To generate economic and social value through our companies and institutions. We have established a mission, a vision and values that are both our beacons and guidelines to plan strategies and projects in the pursuit of success.

Fomento Económico Mexicano, S.A.B. de C.V., or FEMSA, is a leader in the beverage industry through Coca-Cola FEMSA, the largest franchise bottler of Coca-Cola products in the world by volume; and in the beer industry, through ownership of the second largest equity stake in Heineken, one of the world’s leading brewers with operations in over 70 countries. We participate in the retail industry through FEMSA Comercio, comprising a Proximity Division, operating OXXO, a small-format store chain; a Health Division, which includes all drugstores and related operations; and a Fuel Division, which operates the OXXO GAS chain of retail service stations. Through FEMSA Negocios Estratégicos (FEMSA Strategic Businesses) we provide logistics, point-of-sale refrigeration solutions and plastics solutions to FEMSA’s business units and third-party clients.

FEMSA’s 2018 integrated Annual Report reflects our commitment to strong corporate governance and transparency, as exemplified by our mission, vision and values. Our financial and sustainability results are for the twelve months ended December 31, 2018, compared to the twelve months ended December 31, 2017.

This report was prepared in accordance with the Global Reporting Initiative (GRI) Standards and the United Nations Global Compact, this represents our Communication on Progress for 2018.
Over the past several decades, FEMSA has evolved from an integrated beverage platform to a multifaceted business with a broad set of capabilities and opportunities. While our corporate offerings have evolved, our culture, mission and values remain consistent. In 2018, we set out to define the FEMSA Corporate Identity as it connects to our culture and purpose, which is captured in the graphic below.

**DISCOVER OUR CORPORATE IDENTITY**

<table>
<thead>
<tr>
<th>Mission</th>
<th>To generate social and economic value through companies and institutions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>FEMSA is in the business of...</td>
<td>...and we believe everything we do contributes to</td>
</tr>
<tr>
<td>Designing, building and developing large-scale business models that enable our customers to satisfy their daily needs, in an efficient and differentiated way</td>
<td>Improve the communities we serve through our actions, with the integral development of our people, and through value propositions that generate well-being</td>
</tr>
</tbody>
</table>

**By doing this, we will reach our strategic objectives to...**

1. Be the best owner, partner and operator of our businesses in the long term
2. Aspire to double the value of our business every five years
3. Be leaders in the markets where we operate
4. Be the best employer and neighbor to the communities in which we operate

**Our people will have a positive impact by...**

Seeking to transcend, always putting the organization first, and exemplifying our shared corporate values
1. Integrity and Respect,
2. Sense of Responsibility,
3. Humility with a Service Mindset,
4. Passion for Learning

**Our way of working...**

Leverages our capabilities and enables our corporate strategy through our:
1. Customer Focus,
2. Commitment to Excellence,
3. Competence and Collaboration,
4. Innovative Spirit

**Our leadership model fosters...**

1. Cultivating and building our vision,
2. Promoting and nurturing our business values in our daily activities, and
3. Inspiring and developing the best teams in accordance with our personal values

FEMSA is committed to promoting the well-being and quality of life of all our employees, their families and the communities where they live and work. This vision drives our efforts to train better collaborators, better citizens and better people for the world. As part of this effort, our FEMSA System of Integral Social Development consolidates our social commitment with our collaborators, promoting wellness across five dimensions: social, health, labor, economic and training.
FEMSA AT A GLANCE

Corporate Structure
Equity Stakes and Business Units

FEMSA operates in 12 countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Guatemala, Mexico, Nicaragua, Panama, Peru, Uruguay and Venezuela.

*Represents 63% of voting rights.
<table>
<thead>
<tr>
<th>Country</th>
<th>Headcount</th>
<th>Business</th>
<th>Plants</th>
<th>Distribution facilities</th>
<th>Customers (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>224,164</td>
<td>FEMSA Comercio</td>
<td>—</td>
<td>21</td>
<td>120</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Coca-Cola FEMSA</td>
<td>17</td>
<td>145</td>
<td>75</td>
</tr>
<tr>
<td>Central America</td>
<td>8,867</td>
<td>Coca-Cola FEMSA</td>
<td>7</td>
<td>56</td>
<td>33</td>
</tr>
<tr>
<td>Colombia</td>
<td>13,880</td>
<td>FEMSA Comercio</td>
<td>—</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Coca-Cola FEMSA</td>
<td>7</td>
<td>24</td>
<td>45</td>
</tr>
<tr>
<td>Venezuela</td>
<td>4,735</td>
<td>Coca-Cola FEMSA</td>
<td>4</td>
<td>22</td>
<td>32</td>
</tr>
<tr>
<td>Brazil</td>
<td>27,965</td>
<td>Coca-Cola FEMSA</td>
<td>10</td>
<td>40</td>
<td>89</td>
</tr>
<tr>
<td>Argentina</td>
<td>2,571</td>
<td>Coca-Cola FEMSA</td>
<td>2</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>Peru</td>
<td>388</td>
<td>FEMSA Comercio</td>
<td>—</td>
<td>—</td>
<td>10</td>
</tr>
<tr>
<td>Chile</td>
<td>12,291</td>
<td>FEMSA Comercio</td>
<td>—</td>
<td>3</td>
<td>18</td>
</tr>
<tr>
<td>Uruguay</td>
<td>952</td>
<td>Coca-Cola FEMSA</td>
<td>1</td>
<td>6</td>
<td>3</td>
</tr>
</tbody>
</table>

17,999 total OXXO stores
82% of our inputs and products were sourced from local suppliers
+7,000 pre-sale routes served by the KOFCmmercial Digital Platform

we support the UN Global Compact 10 principles
## VALUE CREATION HIGHLIGHTS

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>23,924</td>
<td>469,744</td>
<td>439,932</td>
<td>6.8%</td>
<td>399,507</td>
<td>10.1%</td>
</tr>
<tr>
<td>Income from operations</td>
<td>2,117</td>
<td>41,576</td>
<td>40,261</td>
<td>3.3%</td>
<td>37,427</td>
<td>7.6%</td>
</tr>
<tr>
<td>Operating margin</td>
<td>8.9%</td>
<td>9.2%</td>
<td>9.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated net income</td>
<td>1,684</td>
<td>33,079</td>
<td>37,206</td>
<td>-11.1%</td>
<td>27,175</td>
<td>23.2%</td>
</tr>
<tr>
<td>Controlling interest net income</td>
<td>1,221</td>
<td>23,990</td>
<td>42,408</td>
<td>-43.4%</td>
<td>21,140</td>
<td>100.6%</td>
</tr>
<tr>
<td>Controlling interest earnings per BD unit</td>
<td>0.3</td>
<td>6.7</td>
<td>11.9</td>
<td>-43.7%</td>
<td>5.9</td>
<td>101.7%</td>
</tr>
<tr>
<td>Controlling interest earnings per ADS</td>
<td>3.4</td>
<td>67.0</td>
<td>118.5</td>
<td>-43.5%</td>
<td>59.1</td>
<td>100.5%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>3,079</td>
<td>60,458</td>
<td>58,165</td>
<td>3.9%</td>
<td>54,987</td>
<td>5.8%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>12.9%</td>
<td>13.2%</td>
<td>13.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>29,355</td>
<td>576,381</td>
<td>588,541</td>
<td>-2.1%</td>
<td>545,623</td>
<td>7.9%</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>12,266</td>
<td>240,839</td>
<td>251,629</td>
<td>-4.3%</td>
<td>259,453</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Total equity</td>
<td>17,089</td>
<td>335,542</td>
<td>336,912</td>
<td>-0.4%</td>
<td>286,170</td>
<td>17.7%</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>1,236</td>
<td>24,266</td>
<td>23,486</td>
<td>3.3%</td>
<td>22,155</td>
<td>6.0%</td>
</tr>
<tr>
<td>Total cash and cash equivalents</td>
<td>3,160</td>
<td>62,047</td>
<td>96,944</td>
<td>-36.0%</td>
<td>43,637</td>
<td>122.2%</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>696</td>
<td>13,674</td>
<td>13,590</td>
<td>0.6%</td>
<td>7,281</td>
<td>86.7%</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>5,856</td>
<td>114,990</td>
<td>117,758</td>
<td>-2.4%</td>
<td>131,967</td>
<td>-10.8%</td>
</tr>
<tr>
<td>Headcount</td>
<td>297,073</td>
<td>295,027</td>
<td>266,144</td>
<td>0.7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. U.S. dollar figures are converted from Mexican pesos using the noon-buying rate published by U.S. Federal Reserve Board, which was Ps. 19.6350 per US$1.00 as of December 31, 2018.
2. Company’s key performance indicator.
3. Represents the net income that is assigned to the controlling shareholders of the entity.
4. “BD” units, each of which represents one series “B” share, two series “D-B” shares and two series “D-L” shares. Data based on outstanding 2,161,177,770 BD units and 1,417,048,500 B units.
5. American Depositary Shares, a U.S. dollar-denominated equity share of a foreign-based company available for purchase on an American stock exchange.
6. Cash consists of non-interest bearing bank deposits and cash equivalents consist principally of short-term bank deposits and fixed rate investments.
7. Includes headcount from Coca-Cola FEMSA, FEMSA Comercio and FEMSA Strategic Businesses.
8. The consolidated income statement of 2017 was revised to reflect the discontinued operations of Coca-Cola FEMSA Philippines.
Total Revenues by Business Unit
millions of Mexican pesos

- Coca-Cola FEMSA: 37%
- FEMSA Comercio:
  - Proximity Division: 34%
  - Health Division: 10%
  - Fuel Division: 10%
  - Others*: 9%

Ps. 469,744

Total Assets by Business Unit
millions of Mexican pesos

- Coca-Cola FEMSA: 43%
- FEMSA Comercio:
  - Proximity Division: 12%
  - Health Division: 6%
  - Fuel Division: 1%
  - Others*: 38%

Ps. 576,381

Income from Operations¹ by Business Unit
millions of Mexican pesos

- Coca-Cola FEMSA: 59%
- FEMSA Comercio:
  - Proximity Division: 34%
  - Health Division: 5%
  - Fuel Division: 1%
  - Others*: 1%

Ps. 41,576

EBITDA² by Business Unit
millions of Mexican pesos

- Coca-Cola FEMSA: 59%
- FEMSA Comercio:
  - Proximity Division: 32%
  - Health Division: 5%
  - Fuel Division: 1%
  - Others*: 3%

Ps. 60,458

* Includes FEMSA Strategic Businesses
1. Company's key performance indicator
2. EBITDA equals to Income from operations plus depreciation, amortization and other non-cash items
SOCIAL AND ENVIRONMENTAL VALUE

FEMSA creates value for our stakeholders and wider society by generating the economic, social and environmental conditions necessary to operate today and grow sustainably over time. Our sustainability strategy—guided by a commitment to our people, planet and communities—is integral to our business approach.

In 2018, we continued to manage the social and environmental impacts of our products, services and activities across our business units, and we made progress on multiple company-wide sustainability initiatives.

COMMITTING TO CLEAN ENERGY

85% of the total electric energy demand of our operations in Mexico will come from renewable energy by 2020.

FEMSA’s goal is to source 85 percent of the total electric energy demand of our operations in Mexico with renewable energy by 2020. By the end of 2018, 37% of our requirements were supplied with clean energy, compared to 26.4% in 2017.

Our progress in 2018 was greatly supported by the launch of the Amistad Wind Farm in November in the state of Coahuila; this dedicated wind farm has a capacity of 197.5 MW and can produce more than 750,000 Mwh of electricity per year – enough to supply an average of 427,350 households in Mexico with electricity.

Looking ahead, we are on track to continue to make solid progress toward achieving our company goal by 2020. In December 2018, the construction of the Energía Eólica del Sur (EES) wind farm was finalized and will start supplying clean energy to FEMSA in early 2019. Located in the state of Oaxaca, the EES wind farm will add 396 MW of capacity with the installation of 132 wind turbines of 3MW each, distributed across two sites.

SUPPORTING LOCAL SUPPLIERS

As part of our commitment to responsible sourcing, we consistently seek opportunities for enhancing value creation across our supply chain. This includes supporting local suppliers whenever possible, which in turn supports local economies and reduces the costs and greenhouse gas emissions associated with transporting products over long distances. In 2018, we maintained our spend with local suppliers by over 80 percent.

82% local sourcing

CLOSER TO OUR GOAL

At the end of 2018, we sourced 37 percent of clean energy in Mexico, up 10 percent in 2017.
The Organizational Climate Diagnostic, our internal employee engagement tool, assesses the level of Satisfaction, Commitment and Quality of Life for all FEMSA employees. The survey is applied to all Business Units every two years, and in 2018, more than 89,000 employees representing 82% participated. The results of the survey confirmed that FEMSA continues to improve, strengthen and promote a harmonious and efficient Organizational Climate for our employees.

In addition to the highlights below, sustainability progress is featured throughout this integrated report, and in our Global Reporting Initiative (GRI) Content Index.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average hours of training per employee</td>
<td>30.15</td>
<td>33.92</td>
<td>25.60</td>
</tr>
<tr>
<td>Accident Index</td>
<td>2.50</td>
<td>2.10</td>
<td>2.13</td>
</tr>
<tr>
<td>General Diseases Rate</td>
<td>27.90</td>
<td>40.70</td>
<td>47.25</td>
</tr>
<tr>
<td>Organizational Climate Result</td>
<td>81.00</td>
<td>80.80</td>
<td>81.50</td>
</tr>
<tr>
<td>Energy Intensity (Gigajoules / Total Revenues in Ps. million)</td>
<td>39.95</td>
<td>37.27</td>
<td>40.46</td>
</tr>
<tr>
<td>Greenhouse gas emissions intensity (Tons of equivalent CO2 / Total Revenues in Ps. million)</td>
<td>3.38</td>
<td>3.27</td>
<td>3.59</td>
</tr>
<tr>
<td>Water efficiency (liters of water used per liter of beverage produced)</td>
<td>1.59</td>
<td>1.65</td>
<td>1.72</td>
</tr>
<tr>
<td>Economic spill to the community</td>
<td>Ps. 274.0 billion US$ 13.9 billion</td>
<td>Ps. 253.2 billion US$ 12.8 billion</td>
<td>Ps. 258.2 billion US$ 12.5 billion</td>
</tr>
<tr>
<td>Percentage of procurement budget on local suppliers</td>
<td>82%</td>
<td>87%</td>
<td>82%</td>
</tr>
<tr>
<td>Direct beneficiaries of FEMSA Foundation programs</td>
<td>1,423,985</td>
<td>1,248,123</td>
<td>1,124,319</td>
</tr>
</tbody>
</table>

1 Number of incidents per 100 employees, based on the number of FEMSA direct employees reported to the Occupational Health and Safety Administration System. Includes information on all countries.
2 According to FEMSA’s Organizational Climate Diagnostic.
3 Includes human resources remuneration, provider payments, public administration sector remuneration, external donations and donations to the community.
4 Local suppliers are defined as suppliers from the country where the purchase is made.
5 The number of direct beneficiaries is accumulated.
DEAR SHAREHOLDERS

The economic impact inherent to the operations is reflected by the returns on the investments we made and the indicators of our financial strength, including growth, revenues, profits and income from operations. But we also track social value creation by measuring the impact around these three pillars, the basis of the Sustainability Strategy: Our People, Our Planet and Our Community.

In 2018, we marked another important step forward in FEMSA's evolution as an organization that creates value for all stakeholders. After thorough self-reflection and analysis, we have reviewed and adapted the FEMSA Corporate Identity model (page 1), which reflects our culture and purpose. This model also clarifies for us, and for all our stakeholders, FEMSA's mission, vision and set of shared corporate values that guide this collective mindset and strategic approach toward long-term success. In short, our mission is to generate economic and social value - a premise that is at the heart of the entire business.

We view these social and economic drivers of value creation as two sides of the same coin, closely linked and mutually reinforcing. FEMSA is committed to shared corporate values that provides the blueprint for how we will succeed in achieving our mission across the organization.

It is in this spirit that our 2018 integrated Annual Report highlights how we are working to stay true to the organization's mission, activate our vision and live the shared values as one, unified team. We seek to disclose the progress we have made this year on both sustainability and financial performance.

We are proud to say that we had notable successes in 2018.

First, despite challenging macroeconomic conditions in several markets, we continued to leverage our diversified business platform and operational expertise to realize strong performance on a consolidated level. Total revenues in 2018 increased 6.8 percent over the previous year to Ps. 469.7 billion (US$ 23.9 billion), and income from operations increased 3.3 percent to Ps. 41.6 billion (US$ 2.1 billion), while net consolidated income decreased 11.1 percent to Ps. 33.1 billion (US$ 1.7 billion). Net majority income per BD Unit was Ps. 6.70 in 2018 (US$ 3.42 per ADS).

FEMSA Comercio opened 1,422 net new OXXO stores in the Proximity Division, 136 net new stores in the Health Division and 87 net new stations in the Fuel Division. An increasingly important part of this growth resulted from the expansion of our international footprint. We opened the first OXXO store in Peru and entered the Ecuadorian market through Socofar’s acquisition of Corporación GPF*, Ecuador’s leading drugstore operator. Of a combined total of 1,645 new stores and stations across the three divisions globally, 92 percent were opened in Mexico. This expansion contributed to FEMSA Comercio creating more than 14,000 new jobs in Mexico during 2018. In terms of investment, FEMSA Comercio deployed US$ 566 million in Capital Expenditures during the year, with 88 percent of that invested in Mexico.

* Acquisition pending to receive regulatory approval
As part of the approach to sustainability governance, we continue to support the UN Global Compact’s (UNGC) ten principles to protect human rights, uphold ethical labor practices, reduce environmental impacts and combat corruption. Our 2018 Annual Report represents our thirteenth Communication on Progress of the UNGC since 2005.

Coca-Cola FEMSA continued strengthening its total beverage leadership position. For example, we continued to capitalize on strategic, long-term synergetic opportunities through the newly acquired territories of Uruguay and Guatemala and by accelerating the digitally-driven business transformation, building up a winning portfolio and creating a more collaborative, consumer and client-centric culture. Conversely, and with a firm focus on value creation, in August 2018 Coca-Cola FEMSA announced the sale of its 51% stake in Coca-Cola FEMSA Philippines, Inc., in order to serve the best interest of its shareholders and maintain discipline in its capital-allocation process.

We also made strides in 2018 on the corporate sustainability strategy. To support Our People, we launched several new courses on FEMSA University, which offers an array of online curricula and functional materials that focus on strengthening our employees’ key business capabilities. With support from an expanded investment in the platform in 2018 of nearly half a million ($US) dollars, we now offer more than 5,000 different resources for our employees including events, online courses, videos, tutorials and other professional development materials.

In support of Our Community, employees continued to contribute to their local communities through volunteering. In 2018, 71,683 employees devoted a total of 593,308 hours to approximately 1,975 initiatives. Additionally, we reaffirmed our commitment to education through important programs such as Líderes del Mañana at Tec de Monterrey.

We are grateful for the support of all our key stakeholders—especially our employees, who bring FEMSA’s culture to life and exemplify our values every day. Looking ahead, we know there will be challenges, changes and exciting new opportunities. As we step forward to continuing evolution, we are confident in our approach—grounded by a mission and vision that serve us as beacon and guide. We welcome your feedback and we look forward to sharing this journey with you in 2019 and beyond.

JOSE ANTONIO FERNÁNDEZ CARBAJAL
Executive Chairman of the Board

EDUARDO PADILLA SILVA
Chief Executive Officer
FEMSA Comercio’s three business divisions—Proximity (formerly Retail), Health and Fuel—all posted growth across markets, delivering strong value for our stakeholders.

- 1,422 net new OXXO stores
- 136 net new stores of our Health Division
- 87 net new OXXO Gas service stations

+3,200 average SKUs per OXXO store

11.8% Revenue growth at FEMSA Comercio’s Proximity Division

17,999 OXXO stores in Mexico, Colombia, Chile and Peru

+14,000 new jobs created by FEMSA Comercio in 2018
FEMSA Comercio

Achieving Strong, Sustainable Growth

Building on a decade of strong, steady growth, FEMSA Comercio continued to thrive in 2018 as a market leader. Despite a challenging market environment throughout Latin America, our retail operations drew on our brand leadership, deep industry knowledge and operational expertise to achieve new growth and geographic expansion. As a result, FEMSA Comercio’s three business divisions—Proximity (formerly Retail), Health and Fuel—all posted growth across markets, delivering strong value for our stakeholders. Together, they contributed 54 percent of FEMSA’s consolidated revenues in 2018 (up from 50 percent in 2017) and 38 percent of EBITDA (up from 33 percent in 2017).

The year saw significant strategic moves that reflect our commitment to expanding our successful small format stores across Latin America. We opened our first OXXO stores in Peru and our Health Division announced our entry into the Ecuadorian market through Socofar’s acquisition of Corporación GPF*, one of Ecuador’s leading drugstore operators with more than 620 points of sale nationwide.

* Acquisition pending to receive regulatory approval

Sustainability Progress

As we expand into new territories and grow our footprint, we continue our commitment to sustainability. Initiatives across all our business units seek to manage the social and environmental impact of our products, services and activities while supporting our people, embracing resource conservation and engaging with our communities. For example, to address the reality of climate change and help offset our direct and indirect greenhouse gas emissions, we maintain several sustainability commitments across FEMSA Comercio, including energy efficiency projects, LED lighting requirements and renewable energy targets at our stores, pharmacies and service stations.

On average, the Proximity Division creates more than 27 new jobs every day.
Proximity Division
In the third quarter of 2018, we announced the reorganization and renaming of FEMSA Comercio’s Proximity Division (formerly known as the Retail Division). This business segment now includes only FEMSA Comercio’s proximity and proximity-related operations, most of which operate under the OXXO brand across our markets. The reorganization provides a more accurate picture of performance for this high-growth business, which saw year-on-year revenue growth of 11.8 percent in 2018.

OXXO proximity stores represent one of FEMSA’s strongest brands, collectively drawing 13 million customers per day and generating approximately 34 percent of FEMSA’s total revenue. OXXO’s fast and steady growth has allowed it to become one of the leading generators of formal employment in Mexico, as well as the second largest retailer in the country in terms of revenues, while consistently delivering best-in-class margins and returns.

Supporting Employees with Disabilities
More than 730 of our OXXO employees in Mexico have disabilities. To support our longstanding commitment to promote their professional development and inclusion in an equitable work environment, in 2018 we opened 6 new OXXO Directed Labor Training Centers in Mexico, reaching now 9 centers that we operate across the country. The initiative, launched in partnership with the National System for Integral Family Development (DIF), expands opportunities for our employees with disabilities by providing three months of job training in a simulated retail environment that prepares them to work at any OXXO store or at any other retail company.

Delivering Convenience
Our differentiated retail approach, characterized by a focus on creating value for consumers, has driven OXXO’s steady growth. Increasingly, our customers visit our stores to take advantage of one-stop convenience that ranges from grabbing a quick drink or picking up a prepared meal, to purchasing household products and using our diverse banking, remittance or bill paying services. Our Correspondent Banking network currently includes more than 10 partner-banking institutions.
OXXO proximity stores enjoy strong brand recognition and are highly accessible, with a large geographic footprint and extended opening hours daily. We utilize these advantages, as well as our trusted partnership network, to deliver convenience in unique ways to our large customer base. For example, while in an OXXO store, our customers can purchase pre-paid gift cards for streaming online services, transfer cash remittances, pay their phone and electricity bills, or pay for their plane tickets on select airlines—among many other services.

**Pursuing International Growth**

We opened our first OXXO store in Monterrey, Mexico in 1978 and today we are the largest proximity store chain in the Americas by units. On average, we open a new OXXO store every six hours and we use proprietary models to identify optimal locations, new store formats and expanded product categories. For the last several years, we have also been planning for long-term growth and expansion of the OXXO brand beyond Mexico.

**Greening our Stores**

To contribute to a healthier environment and greener local communities, we plant trees at every OXXO store where there is sufficient outdoor space and other necessary resources. As of the end of 2018, we have planted more than 19,234 trees at OXXO stores in Mexico. Trees mitigate climate change by removing carbon dioxide from the air, storing carbon and releasing oxygen. They reduce flooding risks by catching rainwater, reducing erosion and creating more permeable soils.

**During 2018, we opened our first OXXO store in Lima, Peru**
Since 2009, when we opened our first five OXXO stores in Colombia, we have gradually and consistently adjusted the value proposition of our stores to better satisfy consumer needs in different markets.

Since our 2016 acquisition of Chilean convenience store Big John, we have increased the international reach of the OXXO brand. As we look ahead, we are continuing to focus on understanding what the Chilean consumer wants from OXXO and how we can most conveniently serve their needs.

Enabling Financial Inclusion

Financial inclusion is an important pathway for reducing poverty but remains a significant development challenge in Mexico. According to a 2016 study by the Instituto Nacional de Estadística y Geografía (INEGI), only 18% of Mexican adults have a credit card and approximately 39% have a bank account. Through new partnerships and innovations, OXXO is taking a lead in enabling broader financial access and boosting e-commerce among the country’s unbanked consumers.

Since 2012, OXXO has sold and activated more than 11 million Saldazo debit cards. This VISA card issued by Citibanamex ensures that a larger percentage of Mexico’s population has easy access to a secure savings account option where they can make deposits and withdrawals. The card has simple set-up requirements and no minimum balance, and it is sold and activated in less than five minutes.

OXXO is also offering new e-commerce solutions. In partnership with Conekta, a leading Mexican digital payment processing company, we launched OXXO PAY in 2017, which allows consumers to digitally transfer cash payments by providing OXXO cashiers with a 14-digit numerical reference. Stores receive real-time notifications to confirm transferred payments. In 2018, over 1,000 on-line businesses were using OXXO PAY, greatly expanding financial access options and the shopping experience for our customers.

Finally, OXXO is addressing some of the biggest barriers to online shopping in Mexico by providing solutions for both payments and pickup. Consumers can pay cash at their nearest store to make purchases from online merchants through our partnership with Mercado Libre. And, through a “click and collect” partnership with Amazon, users can securely pick up their online orders at OXXO. First launched in 2015, this program now operates in over 3,000 OXXO locations.

In 2018, we also opened our first OXXO store in Peru, marking the latest addition in our international growth strategy and bringing our small box-store format expertise to a market of more than 32 million consumers. Overall, our value proposition in each of these South American markets has improved significantly and we are gearing up to accelerate our growth across the region.

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Health Division
In 2018, FEMSA Comercio continued to build a strong presence in the health and drugstore industry in Latin America, satisfying consumers’ healthcare needs by delivering medicines and health-related products and services to our clients.

With 2,361 points of sale at year-end 2018, our Health Division is consolidating a significant market position in Latin America, a few years after acquiring three regional chains in Mexico as well as a majority stake in Socofar, a leading health and pharmacy operator in Chile and Colombia under the Cruz Verde brand.

During 2018, revenues increased by 9.1 percent, with same-store sales increasing by 5.8 percent.

Strengthening Latin America’s Health and Pharmacy Presence
Leveraging Socofar’s strong capabilities in the health sector combined with FEMSA Comercio's deep retail operational and logistical expertise, our Health Division is focused on consolidating a fragmented health and drugstore industry across Latin America. In 2018, we announced our entry into Ecuador, a market with more than 16 million consumers, through Socofar’s acquisition of Corporación GPF*, a leading drugstore operator with more than 620 outlets, mainly under the Fybeca and SanaSana banners.

Our ongoing growth strategy aims to continue to create value from our acquisitions, consolidate our presence in current markets and pursue other opportunities in new markets.

* Acquisition pending to receive regulatory approval
Fuel Division
FEMSA continues to participate in the evolution of Mexico’s oil and gas industry, which continued to transition to a competitive open-market model in 2018. Despite market volatility, we remain focused on improving our customer value proposition in an increasingly competitive market. During the year, we launched effective cross-promotional strategies jointly with OXXO stores, and we made further progress in our commitment to strengthen service station teams through incremental training and improvements in compensation.

Expanding our Network
Our Fuel Division has a growing presence in 17 Mexican states. In 2018, we further expanded our network of service stations by adding 87 units, a new record for us and representing 24 percent growth, to reach a total of 539 locations. This expansion, together with an accelerated effort to transition all of our stations to our new commercial image, reflects a continued focus on consolidating our presence in the market and creating additional value for shareholders. Our strong brand presence in the country’s retail sector, combined with our reputation for reliable, high-quality service, have enabled us to pursue growth, build trust with customers and differentiate our brand from competitors.
Coca-Cola FEMSA is a total beverage leader and The Coca-Cola Company’s largest franchise bottler in the world by sales volume.

50% of global electric energy needs met through renewable sources

+6 million accumulated beneficiaries of our Healthy Habits programs

Ps. +182 billion in total revenues

+3.3 billion unit cases

290 million people served in 10 countries

2020 goals:
Reduce the carbon footprint of our value chain by 20% against the 2010 baseline.

237 New beverage launches in 2018

45% of the launches in our portfolio are low- or no-sugar beverages
A Strong Strategic Vision

In 2018, we continued to build on our winning portfolio of beverages, transformed and strengthened our operational capabilities, and evolved our corporate culture in order to deliver greater value for all stakeholders.

Despite a challenging market environment in 2018, our strong strategic vision and framework steered performance to deliver positive results. Operational efficiencies and innovations combined with strategic acquisitions drove this positive performance, which underpins our expected trajectory of continued, long-term business expansion. In addition to our focus on fostering a unified corporate culture, we are also integrating a growing emphasis on sustainability and proactive environmental management into our business strategy.

We are consolidating a winning total beverage portfolio, offering a growing array of sparkling beverages, water, juices, teas, sports, and energy drinks, and wholesome dairy and plant-based protein beverages.

Our strong strategic vision and framework allow us to create shareholder value over the short and long term.
Our flexible approach and effectiveness at adapting to different markets has resulted in strong performance for Coca-Cola FEMSA across the ten countries where we are present. For example:

» In Mexico, improved execution coupled with our KOFmmercial Digital Platform contributed to topline growth of 5.6 percent.
» In Central America, we grew inorganically through the acquisition of two franchises from The Coca-Cola Company in Guatemala: ABASA and Los Volcanes.
» In Colombia, we delivered positive volumes as consumers who seek for affordability, are embracing our returnable presentations.
» In Brazil, a gradually recovering consumer environment coupled with our KOFmmercial Digital Platform and Digital Distribution network helped boost performance with consistent volume growth throughout the year.

In 2018, we sold our 51 percent controlling stake in Coca-Cola FEMSA Philippines, Inc. after more than five years of a successful turnaround of this operation. Our Board of Directors determined that exercising the put option and selling our stake back to The Coca-Cola Company was the best course of action for our shareholders, given the evolution of the country’s business outlook and our commitment to a disciplined capital allocation process. Going forward, we will continue to assess other potential strategic opportunities for long-term value creation.

Consistent Winning Portfolio Build-up
In 2018, we continued to strengthen our winning portfolio of beverages, offering consumers diverse choices encompassing sparkling beverages, juices, isotonic sports and energy drinks, teas, water, dairy products and plant-based beverages. We maintained or expanded our market share by offering an affordable entry price point, presenting a multi-serve packaging portfolio, leveraging our digital platforms and achieving exemplary point of sale execution.

Our Magic Price Points strategy allows us to intensify our connection with consumers.
To better serve consumers across our markets, we seek to anticipate and respond to their evolving preferences. In 2018, we strengthened our portfolio by introducing innovations that offer diverse beverage options that support people’s lifestyles. For example:

- In Argentina, we launched Coca-Cola Sin Azúcares in our 1.5-liter and 2-liter PET presentations. We also complemented this brand’s growth with our launch of our core Fanta and Sprite sparkling beverage brands without sugar in our 220-ml mini cans. By year-end 2018, our no-sugar offering reached 34% of our total sparkling beverage mix—the highest of our international franchise territories.
- In Brazil, we rebranded Coca-Cola Sem Açúcar in August, resulting in soaring sales across our territory.
- In Brazil, we launched Del Valle Origens, a 100% apple and grape juice in 1.5-liter glass bottles. Thanks to our juice strategy, we grew more than 20% driven by the affordable and premium juice segments, year over year.
- In Colombia and Argentina, our affordable value water brands, Tai and Kin, respectively, performed strongly in challenging consumer environments marked by declining disposable incomes.
- In the fast-growing plant-based beverage category, we consolidated our plant-based AdeS brand, added coconut and almond choices and re-launched the portfolio in Colombia. As a result, our share of the category rose across all markets.
- Our energy drinks saw strong growth, led by the high performance of the Monster brand in Argentina, Brazil, Central America, Colombia, Mexico and Uruguay, where we strengthened our coverage in this promising beverage category.

We continue to improve our competitive position and capture the most value from our still beverage segments.

We consolidated our plant-based AdeS brand and we strengthened the coverage of our Monster brand in Argentina, Brazil, Central America, Colombia, Mexico and Uruguay.
Ensuring Product Affordability
To better serve consumers in light of challenging macroeconomic environments, we continue to roll out affordability initiatives across our operations. A key strategy in providing the right beverage choice at the right price for every consumer is returnable plastic and glass packaging.

In 2018, we strengthened our single-serve returnable portfolio across markets, improving revenue and our competitive advantage. In addition, we expanded returnable multi-serve packaging options for Coca-Cola in Mexico, and introduced innovative packaging with increased coverage for 2-liter multi-serve returnable plastic bottles in Brazil, Colombia and Guatemala.

Our Magic Price Points strategy also allows us to intensify our connection with consumers. This approach helps ensure affordability of our single-serve portfolio by offering to purchase a beverage for the value and convenience of a common coin or bill, helping to improve consumer segmentation through revenue management, increase profitability and gain or maintain market share in countries including Argentina, Brazil and Colombia.

Sustainability: Toward a World Without Waste
The convenience of food and beverage packaging is an important part of modern life, and its proper handling throughout the value chain is of utmost importance. Because of this, since 2002, Coca-Cola FEMSA has collaborated with other food and beverage companies through ECOCE, a Mexican Civil Association that promotes the collection of waste, the creation of a national market for recycling, and the development of recycling programs. We are leaders in PET bottle-to-bottle recycling in Latin America. In 2005, we joined efforts in Mexico to operate the first Food Grade PET Recycling Plant in Latin America, called IMER (or the Mexican Recycling Industry in English). Through these ongoing efforts—together with our leadership in the use of recycled resin in our packages now of 21%, we are on track to achieving our goal of reaching 25% by 2020. We are pleased to join forces with The Coca-Cola Company through the “World Without Waste” initiative to multiply our impacts across the territories we enjoy the privilege to serve in Latin America for the benefit of our communities and to fulfill our 2030 vision of collecting and recycling the equivalent of 100 percent of the packaging we sell—regardless of where it comes from.

21% of recycled materials in our PET packaging, staying on track to achieve our 2020 goal of 25%.
Transforming our Operating Model
Coca-Cola FEMSA’s present and future success depends on continued operational excellence. In 2018, we further strengthened our competitive advantage by developing and deploying next-generation strategic business capabilities including the KOffercial Digital Platform (KDP), which is backed by analytics, and Digital Distribution.

In particular, KDP is adapting our business to technology-driven commerce. In 2018, we continued to roll out the operational tool, reaching 7,600 pre-sale routes in 8 countries by year’s end. We plan to expand its use into the newly acquired territories of Uruguay and Guatemala in 2019.

Improving Efficiency, Productivity and Safety
Our proprietary Manufacturing Management Model advances efficiency, productivity and safety across our operations. During 2018, we continued to roll out the comprehensive program, which covers plant operations, standardized maintenance systems and production line execution.

Implementation of Digital Manufacturing 2.0 platform to enhance production line execution
4.8% volume growth in our personal water category year over year
69 bottling lines implemented with the new Plant Operating Model
We increased 2% our operating efficiency year over year

KDP THREE PILLARS

1. Advanced analytics for revenue transformation
2. Dynamic initiative management
3. Shopper, consumer, and client engagement
By year’s end, we implemented the new Plant Operating Model in 69 bottling lines—increasing efficiency by 2 percent over 2017. In addition, we merged the Manufacturing Management Model’s core elements into our end-to-end Digital Manufacturing 2.0 platform in order to enhance production line execution.

A key objective of this new model is to embed a culture of safety across our workforce and improve our overall safety performance. We aim to achieve zero work-related injuries and illnesses among our employees, contractors and communities by ensuring the safety of our workplace.

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

Coca-Cola FEMSA’s operating model transformation extends to our supply chain. Through our KOF Logistics Services (KLS) tool, we standardize processes, enhance centralized organizational capabilities and invest in technology platforms across our supply chain. For example, we have introduced a digital distribution system in Mexico and Brazil which consists of digitizing our distribution by installing telemetry devices and a distribution platform. This initiative results in better route planning, increased safety and fuel and maintenance savings. Digital Distribution will be expanded across all markets in 2019. In addition, to contribute to our vendors’ economic, social and environmental development while improving our industry’s level of sustainability, we offer a comprehensive Sustainable Sourcing Program.

Our goal is to reach a LTIR of 0.5 per 100 employees by 2020.
Cultural Evolution
Transforming our business and accelerating our cultural evolution depends on the support of our people. We therefore continue to build a strong foundation based on the cornerstones of inspirational leadership, talent development and innovation. Internally referred to as our “KOF DNA”, this model guides our people with the tools and capabilities they need to succeed. For example, recognizing that our people co-create our culture and share responsibility for our company’s transformation, our KOF DNA will enable us to achieve our strategic vision of being the best total beverage bottler in our industry.

Sustainability Progress
2018 Highlights
- 395,773 volunteering hours completed in 2018, representing 39.5% progress toward our goal of reaching 1 million hours of volunteer work by 2020.
- US$10.8 million invested in employee training initiatives in 2018, resulting in 5 million training hours.
- 50% of our global electric energy needs are met through renewable sources
- We currently give back to the environment 100% of the water we use in the production of our beverages in Brazil, Central America, Colombia, and Mexico.
- Since 2015, more than 6 million people benefited from our support of healthy habits initiatives, such as multi-sector coalitions and collaborations that promote nutrition and physical activity in schools.
- 179 community development interventions were carried out in 2018 for the benefit of the people in the regions in which we operate.
Sustainability is an integral part of our day-to-day business at Coca-Cola FEMSA, supporting our mission to simultaneously generate economic and social value for all stakeholders. Our commitment to reduce our use of natural resources, reduce waste and reduce the carbon footprint of our value chain by 20 percent by 2020 has received widespread recognition.

In addition to being the only Latin American beverage company included in the Dow Jones Sustainability Emerging Markets Index for the sixth consecutive year, in 2018 Coca-Cola FEMSA merited inclusion in:

- The Dow Jones Sustainability MILA Pacific Alliance Index for the second consecutive year;
- The London Stock Exchange’s FTSE4Good Emerging Index for the third consecutive year;
- The Vigeo Eiris Emerging 70 Ranking for the fourth consecutive year;
- The Mexican Stock Exchange’s Social Responsibility and Sustainability Index since 2010; and
- The RobecoSAM Sustainability Yearbook 2018.

In addition, 5 of Coca-Cola FEMSA’s bottling facilities received the ‘Environmental Excellence’ distinction from the Mexican Federal Attorney’s Office for Environmental Protection (PROFEPA), the highest recognition granted by the agency.
In addition to our core business segments, FEMSA operates several strategic businesses that amplify our competitive advantage.

- **500,000** square meters of Solistica warehousing capacity
- **24,000** tons of plastic recycled each year by PTM
- **1.9** million Solistica trips per year
- **6,278** vehicles owned by Solistica
- **+160,000** Solistica delivery points per week
- **80%** of PTM’s products were made from recycled materials in 2018
- **+500,000** coolers sold by Imbera in 2018
FEMSA Strategic Businesses

Making Sustainable Progress

Deploying industry-leading capabilities and cost-effective strategies, these businesses provide logistics, transportation, cooling system and foodservice solutions to FEMSA’s core businesses and other companies throughout Latin America and across the world. They are an important part of how FEMSA delivers value to consumers and other stakeholders on a daily basis.

Our strategic businesses strive to incorporate environmental and social considerations across their processes and operations. From finding new efficiencies through improved logistics routing and refrigeration design, to retrieving plastic waste and recycling it into new products for FEMSA’s other core businesses, the team of FEMSA Strategic Businesses is focused on innovating for the future to contribute to a healthier planet. Each business segment follows FEMSA’s overarching sustainability strategy and contributes to its environmental targets.

**Solistica**

First established in 1998, Solistica provides comprehensive logistics solutions to FEMSA affiliates and clients in Brazil, Colombia, Costa Rica, Mexico, Nicaragua and Panama. In 2017, FEMSA unified all logistics operations (formerly made up of FEMSA Logística, Expresso Jundiaí, Zimag, Atlas Transportes e Logística, and Open Market) to create Latin America’s largest supplier of logistics services under the new name of Solistica. This move merged the capabilities, values and talent of all our logistics operations and further consolidated our position as the leading integrated logistics services provider in the region.

Known for innovative services, a specialized IT platform and sustainable operations, Solistica transports, distributes and stores the products of more than 4,000 clients representing diverse industries—from consumer goods, retail and pharmaceuticals to manufacturing, electronics and automotive.

Solistica’s operations support FEMSA’s three-pillar sustainability strategy through a focus on efficient route planning (to minimize fuel consumption), reduction of hazardous waste, road risk training (to decrease accident rates), and employee professional development.

**Imbera**

Imbera is the world’s largest commercial refrigeration manufacturer and an industry leader dedicated to the efficient and cost-effective design, development and manufacture of cooler equipment and parts for the beverage and food service industry. With state-of-the-art facilities in Mexico, Colombia and Brazil, Imbera exports customized and innovative solutions to 56 different countries, with sales offices in four continents and after sales service support through 94 service centers across 8 countries.
Committed to sustainability, Imbera and its 4,600 employees develop equipment and proprietary technologies that provide energy and cost savings for clients and help reduce their carbon footprint. By investing in technologies to improve refrigeration design in ways that reduce greenhouse gas emissions, Imbera has reduced energy consumption in its coolers by 85 percent over 10 years.

**PTM**
Founded in 1976, PTM designs and manufactures plastic products that support the operational and marketing strategies of FEMSA’s core businesses and additional customers in diverse industries across Latin America. PTM operates state-of-the-art production facilities for different plastic processing operations, including injection molding, blow molding, thermoforming and extrusion. With nearly 1,000 employees, it is one of Mexico’s largest plastic recycling companies, recovering more than 24,000 tons of plastic annually. It operates a recycling line which can process 2,000 kilograms of material per hour. In 2018, 80% percent of PTM’s products—including pallets, ice chests, furniture and plastic crates, among others—were made from recycled raw materials.

**Torrey**
Foodservice manufacturing leader in Mexico. Designs, manufactures and distributes scales, refrigeration equipment, food processing and cooking equipment among other products; Industries served include butcheries, small retailers, supermarkets, C-Stores, hotels and restaurants through a network of more than 500 distributors.

PTM is one of Mexico’s largest plastic recycling companies, recovering more than 24,000 tons of plastic annually.
FEMSA Foundation was founded in 2008 on the following premise: a sustainable company can only exist with sustainable communities.

2,168 communities have benefited through social projects.

US$ 40.1 million invested and US$ 139.7 million leveraged.

26.6 million people positively impacted directly and indirectly.

18 countries reached.

250 partners engaged.

3 AREAS OF ACTION

- Water Security
- Early Childhood
- Art & Culture
FEMSA Foundation

10 years making a better future

We make positive impacts in people’s lives through social investment for sustainability in three lines of action:

- Sustainable use and management of water
- Early childhood
- Promotion of Latin American art and culture

Our vision

- **Sustainable use and management of water**
  - The communities where we operate have access to safe water and improved sanitation.
  - The regions where we operate achieve water security.

- **Early Childhood**
  - Children reach their full potential and transform our communities.

- **FEMSA Cultural Program**
  - We contribute to a greater knowledge and appreciation of modern and contemporary Latin American art through a program of exhibitions and various artistic initiatives.

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**Water Center for Latin America and the Caribbean**

Our first project was launched in 2008 to contribute to water security through research, innovation and training programs.

**PARTNERS:**
- Tecnológico de Monterrey
- Inter-American Development Bank

**US$ 14.7 million** investment

**3,713 trained people**

**2008 first project was launched**

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**Water Funds**

In 2011 we launched the Latin American Water Funds Partnership to promote water security through Water Funds, multi-sectoral organizations that promote better governance models and catalyze science-based systemic changes.

**PARTNERS:**
- Inter-American Development Bank
- The Nature Conservancy
- Global Environment Facility
- International Climate Initiative

**US$ 67.5 million** investment

**24 Water Funds in 8 countries**

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**Water Links**

In 2013, its first phase brought access to safe water and improved sanitation to people in Latin America. In 2017 we refocused these WASH interventions to add behavioral change through social art for sustainability.

**PARTNERS PHASE 1:**
- The Coca-Cola Company Latin Center and Millennium Water Alliance

**US$ 17.1 million** investment

**145,906 people and 177 communities benefited**

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**FEMSA Biotechnology Center**

Since 2008, we have been promoting applied health research for the early detection and prevention of diseases.

**PARTNERS:**
- Tecnológico de Monterrey

**US$ 7.7 million** investment

**196 publications**

**50 research projects**
Innovation Fund for Early Childhood Development

Our goal is to design, implement, and evaluate innovative and scalable initiatives mainly for disadvantaged children from 0 to 5 years of age.

**PARTNERS:**
Inter-American Development Bank (IDB) and Open Society Foundations at the regional level and Fundação Maria Cecilia Souto Vidigal in Brazil

**US$ 8.0 million** investment

6 projects in 5 countries (Ecuador, Colombia, Mexico, and Brazil)

FEMSA Collection

In 2018, we celebrated 40 years of preserving, promoting and disseminating the FEMSA Collection, which brings together over 1,200 works of modern and contemporary Latin American art and is recognized as one of the most representative corporate art collections in the world. Through an active program of exhibitions, FEMSA shares its Collection in Mexico and abroad, promoting an understanding and appreciation of the region’s art.

+1,200 works in its collection

+4.9 million visitors to FEMSA Collection exhibitions since 2000

+132 exhibitions in 12 countries

Starting Together - Grow with your child

We launched this platform in 2018 to offer first-rate tools and strategies for working parents and their families and join them in the adventure of raising their children from pregnancy to the age of five.

Ready to Play!

We developed this multiplatform with Sesame Workshop and strategic partners to help improve Latin American children’s health through educational entertainment.

**PARTNERS:**
Carlos Slim Foundation, UNICEF, Sesame Workshop, Ministry of Health of Mexico, Canal Once and TV Ecuador

**US$ 2.1 million** investment

+18.2 million people made aware about healthy childhood in Ecuador, Colombia and Mexico

Disaster relief

Since 2010 we have responded to contingencies related to natural disasters by providing access to safe water. Our mobile safe water vehicles have reached communities affected by floods, droughts, and earthquakes.

**US$ 1.2 million** investment

10,238,436 liters of safe water delivered

FEMSA Biennial

The XIII FEMSA Biennial took place in Zacatecas, Mexico, from September 2017 to February 2019. Under the title *Nunca fuimos contemporáneos*, it seeks to be a collaborative model that generates, together with cultural institutions of the State of Zacatecas, exchanges between the local cultural context and the world of global contemporary art.

**PARTNERS:**
Instituto Zacatecano de la Cultura, Museo de Guadalupe and the self-managed spaces El Santero and Museo Comunitario de Vetagrande

+1.9 million visitors in exhibitions and events since 1992
FEMSA Foundation

A sustainable company can only exist with sustainable communities

FEMSA Foundation’s mission is to use social investments to make a positive impact in people’s lives and build stronger and more sustainable communities everywhere we operate. Working with more than 250 partners in 18 countries, we look to identify, replicate and scale innovative solutions and approaches that succeed.

We seek to address complex social challenges through a collaborative approach that allows us to bring together more resources to achieve greater impact. For every dollar that we invested last year, we leveraged approximately US$ 7.4 million dollars through our partnerships. As a result, our programs benefited 9.9 million people directly and indirectly in over 542 communities during 2018.

Providing Safe Water
Water is essential to human life and health, yet an estimated 222 million people across Latin America do not have access to safely managed water. In addition, 16 of the region’s 20 largest cities including Mexico City, São Paulo and Lima, are under water stress. Through a range of science-based programs and partnerships, we seek solutions to these challenges.

Water Funds
For the past seven years, we have helped launch and strengthen two dozen Water Funds programs that help communities sustainably manage watersheds and cities achieve water security by developing innovative financial and governance mechanisms that leverage public, private and civil society partnerships.
In 2018, we developed and released the Desired State of Water Funds, a methodology to systematize and structure knowledge based on the experience of professionals in the field. We also launched Agua Capital (Capital Water), the 24th Fund to support water security in the Valley of Mexico, in partnership with Coca-Cola FEMSA, Citibanamex, Grupo Modelo, HSBC and Mexichem.

**Water Links**
FEMSA Foundation launched the second phase of *Lazos de Agua* (Water Links) in collaboration with the IDB, The Coca-Cola Foundation and One Drop to improve the health and living conditions of the poorest and most vulnerable communities in Latin America. Through a focus on behavioral change, we aim to help people access safe water supply and sanitation.

In 2018, we launched operations in Colombia to bring safe water and sanitation to people in the port city of Tumaco. To achieve sustainable interventions through increased awareness and behavior change, we used social art to increase the adoption of healthier behaviors, such as safely treating and storing household drinking water and washing one’s hands more frequently. To date, the program has benefited 26,906 people in Latin America.

**Water Center for Latin America and the Caribbean**
Our water strategy also focuses on the interconnection between water, energy and food as a comprehensive approach to solve future sustainability challenges.

During 2018, we started a shift in the Water Center’s work in this direction. We also partnered with Conservation International to deploy a Water Health Index in important watersheds in Brazil, Peru and Colombia.

In 2019, we will continue to foster collective action through strategic partnerships and by promoting knowledge exchange in order to catalyze transformation, scale our existing programs and create greater impact.

One of our goals is to address water challenges in Latin America by utilizing technology-supported decision-making, increasing access to water and sanitation, and enhancing water security through watershed sustainability.

Using a tool called the Strategic Decisions Hub (NED by its acronym in Spanish), the index diagnoses the condition of, and pressure on, freshwater ecosystems using indicators such as vitality, ecosystem services, watershed governance and stakeholders.
Nurturing Early Childhood

We believe that when children have the means to harness their full potential, communities can be transformed. On this basis, we are committed to supporting projects that promote early childhood development across Latin America.

In 2017, we launched the regional Early Childhood Development Innovation Fund in partnership with IDB and Open Society Foundations as well as the Fundação Maria Cecilia Souto Vidigal in Brazil. Through this Fund, we foster innovative solutions that support children under five in vulnerable communities by improving their cognitive, linguistic, motor and socio-emotional abilities. Through 2018, we supported six projects in five countries: Brazil, Colombia, Mexico, El Salvador and Uruguay. To support caregivers in understanding early childhood development, we have used multi-platform educational entertainment to reach over 9.2 million families in Colombia, Mexico, Ecuador and Brazil. Launched in 2016, and expanded to Brazil in 2018, the Ready to play! initiative is a collaboration with Sesame Workshop and other regional and local partners to promote lifelong healthy habits.

In 2018, we also launched an innovative pilot program called Comenzando Juntos – Crece con tu hijo (Starting Together – Grow with your child) to support working parents and their families in raising their children and to help companies increase employee satisfaction. The program provides parents with tools and content developed by specialists for children from pregnancy to 5 years of age. During the year, we successfully piloted the project at FEMSA’s headquarters, as well as at Solistica and several other FEMSA business units. We plan to update and expand the program to other parts of the organization and other companies in 2019.

To promote these efforts, we also seek to highlight the importance of early childhood development on the public policy agenda in Latin America. In 2018 we joined 300 other organizations in the Pact for Early Childhood, which advocates making comprehensive early childhood support a government priority in Mexico. We also organized the first Seminar on the Design of Innovative Public Policies to Transform the Future of Mexico in partnership with the School of Government and Public Transformation at Tecnológico de Monterrey, the Center on the Developing Child at Harvard University, IDB, the LEGO Foundation and the Innovation Accelerator for Early Childhood. Over four days, 40 public sector leaders debated how to create the right policies to make Mexico one of the best places for a child to grow up.
**Sharing Latin American Art**

FEMSA Cultural Program contributes to a greater knowledge and appreciation of modern and contemporary Latin American art around the world through its support for diverse artistic initiatives, including the FEMSA Collection, which comprises more than 1,200 works of art from iconic artists that are representative of various art movements throughout the 20th and 21st centuries. Since 2000, more than 12.2 million people in 18 countries have viewed the Collection through our exhibitions and loans program.

In 2018, we celebrated the FEMSA Collection’s 40th anniversary. Exhibitions in Chile and Colombia presented Latin American identity throughout the last two centuries. Drawing more than 300,000 people in total, these exhibitions and related programs included free workshops, film screenings, dialogues and other activities for local communities.

Our Cultural Program also leads the FEMSA Biennial. Established 27 years ago, this program encourages and promotes artistic creation in Mexico through collaborative events. In 2017-2019, the XIII edition took place in the state of Zacatecas using a new curatorial approach that brought together local and international artists and curators in collaboration with cultural institutions and museums.

The XIII FEMSA Biennial was based on five platforms: museological collaborations, interventions in public space, publishing program, educational program and public program.

The value of art in education resides in building knowledge and developing sensitive, reflexive and proactive citizens.

+F12.2 million people have viewed artworks of the FEMSA Collection through our exhibitions and loan programs since 2000.
FEMSA seeks to meet the highest standards of corporate governance and ethical business practices. We have in place rigorous, accurate and reliable practices for disclosing information and delivering financial transparency and accountability. Our corporate practices comply with the laws of all countries where we operate. We comply with all applicable standards, rules and regulations in Mexico and in the United States including the Ley del Mercado de Valores and the Sarbanes-Oxley Act. Additionally, we observe recommendations of the Mexican Code of Best Practices, issued by the Business Coordinating Council (Consejo Coordinador Empresarial).

CODE OF ETHICS
Our Code of Ethics forms the basis of FEMSA’s approach to responsible business conduct, characterized by a culture of respect, honesty and integrity. The Code guides our directors and employees on how to behave in situations that carry risks of potential ethical conflict, such as interactions with investors, customers, suppliers, governmental authorities, civil society organizations and the local community. It also outlines mechanisms for reporting any breach, behavior or practice that fails to meet our company’s high expectations for personal ethical conduct. The Code applies to our directors, employees and officers in all the countries where we do business and has been approved by the Board of Directors. Also, we advise our suppliers to adhere to our Supplier Guiding Principles, which describe our expectations related to labor rights, the environment, community, ethics and values. These guidelines represent FEMSA’s expectations for how suppliers of goods and services around the world manage key sustainability areas.

OUR WHISTLEBLOWER SYSTEM
At FEMSA, we take any reports of illegal or inappropriate actions very seriously. We believe that reporting such ethical breaches is everyone’s responsibility. We therefore provide an easy, secure and confidential Whistleblower System, managed 24 hours a day by an independent third-party. Directors, officers, employees and third parties (with whom FEMSA has some relationship in the development of its operations), can access the system in four convenient ways, via phone, website, e-mail or online chat.

NUMBER OF COMPLAINTS RECEIVED AT FEMSA AND ITS BUSINESS UNITS*

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of complaints received</td>
<td>2,002</td>
<td>2,492</td>
<td>2,743</td>
</tr>
<tr>
<td>Resolved in same calendar year</td>
<td>82%</td>
<td>70%</td>
<td>78%</td>
</tr>
<tr>
<td>Resolved beyond same calendar year</td>
<td>18%</td>
<td>30%</td>
<td>22%</td>
</tr>
</tbody>
</table>

* Complaints include reported situations relating to workplace or sexual harassment, discrimination, human rights violations, theft, misuse.
FEMSA's Board of Directors is responsible for establishing the company's corporate strategy, defining and overseeing the implementation of its vision and values, and approving related-party transactions, including those outside the ordinary course of business. In 2018, our Board consisted of 20 Directors, including three women, assisted by a Secretary and Alternate Secretary, both of whom are non-members. In accordance with our bylaws and the Mexican Securities Law, at least 25 percent of our Board members are independent.

SERIES “B” DIRECTORS
José Antonio Fernández Carbajal C
Executive Chairman of the Board of Directors of Fomento Económico Mexicano, S.A.B. de C.V.
Elected 1984
Alternate: Federico Reyes García C

Javier Gerardo Astaburuaga Sanjines C
Vice-President of Corporate Development of Fomento Económico Mexicano, S.A.B. de C.V.
Elected 2006

Mariana Garza Lagüera Gonda
Private Investor
Elected 1998
Alternate: Bárbara Garza Lagüera Gonda

Eva María Garza Lagüera Gonda
Private Investor
Elected 1999
Alternate: Othón Páez Garza

José Fernando Calderón Rojas
Chief Executive Officer and Chairman of the Board of Directors of Franca Servicios, S.A. de C.V., Servicios Administrativos de Monterrey, S.A. de C.V., Regio Franca, S.A. de C.V., and Franca Industrias, S.A. de C.V.
Elected 1984
Alternate: Francisco José Calderón Rojas

Alfonso Garza Garza
Vice President of Strategic Businesses of Fomento Económico Mexicano, S.A.B. de C.V.
Elected 2001
Alternate: Juan Carlos Garza Garza

Maximino José Michel González
Chief Executive Officer of 3 H Capital Servicios Corporativos, S.A. de C.V.
Elected 1996
Alternate: Bertha Paula Michel González

Francisco Javier Fernández Carbajal C
Chief Executive Officer of Servicios Administrativos Contry, S.A. de C.V.
Elected 2004
Alternate: Daniel Alberto Rodríguez Cofré

SERIES “D” DIRECTORS
Armando Garza Sada 1
Chairman of the Board of Directors of Alfa, S.A.B. de C.V., Alpek, S.A.B. de C.V. and Nemak, S.A.B. de C.V.
Elected 2003
Alternate: Enrique F. Senior Hernández C, I

Moisés Naím B, I
Distinguished Fellow Carnegie Endowment for International Peace; producer and host of Efecto Naim; author and journalist
Elected 2011
Alternate: Francisco Zambrano Rodríguez A, I

José Manuel Canal Hernando A, I
Independent Consultant on corporate governance matters, statutory examiner and director of several public and private companies
Elected 2003

Michael Larson I
Chief Investment Officer for William H. Gates III
Elected 2011

Robert E. Denham B, C, I
Partner at Munger, Tolles & Olson LLP
Elected 2001
Alternate: Ernestro Cruz Velázquez de León A, I

Carlos Eduardo Aldrete Ancira
Secretary
(non-member of the Board of Directors)

Alejandro Gil Ortiz
Alternate Secretary
(non-member of the Board of Directors)

SERIES “A” DIRECTORS
Ricardo Guajardo Touché B, C, I
Chairman of the Board of Directors of Solfi, S.A. de C.V.
Elected 1988

Alfonso González Migoya A, I
Chairman of the Board of Directors of Controladora Vuela Compañía de Aviación, S.A.B. de C.V. (Volaris) and managing partner of Acumen Empresarial, S.A. de C.V.
Elected 2006
Alternate: Sergio Deschamps Ebergenyi I

Paulina Garza Lagüera Gonda
Private Investor
Elected 2009
Alternate: Juan Bautista Guichard Michel

Ricardo E. Saldívar Escajadillo B, C, I
Private Investor
Elected 2006
Alternate: Víctor Alberto Tiburcio Celorio A, I

Alfonso de Angoitia Noriega 1
Co-Chief Executive Officer of Grupo Televisa, S.A.B.
Elected 2015

Eduardo Padilla Silva
Chief Executive Officer of Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA)
Elected 2014

Alberto Baillères González
Elected 1984
Alternate: Arturo Manuel Fernández Pérez

Moisés Naím B, I
Distinguished Fellow Carnegie Endowment for International Peace; producer and host of Efecto Naim; author and journalist
Elected 2011
Alternate: Francisco Zambrano Rodríguez A, I

José Manuel Canal Hernando A, I
Independent Consultant on corporate governance matters, statutory examiner and director of several public and private companies
Elected 2003

Michael Larson I
Chief Investment Officer for William H. Gates III
Elected 2011

Robert E. Denham B, C, I
Partner at Munger, Tolles & Olson LLP
Elected 2001
Alternate: Ernestro Cruz Velázquez de León A, I

Carlos Eduardo Aldrete Ancira
Secretary
(non-member of the Board of Directors)

Alejandro Gil Ortiz
Alternate Secretary
(non-member of the Board of Directors)
The Audit Committee has procedures in place for receiving, retaining, and addressing complaints regarding accounting, internal control, and auditing matters. Its remit includes the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing matters.

**BOARD COMMITTEES**

Member committees support the Board of Directors by analyzing strategic issues critical to our business success. They provide recommendations to the full Board regarding the focus areas shown below, including economic, social and environmental matters.

**AUDIT COMMITTEE**
Responsible for:
- reviewing the accuracy and integrity of quarterly and annual financial statements in accordance with accounting, internal control, and auditing requirements;
- the appointment, compensation, retention, and oversight of the independent auditor, who reports directly to the Audit Committee;
- identifying and following up on contingencies and legal proceedings.

**CORPORATE PRACTICES COMMITTEE**
Responsible for:
- preventing or reducing the risk of transactions that could damage the value of the company or benefit a particular group of shareholders;
- approving policies for the use of the company's assets or any related party transactions and the compensation of the Chief Executive Officer and senior executives, as well as supporting the Board of Directors in the preparation of reports on accounting practices.

**STRATEGY AND FINANCE COMMITTEE**
Responsible for:
- evaluating the investment and financing policies proposed by the Chief Executive Officer;
- evaluating risk factors to which the corporation is exposed, as well as its management policies;
- making recommendations on the company's dividend policy;
- strategic analysis and assessment of the company's business units and strategic alternatives for their growth;
- making recommendations to the Board of Directors on annual operation plans and strategic projects for our business units.

*Committee members are independent directors, as required by Mexican Securities Law and applicable NYSE listing standards.*
Our management team is focused on driving business growth by creating economic, social and environmental value for all our stakeholders. Each of our executive leaders has significant professional experience within the industries where our businesses operate.

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

Mr. Fernández joined FEMSA in 1987. He was appointed CEO in 1995 and Chairman in 2001, serving in both positions until January 2014. He is Vice Chairman of the Heineken N.V. Supervisory Board and member of the Heineken Holding N.V. Board, and also serves as Chairman of Coca-Cola FEMSA, FEMSA Foundation, Instituto Tecnológico de Estudios Superiores de Monterrey (“ITESM”), and Chairman Emeritus of the US-Mexico Foundation. He is a member of the Board of Industries Peñoles, co-chairs the Mexico chapter of the Woodrow Wilson Center and member of the board of trustees of the Massachusetts Institute of Technology Corporation. His degrees in Industrial Engineering and Systems and MBA were both earned from ITESM.

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

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

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

Mr. Astaburuaga joined FEMSA in 1982. His roles in the company have included co-CEO of FEMSA Cerveza, Director of Sales for Northern Mexico, CFO of FEMSA Cerveza, and Chief Financial and Corporate Officer of FEMSA. He was appointed to his current position in April 2015. Mr. Astaburuaga earned his Bachelor’s degree in Public Accounting from ITESM.

Alfonso Garza Garza  
**Vice President of Strategic Businesses of FEMSA**

Mr. Garza joined FEMSA in 1985 and held various positions including CEO of FEMSA Empaques. In 2009 he was appointed to his current position. He is vice-chairman of the executive commission of the National President of the Employers Confederation of Mexico (Coparmex). He is member of the Board of Directors FEMSA, ITESM, Grupo Nutec, S.A. de C.V. and American School Foundation of Monterrey, A.C. and he is an alternate member of the Board of Directors of Coca-Cola FEMSA. Mr. Garza earned a Bachelor’s degree in Industrial Engineering from ITESM and completed postgraduate coursework at IPADE.

Genaro Borrego Estrada  
**Vice President of Corporate Affairs of FEMSA**


As of February 2019, Roberto Campa Cifrián replaces Genaro Borrego Estrada as Vice President of Corporate Affairs of FEMSA.

Roberto Campa Cifrián  
**Vice President of Corporate Affairs of FEMSA**

Joined FEMSA in 2019 after a long professional career in the public, private and nonprofit sectors. He has been Secretary of Labor and Social Planning for the federal government, Undersecretary of the Interior, Head of the Federal Consumer Protection Agency, representative to the Mexico City Legislative Assembly and federal congressional representative. Mr. Campa holds a Law degree from Universidad Anahuac.

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

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

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

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

Daniel Alberto Rodríguez Cofré  
**Chief Executive Officer of Coca-Cola FEMSA Comercio**

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

Amounts expressed in millions of Mexican pesos (Ps.) as of December 31, 2018

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>Ps. 468,894</td>
<td>Ps. 439,239</td>
<td>Ps. 398,622</td>
<td>Ps. 310,849</td>
<td>Ps. 262,779</td>
</tr>
<tr>
<td>Total revenues</td>
<td>469,744</td>
<td>439,932</td>
<td>399,507</td>
<td>311,589</td>
<td>263,449</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>294,574</td>
<td>277,842</td>
<td>251,303</td>
<td>188,410</td>
<td>153,278</td>
</tr>
<tr>
<td>Gross profit</td>
<td>175,170</td>
<td>162,090</td>
<td>148,204</td>
<td>123,179</td>
<td>110,171</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>133,594</td>
<td>121,828</td>
<td>110,777</td>
<td>89,444</td>
<td>80,188</td>
</tr>
<tr>
<td>Income from operations (1)</td>
<td>41,576</td>
<td>40,262</td>
<td>37,427</td>
<td>33,735</td>
<td>29,983</td>
</tr>
<tr>
<td>Other non-operating expenses (income), net</td>
<td>874</td>
<td>1,285</td>
<td>4,208</td>
<td>954</td>
<td>(508)</td>
</tr>
<tr>
<td>Financing expenses, net</td>
<td>7,380</td>
<td>3,302</td>
<td>4,619</td>
<td>7,618</td>
<td>6,988</td>
</tr>
<tr>
<td>Income before income taxes and share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of the profit of equity accounted</td>
<td>33,322</td>
<td>35,674</td>
<td>28,600</td>
<td>25,163</td>
<td>23,503</td>
</tr>
<tr>
<td>investees, net of taxes</td>
<td>10,169</td>
<td>10,213</td>
<td>7,888</td>
<td>7,932</td>
<td>6,253</td>
</tr>
<tr>
<td>Share of the profit of equity accounted</td>
<td>6,560</td>
<td>8,021</td>
<td>6,463</td>
<td>6,045</td>
<td>5,380</td>
</tr>
<tr>
<td>investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income from continuing operations</td>
<td>29,713</td>
<td>33,480</td>
<td>27,175</td>
<td>23,276</td>
<td>22,630</td>
</tr>
<tr>
<td>Net income from discontinuing operations</td>
<td>3,366</td>
<td>3,726</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Consolidated net income</td>
<td>33,079</td>
<td>37,206</td>
<td>27,175</td>
<td>23,276</td>
<td>22,630</td>
</tr>
<tr>
<td>Controlling Interest</td>
<td>23,990</td>
<td>42,408</td>
<td>21,140</td>
<td>17,683</td>
<td>16,701</td>
</tr>
<tr>
<td>Non-Controlling Interest</td>
<td>9,089</td>
<td>(5,202)</td>
<td>6,035</td>
<td>5,593</td>
<td>5,929</td>
</tr>
<tr>
<td>Ratios to total revenues (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross margin</td>
<td>37.3%</td>
<td>36.8%</td>
<td>37.1%</td>
<td>39.5%</td>
<td>41.8%</td>
</tr>
<tr>
<td>Operating margin</td>
<td>8.9%</td>
<td>9.2%</td>
<td>9.4%</td>
<td>10.8%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Consolidated net income</td>
<td>6.3%</td>
<td>7.6%</td>
<td>6.8%</td>
<td>7.5%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Other information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>14,698</td>
<td>13,799</td>
<td>12,076</td>
<td>9,761</td>
<td>9,029</td>
</tr>
<tr>
<td>Amortization and other non cash charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to income from operations</td>
<td>4,184</td>
<td>4,104</td>
<td>5,484</td>
<td>3,130</td>
<td>1,933</td>
</tr>
<tr>
<td>Operative Cash Flow (EBITDA)</td>
<td>60,458</td>
<td>58,165</td>
<td>54,987</td>
<td>46,626</td>
<td>40,945</td>
</tr>
<tr>
<td>Capital expenditures (2)</td>
<td>24,266</td>
<td>23,486</td>
<td>22,155</td>
<td>18,885</td>
<td>18,163</td>
</tr>
</tbody>
</table>
### Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017 (9)</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>Ps. 177,607</td>
<td>Ps. 181,188</td>
<td>Ps. 117,951</td>
<td>Ps. 86,723</td>
<td>Ps. 79,112</td>
</tr>
<tr>
<td>Equity accounted investees</td>
<td>94,315</td>
<td>96,097</td>
<td>128,601</td>
<td>111,731</td>
<td>102,159</td>
</tr>
<tr>
<td>Property, plant and equipment, net (3)</td>
<td>108,602</td>
<td>116,712</td>
<td>102,223</td>
<td>80,296</td>
<td>75,629</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>145,610</td>
<td>154,093</td>
<td>153,268</td>
<td>108,341</td>
<td>101,527</td>
</tr>
<tr>
<td>Other assets, net</td>
<td>50,247</td>
<td>40,451</td>
<td>43,580</td>
<td>22,241</td>
<td>17,746</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>576,381</td>
<td>588,541</td>
<td>545,623</td>
<td>409,332</td>
<td>376,173</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term bank loans and current portion of longterm bank loans and notes payable</td>
<td>13,674</td>
<td>13,590</td>
<td>7,281</td>
<td>5,895</td>
<td>1,553</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>87,790</td>
<td>91,432</td>
<td>79,008</td>
<td>59,451</td>
<td>47,766</td>
</tr>
<tr>
<td>Long-term bank loans and notes payable</td>
<td>114,990</td>
<td>117,758</td>
<td>131,967</td>
<td>85,969</td>
<td>82,935</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>4,699</td>
<td>5,373</td>
<td>4,447</td>
<td>4,229</td>
<td>4,207</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>5,886</td>
<td>6,133</td>
<td>11,037</td>
<td>6,230</td>
<td>3,643</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>13,800</td>
<td>17,343</td>
<td>25,713</td>
<td>5,702</td>
<td>5,947</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>240,839</td>
<td>251,629</td>
<td>259,453</td>
<td>167,476</td>
<td>146,051</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>335,542</td>
<td>336,912</td>
<td>286,170</td>
<td>241,856</td>
<td>230,122</td>
</tr>
<tr>
<td><strong>Controlling interest</strong></td>
<td>257,053</td>
<td>250,291</td>
<td>211,904</td>
<td>181,524</td>
<td>170,473</td>
</tr>
<tr>
<td><strong>Non-controlling interest</strong></td>
<td>78,489</td>
<td>86,621</td>
<td>74,266</td>
<td>60,332</td>
<td>59,649</td>
</tr>
<tr>
<td><strong>Financial ratios (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquidity</td>
<td>1.750</td>
<td>1.725</td>
<td>1.367</td>
<td>1.327</td>
<td>1.604</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.718</td>
<td>0.747</td>
<td>0.907</td>
<td>0.692</td>
<td>0.635</td>
</tr>
<tr>
<td>Capitalization</td>
<td>0.29</td>
<td>0.29</td>
<td>0.33</td>
<td>0.28</td>
<td>0.27</td>
</tr>
<tr>
<td><strong>DATA PER SHARE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net controlling interest income (5)</td>
<td>1.341</td>
<td>2.370</td>
<td>1.182</td>
<td>0.988</td>
<td>0.933</td>
</tr>
<tr>
<td>Dividends paid (6)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series B shares</td>
<td>0.460</td>
<td>0.431</td>
<td>0.417</td>
<td>0.366</td>
<td>0.000</td>
</tr>
<tr>
<td>Series D shares</td>
<td>0.575</td>
<td>0.538</td>
<td>0.521</td>
<td>0.458</td>
<td>0.000</td>
</tr>
<tr>
<td><strong>Number of employees (7)</strong></td>
<td>297,073</td>
<td>295,027</td>
<td>266,144</td>
<td>246,158</td>
<td>216,740</td>
</tr>
<tr>
<td><strong>Number of outstanding shares (8)</strong></td>
<td>17,891.13</td>
<td>17,891.13</td>
<td>17,891.13</td>
<td>17,891.13</td>
<td>17,891.13</td>
</tr>
</tbody>
</table>

1. Company's key performance indicator.
2. Includes investments in property, plant and equipment, as well as deferred charges and intangible assets.
3. Includes bottles and cases.
4. Controlling interest divided by the total number of shares outstanding at the end of each year.
5. Net controlling interest income divided by the total number of shares outstanding at the end of each year.
6. Expressed in nominal pesos of each year.
7. Includes incremental employees resulting from mergers & acquisitions made during the year.
8. Total number of shares outstanding at the end of each year expressed in millions.
9. The consolidated income statement of 2017 was revised to reflect the discontinued operations of Coca-Cola FEMSA Philippines.
Fomento Económico Mexicano, S.A.B. de C.V. (“FEMSA”) is a Mexican holding company. Set forth below is certain audited financial information for FEMSA and its subsidiaries (the “Company” or “FEMSA Consolidated”) (NYSE: FMX; BMV: FEMSA UBD, FEMSA BD). The principal activities of the Company are grouped mainly under the following subholding companies (the “Subholding Companies”): Coca-Cola FEMSA, S.A.B de C.V. (“Coca-Cola FEMSA” or “KOF”), (NYSE: KOF, BMV: KOFL) which engages in the production, distribution and marketing of beverages, and FEMSA Comercio, S.A. de C.V. (“FEMSA Comercio”), including its Proximity Division operating OXXO, a small-format store chain, a Health Division, which includes all drugstores and related operations, and a Fuel Division, which operates the OXXO GAS chain of retail service stations. Additionally, through its Strategic Businesses unit, it provides logistics, point-of-sale refrigeration solutions and plastics solutions to FEMSA’s business units and third-party clients.

The consolidated financial information included in this annual report was prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

During 2018, we made a change to the disclosure related to our businesses formerly named as FEMSA Comercio’s “Retail Division”: We have removed those operations that are not directly related to our proximity store business, namely our restaurant and discount retail units, from this segment. The segment is now named the “Proximity Division”, and it only includes proximity and proximity-related operations, most of which operate today under the OXXO brand across markets. 2017 figures have been restated to reflect such changes.

The 2018 and 2017 results are stated in nominal Mexican pesos (“pesos” or “Ps.”). Translations of pesos into US dollars (“US$”) are included solely for the convenience of the reader and are determined using the noon buying rate for pesos as published by the U.S. Federal Reserve Board in its H.10 Weekly Release of Foreign Exchange Rates as of December 31, 2018, which was 19.6350 pesos per US dollar.

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

### FEMSA CONSOLIDATED

<table>
<thead>
<tr>
<th></th>
<th>Total Revenues</th>
<th>% Growth vs’17</th>
<th>Gross Profit</th>
<th>% Growth vs’17</th>
</tr>
</thead>
<tbody>
<tr>
<td>FEMSA Consolidated</td>
<td>469,744</td>
<td>6.8%</td>
<td>175,170</td>
<td>8.1%</td>
</tr>
<tr>
<td>Coca-Cola FEMSA</td>
<td>182,342</td>
<td>(0.5%)</td>
<td>83,938</td>
<td>0.5%</td>
</tr>
<tr>
<td>FEMSA Comercio – Proximity Division</td>
<td>167,458</td>
<td>11.8%</td>
<td>65,529</td>
<td>16.8%</td>
</tr>
<tr>
<td>FEMSA Comercio – Health Division</td>
<td>51,739</td>
<td>9.1%</td>
<td>15,865</td>
<td>11.6%</td>
</tr>
<tr>
<td>FEMSA Comercio – Fuel Division</td>
<td>46,936</td>
<td>22.3%</td>
<td>4,231</td>
<td>52.9%</td>
</tr>
</tbody>
</table>
FEMSA's consolidated total revenues increased 6.8% to Ps. 469,744 million in 2018 compared to Ps. 439,932 million in 2017. Coca-Cola FEMSA's total revenues decreased 0.5% to Ps. 182,342 million, as the consolidation of recently acquired territories in Guatemala and Uruguay, volume growth in Brazil, Central America and Colombia, flat volumes in Mexico, and price increases above inflation in Argentina and Mexico were offset by the negative translation effect resulting from the depreciation of the Argentine Peso, the Brazilian Real and the Colombian Peso as compared to the Mexican Peso, the deconsolidation of Coca-Cola FEMSA de Venezuela as of December 31, 2017, and the reporting of Argentina as a hyperinflationary subsidiary as of July 1, 2018. FEMSA Comercio – Proximity Division's revenues increased 11.8% to Ps. 167,458 million, driven by the opening of 1,422 net new OXXO stores combined with an average increase of 5.2% in same-store sales. FEMSA Comercio – Health Division's revenues increased 9.1% to Ps. 51,739 million, driven by the opening of 136 net new stores combined with an average increase of 5.8% in same-store sales. FEMSA Comercio – Fuel Division revenues increased 22.3% to Ps. 46,936 million in 2018, driven by the addition of 87 total net new stations in the last twelve months, and a 5.6% increase in same-station sales.

Consolidated gross profit increased 8.1% to Ps. 175,170 million in 2018 compared to Ps. 162,090 million in 2017. Gross margin increased 50 basis points to 37.3% of total revenues compared to 2017, reflecting gross margin expansion across all business units.

Consolidated operating expenses increased 9.7% to Ps. 133,594 million in 2018 compared to Ps. 121,828 million in 2017. As a percentage of total revenues, consolidated operating expenses increased from 27.6% in 2017 to 28.4% in 2018.

Consolidated administrative expenses increased 13.7% to Ps. 17,313 million in 2018 compared to Ps. 15,222 million in 2017. As a percentage of total revenues, consolidated administrative expenses increased 20 basis points, from 3.5% in 2017, to 3.7% in 2018.

Consolidated selling expenses increased 8.2% to Ps. 114,573 million in 2018 as compared to Ps. 105,880 million in 2017. As a percentage of total revenues, selling expenses increased 40 basis points, from 23.9% in 2017 to 24.3% in 2018.

Consolidated income from operations increased 3.3% to Ps. 41,576 million in 2018 as compared to Ps. 40,261 million in 2017. As a percentage of total revenues, operating margin decreased 30 basis points, from 9.2% in 2017 to 8.9% in 2018 reflecting an operating margin contraction at Coca-Cola FEMSA and the faster growth of FEMSA Comercio's three divisions, whose lower margins tend to compress FEMSA's consolidated margins over time.

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

Net financing expenses increased to Ps. 7,380 million from Ps. 3,302 million in 2017, reflecting a demanding comparison base in 2017, driven by a foreign exchange gain related to the effect of FEMSA's U.S Dollar-denominated cash position, as impacted by the depreciation of the Mexican peso during 2017, and by other financial income related to Coca-Cola FEMSA hyperinflationary subsidiaries. This movement was enough to offset an interest expense decrease of 11.4% to Ps. 9,825 million in 2018, compared to Ps. 11,092 million in 2017, mainly reflecting lower interest expense at Coca-Cola FEMSA.

Income before income taxes and share of the profit in Heineken results decreased 6.6% to Ps. 33,322 million in 2018 compared with Ps. 35,673 million in 2017, reflecting a demanding comparison base in 2017, driven by a foreign exchange gain related to FEMSA's U.S dollar-denominated cash position, and by other financial income related to Coca-Cola FEMSA hyperinflationary subsidiaries. These impacts were partially offset by growth in our income of operations and lower financing expenses.

Our accounting provision for income taxes in 2018 was Ps. 10,169 million, as compared to Ps. 10,213 million in 2017, resulting in an effective tax rate of 30.2% in 2018, as compared to 28.6% in 2017, in line with our expected medium-term range of 30%.

Consolidated net income was Ps. 33,079 million in 2018 compared to Ps. 37,206 million in 2017, reflecting a demanding comparison base stemming from: i) a foreign exchange gain related to FEMSA's U.S dollar-denominated cash position, impacted by the depreciation of the Mexican peso during 2017; ii) a higher participation in Heineken's results for most of the comparable period; and iii) other financial income related to Coca-Cola FEMSA's hyperinflationary operations. This was partially offset by growth in our income from operations, and lower financing expenses.
Controlling interest amounted to Ps. 23,990 million in 2018 compared to Ps. 42,408 million in 2017. Controlling interest in 2018 per FEMSA Unit was Ps. 6.70 (US$ 3.42 per ADS).

COCOA-COLA FEMSA
Coca-Cola FEMSA total revenues decreased 0.5% to Ps. 182,342 million in 2018, compared to Ps. 183,256 million in 2017, as the consolidation of recently acquired territories in Guatemala and Uruguay, volume growth in Brazil, Central America and Colombia, flat volumes in Mexico, and price increases above inflation in Argentina and Mexico were offset by the negative translation effect resulting from the depreciation of the Argentine Peso, the Brazilian Real and the Colombian Peso as compared to the Mexican Peso, the deconsolidation of Coca-Cola FEMSA de Venezuela as of December 31, 2017, and the reporting of Argentina as a hyperinflationary subsidiary as of July 1, 2018. On a comparable basis, total revenues grew 5.9%, driven by average price per unit case growth ahead of inflation in Mexico, coupled with volume growth in Brazil, Colombia, Central America, and flat volume performance in Mexico.

Coca-Cola FEMSA gross profit increased 0.5% to Ps. 83,938 million in 2018, compared to Ps. 83,508 million in 2017, with a gross margin expansion of 40 basis points. Pricing initiatives, coupled with lower sweetener prices, were partially offset by higher PET costs across most of their operations, higher concentrate costs in Mexico, and the depreciation in the average exchange rate of all Coca-Cola FEMSA’s operating currencies as applied to U.S. dollar-denominated raw material costs. Gross margin reached 46.0% in 2018.

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

Operating expenses increased 1.3% to Ps. 59,265 million in 2018, compared to Ps. 58,513 million in 2017.

Administrative expenses increased 4.0% to Ps. 7,999 million in 2018, compared to Ps. 7,694 million in 2017. Selling expenses decreased 0.8% to Ps. 49,255 million in 2018 compared with Ps. 50,352 million in 2017.

Income from operations decreased 1.3% to Ps. 24,673 million in 2018 compared to Ps. 24,996 million in 2017.

FEMSA COMERCIO – PROXIMITY DIVISION
FEMSA Comercio – Proximity Division total revenues increased 11.8% to Ps. 167,458 million in 2018 compared to Ps. 149,833 million in 2017, primarily as a result of the opening of 1,422 net new OXXO stores during 2018, together with an average increase in same-store sales of 5.2%. As of December 31, 2018, there were a total of 17,999 OXXO stores. As referenced above, OXXO same-store sales increased an average of 5.2% compared to 2017, driven by a 3.6% increase in average customer ticket while store traffic increased 1.6%. On an organic basis, total revenues grew 11.4%.

Cost of goods sold increased 8.8% to Ps. 101,929 million in 2018, compared to Ps. 93,706 million in 2017. Gross margin increased 160 basis points to reach 39.1% of total revenues. This increase reflects: i) the sustained growth of the services category, including income from financial services; ii) healthy trends in our commercial income activity; iii) increased and more efficient promotional programs with our key supplier partners and iv) the consolidation of Caffenio, our sole coffee supplier in Mexico, which we now control with 50% share ownership. As a result, gross profit increased 16.8% to Ps. 65,529 million in 2018 compared with 2017.

Operating expenses increased 18.3% to Ps. 51,452 million in 2018 compared to Ps. 43,491 million in 2017. The increase in operating expenses was driven by: i) our continuing and gradual shift from commission-based store teams to employee based teams; ii) higher secure cash handling costs driven by increased volume and higher operational costs including fuel prices; iii) the consolidation of Caffenio; and iv) organic growth of OXXO’s international

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1 FEMSA Units consist of FEMSA BD Units and FEMSA B Units. Each FEMSA BD Unit is comprised of one Series B Share, two Series D-B Shares and two Series D-L Shares. Each FEMSA B Unit is comprised of five Series B Shares. The number of FEMSA Units outstanding as of December 31, 2018 was 3,578,226,270, equivalent to the total number of FEMSA Shares outstanding as of the same date, divided by 5.

2 Excluding the effects of recent acquisitions, currency translation effects and the results of hyperinflationary subsidiaries in both periods.

3 Excludes the effects of significant mergers and acquisitions in the last twelve months.
operations that achieved healthy sales levels per store, but have yet to reach sufficient scale to better absorb overhead.

Administrative expenses increased 20.2% to Ps. 3,587 million in 2018, compared to Ps. 2,983 million in 2017; as a percentage of sales, they increased slightly to 2.1% in 2018, from 2.0% in 2017. Selling expenses increased 18.1% to Ps. 47,589 million in 2018 compared with Ps. 40,289 million in 2017; as a percentage of sales they reached 28.4% in 2018.

Income from operations increased 11.4% to Ps. 14,077 million in 2018 compared to Ps. 12,636 million in 2017, resulting in an operating margin of 8.4% as a percentage of total revenues for the year, in line with 2017.

**FEMSA COMERCIO – HEALTH DIVISION**

FEMSA Comercio – Health Division total revenues increased 9.1% to Ps. 51,739 million compared to Ps. 47,421 million in 2017, primarily as a result of the opening of 136 net new stores during 2018, together with an average increase in same-store sales of 5.8%. As of December 31, 2018, there were a total of 2,361 drugstores in Mexico, Chile and Colombia. As referenced above, same-store sales increased an average of 5.8%, reflecting strong performance in our South American operations, as well as gradually improving trends in Mexico, coupled with a positive currency translation effect related to the depreciation of the Mexican peso compared to the Chilean and Colombian pesos in our operations in South America.

Cost of goods sold increased 8.0% to Ps. 35,874 million in 2018, compared with Ps. 33,208 million in 2017. Gross margin increased 70 basis points to reach 30.7% of total revenues. This was mainly driven by more efficient and effective commercial activity, particularly in South America, and to benefits that are gradually beginning to materialize in Mexico from our integration into a single operating platform. As a result, gross profit increased 11.6% to Ps. 15,865 million in 2018 compared with 2017.

Operating expenses increased 9.2% to Ps. 13,750 million in 2018 compared with Ps. 12,595 million in 2017. This increase was partially offset by cost efficiencies and tight expense control throughout our territories.

Administrative expenses increased 25.1% to Ps. 2,055 million in 2018, compared with Ps. 1,643 million in 2017; as a percentage of sales, they reached 4.0% in 2018. Selling expenses increased 6.5% to Ps. 11,557 million in 2018 compared with Ps. 10,850 million in 2017; as a percentage of sales, they reached 22.3% in 2018.

Income from operations increased 30.7% to Ps. 2,115 million in 2018 compared with Ps. 1,618 million in 2017, resulting in an operating margin expansion of 70 basis points to 4.1% as a percentage of total revenues for the year, compared with 3.4% in 2017.

**FEMSA COMERCIO – FUEL DIVISION**

FEMSA Comercio – Fuel Division total revenues increased 22.3% to Ps. 46,936 million in 2018 compared to Ps. 38,388 in 2017, primarily as a result of the opening of 87 net new OXXO GAS service stations during 2018, together with an average increase in same-station sales of 5.6%. As of December 31, 2018, there were a total of 539 OXXO GAS service stations. As referenced above, same-station sales increased an average of 5.6% compared to 2017, as the average price per liter increased by 15.1%, while the average volume decreased by 8.2% reflecting consumer reaction to the higher prices, and, to a lesser degree, increased competition.

Cost of goods sold increased 19.9% to Ps. 42,705 million in 2018, compared with Ps. 35,621 million in 2017. Gross margin increased 180 basis points to reach 9.0% of total revenues. This increase reflects improved supply terms and a recovery from a low comparable base last year, when gross profit per liter was held flat in peso terms for most of the comparable period in 2017. As a result, gross profit increased 52.9% to Ps. 4,231 million in 2018 compared with 2017.

Operating expenses increased 51.1% to Ps. 3,773 million in 2018 compared with Ps. 2,497 million in 2017. The increase in operating expenses was driven by: i) higher wages implemented to reduce turnover in a tight labor market; ii) expenses related to the remodeling of our stations and the installation of new environmental controls; and iii) provisions related to certain unprofitable institutional clients.

Administrative expenses increased 57.1% to Ps. 242 million in 2018, compared with Ps. 154 million in 2017; as a percentage of sales, they increased 10 basis points to 0.5% in 2018. Selling expenses increased 51.3% to Ps. 3,526 million in 2018 compared with Ps. 2,330 million in 2017; as a percentage of sales, they reached 7.5% in 2018.

Income from operations increased 69.6% to Ps. 458 million in 2018 compared with Ps. 270 million in 2017, resulting in an operating margin expansion of 30 basis points to 1.0% as a percentage of total revenues for the year, compared with 0.7% in 2017. This increase reflects better operating leverage that more than offset higher personnel, remodeling and expansion-related expenses.
KEY EVENTS DURING 2018
The following text reproduce our press releases exactly as the time they were published.

**Coca-Cola FEMSA acquires bottlers in Guatemala**
On April 25, 2018, Coca-Cola FEMSA announced that through its subsidiary “Compañía Inversionista en Bebidas del Norte, S.L.”, it had closed an acquisition agreement with the shareholders of the Guatemalan company “ABASA”, a bottler of Coca-Cola products, in an all-cash transaction for an amount of US$ 53.4 million on a cash free and debt free basis. ABASA would continue to operate in the same way, considering the particular business realities and opportunities of its territory. ABASA operates in the northeast area of Guatemala with 1 plant, 9 distribution centers and 791 employees.

On that same date, Coca-Cola FEMSA also announced that through its subsidiary “Compañía de Inversiones Moderna, S.L.”, it had closed an acquisition agreement with the shareholders of the Guatemalan company “Los Volcanes”, a bottler of Coca-Cola products, in an all-cash transaction for an amount of US$ 124.6 million on a cash free and debt free basis. Los Volcanes, will continue to operate in the same way, considering the particular business realities and opportunities of its territory. Los Volcanes, operates in the southwest area of Guatemala with 1 plant, 7 distribution centers and 1,066 employees.

**Coca-Cola FEMSA acquires bottler in Uruguay**
On June 28 2018, Coca-Cola FEMSA announced the acquisition of Montevideo Refrescos S.R.L. (“MONRESA”) from The Coca-Cola Company, in an all cash transaction. The aggregate enterprise value for this transaction is US$ 250.7 million, on a cash free and debt free basis. MONRESA was founded in 1943 and is the exclusive distributor and manufacturer of the extensive Coca-Cola beverage portfolio in Uruguay, serving a market of 3.4 million consumers through 26 thousand points of sale. The integration of this franchise increased Coca-Cola FEMSA's presence to 11 countries worldwide. “As part of our strategic framework and the consolidation of leadership in the global beverage market, the integration of MONRESA reaffirms our commitment to generating economic and social value for our shareholders and stakeholders.” Said John Santa Maria, CEO of Coca-Cola FEMSA.

**Coca-Cola FEMSA exercises a put option to sell its 51% stake in Coca-Cola FEMSA Philippines, Inc.**
On August 16, 2018, Coca-Cola FEMSA announced that it had notified The Coca-Cola Company (“TCCC”), the exercise of KOF's put option to sell its 51% stake in Coca-Cola FEMSA Philippines, Inc. (“CCFPI”). As part of the transaction structure for the acquisition of a 51% stake in CCFPI, closed on January 25, 2013, KOF obtained a put option to sell back to TCCC not less than all of KOF's shares in CCFPI at a price to be determined according to an agreed formula, which cannot exceed the aggregate enterprise value of the original purchase. KOF will work closely with TCCC in all aspects of the transaction, and will fully cooperate with TCCC to ensure a smooth transition of the CCFPI business. “As part of our efforts to expand our geographic reach, we have been operating in the Philippines for more than five years, deploying our expertise and capabilities to develop and operate in fragmented markets, leading to an efficient turnaround of this operation. However, given the recent evolution in the business outlook in the Philippines, and our commitment to a disciplined capital allocation approach focused on driving shareholder returns, our Board of Directors has concluded that exercising our put option represents the best course of action for Coca-Cola FEMSA's shareholders. This was not an easy decision, and it comes after a deep and thorough process of analysis based on our best interest to protect our shareholders' value. Going forward, we will continue to look and assess other potential strategic opportunities for long-term value creation”, said John Santa Maria, Chief Executive Officer.

Later, on December 13, 2018, Coca-Cola FEMSA announced the closing by its subsidiary Controladora de Inversiones en Bebidas Refrescantes, S.L. (“CIBR”), of the transaction to sell its 51% stake in Coca-Cola FEMSA Philippines, Inc. (“CCFPI”) to the Coca-Cola Company (“TCCC”), for an aggregate amount of US$ 715 million. As previously announced, on August 16, 2018, CIBR notified to TCCC its decision to exercise its put option to sell its stake in CCFPI. The proceeds of this transaction will be used for debt repayment and general corporate purposes. The parties will continue to work and cooperate to ensure a smooth transition of the CCFPI business.

**FEMSA Comercio enters the drugstore business in Ecuador**
On September 24, 2018, FEMSA announced that through its majority-owned subsidiary Socofar, it had reached an agreement to acquire Corporación GPF (“GPF”). GPF is a leading drugstore operator based in Quito, Ecuador, with almost 90 years of solid trajectory, operating more than 620 points of sale nationwide.
mainly under the Fybeca and SanaSana banners. This transaction represents a new building block of FEMSA Comercio’s drugstore strategy in South America, following its successful acquisition of a controlling stake in the drugstore and distribution platform of Chile-based Socofar in 2015. Today’s announcement marks another important step for FEMSA Comercio as it brings its considerable retail expertise and Socofar’s deep industry knowledge to the Ecuadorian market and its more than 16 million consumers. GPF is a strong local operator with attractive growth prospects, and it will help Socofar as it continues to build a robust base from which to expand further in the region. The transaction is subject to customary regulatory approvals and is expected to close during the first quarter of 2019.

FEMSA Comercio opens its first OXXO store in Lima, Peru
On October 26, FEMSA Comercio announces that it is opening its first OXXO store in Lima, Peru. OXXO’s entry into Peru marks the beginning of a new stage in the format’s international growth strategy. Since 2009, when OXXO opened its first five stores in Colombia, OXXO has gradually and consistently improved its capabilities to adjust the value proposition of its stores to better satisfy the needs of different consumers, across different markets. These improved capabilities are already being put to work in Colombia and Chile, and now they will also enable growth at OXXO Peru. This announcement marks another important step for FEMSA Comercio as it brings its considerable expertise in small-box retail to the attractive Peruvian market and its more than 32 million consumers.

Coca-Cola FEMSA announces Chief Financial Officer succession plan
On November 1, 2018, Coca-Cola FEMSA announced that Hector Treviño Gutierrez, had decided to retire effective December 31, 2018, after serving as Chief Financial Officer of KOF for more than 25 years and with an overall career in FEMSA of more than 37 years. The Board of Directors of the Company elected Constantino Spas to serve as Chief Financial Officer for Coca-Cola FEMSA, effective January 1, 2019. Constantino joined the Company on January 1, 2018 as Strategic Planning Officer. He has more than 25 years of experience in the food and beverage sector, with a demonstrated track record in companies such as Grupo Mavesa and Empresas Polar in Venezuela; Kraft Foods, SAB Miller in Latin America, and Bacardi, where he served as VP Managing Director for Mexico and then for Latin America and the Caribbean. Constantino worked alongside Hector to ensure an orderly and seamless transition of CFO duties. “Hector Treviño, was appointed CFO in 1993, year of KOF’s Initial Public Offering and listing in the Mexican Stock Exchange and in the New York Stock Exchange; and since then, Hector, has deeply contributed to the evolution and value creation of the business, playing a fundamental role in driving profitable growth throughout the years. His work ethic and financial discipline are a legacy that will continue to be a part of our core values for many years to come.” said John Santa Maria Otazu, Chief Executive Officer of the Company, and added: “Constantino is an experienced officer with proven results across different beverage categories; his strategic focus and talent make him an excellent successor to Hector.”
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For more information we provide additional
information and extensive reporting online,
including the Audited Financial Statements.

We encourage you to review the following site
to learn more about FEMSA: www.femsa.com

STOCK MARKETS AND SYMBOLS
Fomento Económico Mexicano, S.A.B. de C.V.
stock trades on the Bolsa Mexicana de Valores (BMV)
in the form of units under the symbols
FEMSA UBD and FEMSA UB. The FEMSA
UBD units also trade on The New York Stock
Exchange, Inc. (NYSE) in the form of ADRs under
the symbol FMX.
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The FEMSA 2018 Annual Report may contain certain forward-looking statements concerning FEMSA and its subsidiaries' future performance and should be considered as good faith estimates of FEMSA and its subsidiaries. These forward-looking statements reflect management's expectations and are based upon currently available data. Actual results are subject to further events and uncertainties which could materially impact the Company's subsidiaries' actual performance.