in performing any other action under the indenture with respect to the notes.

Before a holder of any notes bypasses the trustee and brings its own lawsuit or other formal legal action or takes other steps to enforce its rights or protect its interests relating to the notes, the following must occur:

- the holder must give the trustee written notice that an event of default has occurred with respect to the notes and the event of default has not been cured or waived;
- the holders of not less than 25% in principal amount of the outstanding notes must make a written request that the trustee take action with respect to the notes because of the default and they or other holders must offer to the trustee indemnity satisfactory to the trustee against the cost and other liabilities incurred by complying with such request;
- the trustee must not have taken action for 60 days after the above steps have been taken; and
- during those 60 days, the holders of a majority in aggregate principal amount of the outstanding notes must not have given the trustee directions that are inconsistent with the written request previously delivered by the holders of not less than 25% in principal amount of the outstanding notes.

A holder is entitled, however, at any time to bring a lawsuit for the payment of money due on any notes held by that holder on or after its due date.

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of the maturity.

Defeasance

We may, at our option, elect to terminate (1) all of our or the Guarantors' obligations with respect to the notes ("legal defeasance"), except for certain obligations, including those regarding any trust established for defeasance and obligations relating to the transfer and exchange of the notes, the replacement of mutilated, destroyed, lost or stolen notes, the maintenance of agencies with respect to the notes and the rights, powers, trusts, duties, immunities and indemnities and other provisions in respect of the trustee or (2) our or the Guarantors' obligations under certain covenants in the indenture, so that any failure to comply with such obligations will not constitute an event of default ("covenant defeasance") in respect of the notes. In order to exercise either legal defeasance or covenant defeasance, we must irrevocably deposit with the trustee U.S. dollars or such other currency in which the notes are denominated (the "securities currency"), government obligations of the United States or a government, governmental agency or central bank of the country whose currency is the securities currency, or any combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants delivered to the trustee, to pay the principal, premium, if any, and interest (including additional amounts) in respect of the notes then outstanding on the maturity date of the notes, and comply with certain other conditions, including, without limitation, the delivery of opinions of counsel as to specified tax and other matters.

If we elect either legal defeasance or covenant defeasance with respect to the notes, we must so elect it with respect to all of the outstanding notes.

Currency Indemnity

We and the Guarantors, jointly and severally, will indemnify the trustee and any holder of notes against any loss incurred by the trustee or such holder as a result of any judgment for any amount due under the indenture and the notes being expressed and paid in a currency other than in the U.S. dollar. Our obligations and the obligations of the Guarantors under the notes will be discharged only to the extent that the trustee or the relevant holder is able to purchase U.S. dollars with any other currency paid to the trustee or that holder in accordance with any judgment or otherwise. If the trustee or the holder cannot purchase U.S. dollars in the amount originally to be paid, we and each of the Guarantors have agreed to pay the difference. The holder, however, agrees that, if the amount of U.S. dollars purchased exceeds the amount originally to be paid to such holder, the holder will reimburse the excess to us or the applicable Guarantor, as the case may be. The holder will not be obligated to make this reimbursement if we or the Guarantors are in default of our obligations under the notes.

Notices

As long as we issue notes in global form, notices to be given to holders will be given to DTC in accordance with its applicable policies as in effect from time to time. If we issue notes in certificated form, notices to be given to holders will be sent by mail to the respective addresses of the holders as they appear in the register maintained by the security registrar, and will be deemed given when mailed. Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Exhibit 8.1

SIGNIFICANT SUBSIDIARIES

The table below sets forth all of our direct and indirect significant subsidiaries and the percentage of equity of each subsidiary we owned directly or indirectly as of December 31, 2019:

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

Exhibit 12.1

Certification

I, John Anthony Santa Maria Otazua, certify that:

1. I have reviewed this annual report on Form 20-F of Coca-Cola FEMSA, S.A.B. de C.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 17, 2020

/s/ John Anthony Santa Maria Otazua

John Anthony Santa Maria Otazua
Chief Executive Officer

Exhibit 12.2

Certification

I, Constantino Spas Montesinos, certify that:

1. I have reviewed this annual report on Form 20-F of Coca-Cola FEMSA, S.A.B. de C.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 17, 2020

/s/ Constantino Spas Montesinos

Constantino Spas Montesinos
Chief Financial Officer

Exhibit 13.1

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Coca-Cola FEMSA, S.A.B. de C.V., or the Company, does hereby certify, to such officer's knowledge, that:

The Annual Report on form 20-F for the year ended December 31, 2019, or Form 20-F, of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 17, 2020	/s/ John Anthony Santa Maria Otazua John Anthony Santa Maria Otazua Chief Executive Officer
Date: April 17, 2020	/s/ Constantino Spas Montesinos Constantino Spas Montesinos Chief Financial Officer

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form F-3, No. 333-235558) of Coca-Cola FEMSA, S.A.B. de C.V., Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Distribuidora y Manufacturera del Valle de México, S. de R.L. de C.V., Yoli de Acapulco, S. de R.L. de C.V., and Controladora Interamericana de Bebidas, S. de R.L. de C.V., of our reports dated April 17, 2020, with respect to the consolidated financial statements of Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries, and the effectiveness of internal control over financial reporting of Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries included in this Annual Report on Form 20-F, for the year ended December 31, 2019.

Mancera, S.C.
A member practice of
Ernst & Young Global Limited

/s/ MANCERA, S.C.
Mexico City, Mexico
April 17, 2020