COCA COLA FEMSA SAB DE CV
Form 20-F
April 18, 2018
Table of Contents

As filed with the Securities and Exchange Commission on April 18, 2018.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

Commission file number 1-12260

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

(Exact name of registrant as specified in its charter)

Not Applicable

(Translation of registrant s name into English)

United Mexican States

(Jurisdiction of incorporation or organization)

Calle Mario Pani No. 100,

Santa Fe Cuajimalpa,

Cuajimalpa de Morelos,

05348, Ciudad de México, México

(Address of principal executive offices)

Maria Dyla Castro Varela

Calle Mario Pani No. 100,

Santa Fe Cuajimalpa,

Cuajimalpa de Morelos,

05348 Ciudad de México, México

(52-55) 1519-5121

kofmxinves@kof.com.mx

(Name, telephone, e-mail and/or facsimile number and

address of company contact person)

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

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares, each representing 10 Series L shares, without par value	New York Stock Exchange, Inc.
Series L shares, without par value	New York Stock Exchange, Inc. (not for trading, for listing purposes only)

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

None

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

None

The number of outstanding shares of each class of capital or common stock as of December 31, 2017 was:

992,078,519	Series A shares, without par value
583,545,678	Series D shares, without par value
525,208,065	Series L shares, without par value

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

Yes No

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).N/A

Yes No

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

Yes No

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

Large accelerated filer Accelerated filer Emerging growth company

Non-accelerated filer

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

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

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

U.S. GAAP IFRS Other

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

Item 17 Item 18

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

Yes No

TABLE OF CONTENTS

Table of Contents

INTRODUCTION

References

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

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

As used in this annual report, sparkling beverages refers to non-alcoholic carbonated beverages. Still beverages refers to non-alcoholic non-carbonated beverages. Flavored and non-flavored waters, whether or not carbonated, are referred to as waters.

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

Currency Translations and Estimates

This annual report contains translations of certain Mexican peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from Mexican pesos at an exchange rate of Ps.19.64 to US$1.00, the exchange rate for Mexican pesos on December 29, 2017, the last day in 2017 for which information is available, according to the U.S. Federal Reserve Board. On April 13, 2018, this exchange rate was Ps.18.08 to US$1.00. **See Item 3. Key Information Exchange Rate Information** for information regarding exchange rates since January 1, 2013.

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

Sources

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

Forward-Looking Information

This annual report contains words such as believe, expect, anticipate and similar expressions that identify forward-looking statements. Use of these words reflects our views of future events and financial performance. Actual results could differ materially from those projected in these forward-looking statements as a result of various factors that may be beyond our control, including, but not limited to, effects on our company from changes in our relationship with The Coca-Cola Company, movements in the prices of raw materials, competition, significant developments in economic or political conditions in Mexico, Central and South America and Asia, including changes in currency exchange and interest rates, our ability to successfully integrate mergers and acquisitions, or changes in our regulatory environment. Accordingly, we caution readers not to place undue reliance on these forward-looking statements. In any event, these statements speak only as of their respective dates, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Table of Contents

Item 3. Key Information

SELECTED CONSOLIDATED FINANCIAL DATA

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

This annual report includes (under Item 18) our audited consolidated statements of financial position as of December 31, 2017 and 2016 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2017, 2016 and 2015.

Pursuant to IFRS, the information presented in this annual report presents financial information in nominal terms that has been presented in Mexican pesos. For each non-hyperinflationary economic environment, functional currency was converted to Mexican pesos using the year-end exchange rate for assets and liabilities, the historical exchange rate for equity and the average exchange rate for the income statement. In the case of Venezuela, the only country of the countries where we operated with a hyperinflationary economic environment, local inflation was taken into account and functional currency was converted to Mexican pesos using (i) the official exchange rate published by the local central bank at the end of each of the periods ended December 31, 2013, 2014, 2015 and 2016, and (ii) an exchange rate of 22,793 bolivars per US$1.00 for the period ended December 31, 2017. See Notes 2.3.1.10 and 3.3 to our consolidated financial statements. Our non-Mexican subsidiaries maintain their accounting records in their local currency and in accordance with accounting principles generally accepted in the country where they are located. For presentation in our consolidated financial statements, we adjust these accounting records into IFRS and report in Mexican pesos under these standards.

Pursuant to IFRS, as a result of Venezuela s hyperinflationary economic environment and currency exchange regime, we reported the results of our Venezuelan operations as a separate consolidated reporting segment. However, effective as of December 31, 2017, we deconsolidated our operations in Venezuela, and as a result began accounting for the results of operations of Coca-Cola FEMSA de Venezuela, S.A., or KOF Venezuela, as an investment under the fair value method pursuant to IFRS 9, *Financial Instruments*. Beginning on January 1, 2018, we will no longer include the results of operations of KOF Venezuela in our consolidated financial statements. See Notes 3.3 and 25 to our consolidated financial statements.

Commencing on February 1, 2017 we started consolidating the financial results of Coca-Cola FEMSA Philippines, Inc., or KOF Philippines, in our financial statements.

Except when specifically indicated, information in this annual report on Form 20-F is presented as of December 31, 2017 and does not give effect to any transaction subsequent to that date.

Table of Contents

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

	Year Ended December 31,					
	2017[(1)(2)]	**2017[(2)]**	**2016[(3)]**	**2015**	**2014**	**2013[(4)]**
	(in millions of Mexican pesos or millions of U.S. dollars, except ratio, share and per share data)					
Income Statement Data:						
Total revenues	US$ 10,376	Ps. 203,780	Ps. 177,718	Ps. 152,360	Ps.147,298	Ps.156,011
Cost of goods sold	5,708	112,094	98,056	80,330	78,916	83,076
Gross profit	4,668	91,686	79,662	72,030	68,382	72,935
Administrative expenses	457	8,983	7,423	6,405	6,385	6,487
Selling expenses	2,848	55,927	48,039	41,879	40,465	44,828
Other income	223	4,371	1,281	620	1,001	478
Other expenses	1,682[(5)]	33,032[(5)]	5,093	2,368	1,159	1,101
Interest expenses	449	8,809	7,471	6,337	5,546	3,341
Interest income	45	887	715	414	379	654
Foreign exchange gain (loss), net	41	810	(1,792)	(1,459)	(968)	(739)
Gain (loss) on monetary position for subsidiaries in hyperinflationary economies	81	1,591	2,417	(33)	(312)	(393)
Market value gain on financial instruments	13	246	51	142	25	46
(Loss) income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method	(365)	(7,160)	14,308	14,725	14,952	17,224
Income taxes	232	4,554	3,928	4,551	3,861	5,731
Share of the profit of associates and joint ventures	3	60	147	155	(125)	289

accounted for using the equity method, net of taxes						
Net (loss) income	(594)	(11,654)	10,527	10,329	10,966	11,782
Attributable to:						
Equity holders of the parent	(652)	(12,802)	10,070	10,235	10,542	11,543
Non-controlling interest	58	1,148	457	94	424	239
Net (loss) income	(594)	(11,654)	10,527	10,329	10,966	11,782
Ratio to Revenues (%)						
Gross profit margin	45.0	45.0	44.8	47.3	46.4	46.7
Net income margin	(5.7)	(5.7)	5.9	6.8	7.4	7.6

	As of December 31,					
	2017(1)(2)	**2017(2)**	**2016(3)**	**2015**	**2014**	**2013(4)**
	(in millions of Mexican pesos or millions of U.S. dollars, except ratio, share and per share data)					
Balance Sheet Data:						
Cash and cash equivalents	US$ 956	Ps. 18,767	Ps. 10,476	Ps. 15,989	Ps. 12,958	Ps. 15,306
Accounts receivable, net, inventories, recoverable taxes, other current financial assets and other current assets	1,878	36,890	34,977	26,243	25,170	27,925
Total current assets	2,834	55,657	45,453	42,232	38,128	43,231
Investments in other entities	639	12,540	22,357	17,873	17,326	16,767
Property, plant and equipment, net	3,861	75,827	65,288	50,532	50,527	51,785
Intangible assets, net	6,326	124,243	123,964	90,754	97,024	98,974

3

Table of Contents

	2017[1][2]	2017[2]	2016[3]	2015	2014	2013[4]
	As of December 31, (in millions of Mexican pesos or millions of U.S. dollars, except ratio, share and per share data)					
Deferred tax assets, other non-current financial assets and other non-current assets	886	17,410	22,194	8,858	9,361	5,908
Total non-current assets	11,712	230,020	233,803	168,017	174,238	173,434
Total assets	14,546	285,677	279,256	210,249	212,366	216,665
Bank loans and notes payable	105	2,057	1,573	384	301	495
Current portion of non-current debt	515	10,114	1,479	3,086	905	3,091
Interest payable	25	487	520	411	371	324
Suppliers, accounts payable, taxes payable and other current financial liabilities	2,186	42,936	36,296	26,599	26,826	28,488
Total current liabilities	2,831	55,594	39,868	30,480	28,403	32,398
Bank loans and notes payable	3,625	71,189	85,857	63,260	64,821	56,875
Post-employment and other non-current employee benefits, deferred tax liabilities, other non-current financial liabilities, provisions and other non-current liabilities	925	18,184	24,298	7,774	9,024	10,239
Total non-current liabilities	4,550	89,373	110,155	71,034	73,845	67,114
Total liabilities	7,381	144,967	150,023	101,514	102,248	99,512
Total equity	7,165	140,710	129,233	108,735	110,118	117,153
Equity attributable to equity holders of the parent[6]	6,241	122,569	122,137	104,749	105,717	113,111
Non-controlling interest in consolidated subsidiaries	924	18,141	7,096	3,986	4,401	4,042
Total liabilities and equity	14,546	285,677	279,256	210,249	212,366	216,665

	2017[1][2]	2017[2]	2016[3]	2015	2014	2013[4]
	As of December 31, (in millions of Mexican pesos or millions of U.S. dollars, except ratio, share and per share data)					
Financial Ratios (%)						
Current[7]	1.00	1.00	1.14	1.38	1.34	1.33
Leverage[8]	1.03	1.03	1.16	0.93	0.93	0.85
Capitalization[9]	0.39	0.39	0.41	0.39	0.38	0.35
Coverage[10]	4.20	4.20	4.80	3.92	4.73	8.22
Share Data						

A Shares	992,078,519	992,078,519	992,078,519	992,078,519	992,078,519	992,078,519
D Shares	583,545,678	583,545,678	583,545,678	583,545,678	583,545,678	583,545,678
L Shares	525,208,065	525,208,065	497,298,032	497,298,032	497,298,032	497,298,032
Number of outstanding shares	2,100,832,262	2,100,832,262	2,072,922,229	2,072,922,229	2,072,922,229	2,072,922,229
Per Share Data						
Book Value(11)	2.97	58.34	58.92	50.53	51.00	54.57
Basic earnings per share(12)	(0.31)	(6.12)	4.86	4.94	5.09	5.61
Diluted earnings per share(13)	(0.31)	(6.12)	4.85	4.94	5.09	5.61
Ratio of Earnings to Fixed Charges(14)	0.10	0.10	2.81	3.22	3.40	5.71

(1) Translation to U.S. dollar amounts at an exchange rate of Ps.19.64 to US$1.00 solely for the convenience of the reader.

(2) Includes results of KOF Philippines, from February 1, 2017. **See Item 4. Information on the Company The Company Corporate History.**

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

4

(4) Includes results of KOF Philippines from February 2013 using the equity method, results of Grupo Yoli, S.A. de C.V., or Grupo Yoli, from June 2013, Companhia Fluminense de Refrigerantes, or Companhia Fluminense, from September 2013 and Spaipa S.A. Industria Brasileira de Bebidas, or Spaipa, from November 2013. **See Item 4. Information on the Company The Company Corporate History.**

(5) See Note 18 to our consolidated financial statements.

(6) We translated our results of operations in Venezuela for the full year ended December 31, 2017 into our reporting currency, the Mexican peso, using an exchange rate of 22,793 bolivars per US$1.00. **See Item 5. Operating and Financial Review and Prospects General Exchange Control Regime in Venezuela and Note 3.3 to our consolidated financial statements.**

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

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

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

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

(11) Based on 2,100.83 million shares as of December 31, 2017, and 2,072.92 million shares as of December 31, 2016, 2015, 2014 and 2013.

(12) Computed on the basis of the weighted average number of shares outstanding during the period: 2,091.35 million in 2017, 2,072.92 million in 2016, 2015 and 2014, and 2,056.20 million in 2013.

(13) Computed on the basis of the diluted weighted average number of shares outstanding during the period: 2,091.35 million in 2017, 2,074.83 million in 2016, 2,072.92 million in 2015 and 2014, and 2,056.20 million in 2013. For further information see Note 3.25 to our consolidated financial statements.

(14) Exhibit 7.2 to this annual report on Form 20-F includes a calculation of Ratio of Earnings to Fixed Charges.

Table of Contents

DIVIDENDS AND DIVIDEND POLICY

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

Fiscal Year with Respect to which Dividend was Declared(1)	Date Dividend Paid or To Be Paid	Mexican Pesos per Share (Nominal)(2)	U.S. Dollars per Share(3)
2013	May 2, 2014	1.450	0.111
	November 5, 2014	1.450	0.111
2014	May 5, 2015	1.540	0.090
	November 3, 2015	1.550	0.090
2015	May 3, 2016	1.670	0.097
	November 1, 2016	1.680	0.089
2016	May 3, 2017	1.680	0.086
	November 1, 2017	1.670	0.087
2017	May 3, 2018	1.680	(4)
	November 1, 2018	1.670	(4)

(1) The dividends declared for each fiscal year were divided into two payments.
(2) Based on the number of shares outstanding at the time the dividend is paid.
(3) Expressed in U.S. dollars using the applicable exchange rate when the dividend was paid.
(4) Since the dividend declared for the fiscal year 2017 has not been paid at the time of this annual report, the U.S. dollar per share amount has not been determined.

The declaration, amount and payment of dividends are subject to approval by a simple majority of the shareholders up to an amount equivalent to 20.0% of the preceding years retained earnings and by a majority of the shareholders of each of the Series A and Series D shares voting together as a single class above 20.0% of the preceding years retained earnings, generally upon the recommendation of our board of directors, and will depend upon our results, financial condition, capital requirements, general business conditions and the requirements of Mexican law. Accordingly, our historical dividend payments are not necessarily indicative of future dividends. **See Item 10. Additional Information Bylaws Dividend Rights.**

Holders of Series L shares, including in the form of ADSs, are not entitled to vote on the declaration and payment of dividends.

We pay all cash dividends in Mexican pesos. As a result, exchange rate fluctuations will affect the U.S. dollar amounts received by holders of our ADSs, which represent 10 Series L shares, on conversion by the depositary for our ADSs of cash dividends on the shares represented by such ADSs. In addition, fluctuations in the exchange rate between the Mexican peso and the U.S. dollar would affect the market price of our ADSs.

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

Table of Contents

EXCHANGE RATE INFORMATION

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rate expressed in Mexican pesos per U.S. dollar.

Period	Exchange Rate			
	High	Low	Average(1)	End of Period
2013	13.43	11.98	12.76	13.10
2014	14.79	12.85	13.30	14.75
2015	17.36	14.56	15.87	17.20
2016	20.84	17.19	18.67	20.62
2017	21.89	17.48	18.88	19.64

Source: U.S. Federal Reserve Board.

(1) Average month-end rates.

	Exchange Rate		
	High	Low	End of Period
2016:			
First Quarter	19.19	17.21	17.21
Second Quarter	19.15	17.19	18.49
Third Quarter	19.86	17.98	19.34
Fourth Quarter	20.84	18.44	20.62
2017:			
First Quarter	21.89	18.67	18.83
Second Quarter	19.15	17.88	18.08
Third Quarter	18.33	17.48	18.15
Fourth Quarter	19.73	18.21	19.64
October	19.18	18.21	19.13
November	19.26	18.51	18.63
December	19.73	18.62	19.64
2018:			
January	19.48	18.49	18.62
February	18.90	18.36	18.84
March	18.86	18.17	18.17

Source: U.S. Federal Reserve Board.

On April 13, 2018, the exchange rate was Ps.18.08 to US$1.00, according to the U.S. Federal Reserve Board.

7

RISK FACTORS

Risks Related to Our Company

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

Substantially all of our sales are derived from sales of *Coca-Cola* trademark beverages. We produce, market, sell and distribute *Coca-Cola* trademark beverages through standard bottler agreements in the territories where we operate, which we refer to as our territories. We are required to purchase concentrate for all *Coca-Cola* trademark beverages from companies designated by The Coca-Cola Company, which price may be unilaterally determined from time to time by The Coca-Cola Company in all such territories. We are also required to purchase sweeteners and other raw materials only from companies authorized by The Coca-Cola Company. **See Item 4. Information on the Company The Company Our Territories.** Pursuant to our bottler agreements, The Coca-Cola Company has the right to participate in the process for making certain decisions related to our business.

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

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

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

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

The Coca-Cola Company and Fomento Económico Mexicano, S.A.B. de C.V., which we refer to as FEMSA, have substantial influence on the conduct of our business. As of April 13, 2018, The Coca-Cola Company indirectly owned 27.8% of our outstanding capital stock, representing 37.0% of our capital stock with full voting rights. The Coca-Cola Company is entitled to appoint five of our maximum of 21 directors and the vote of at least two of them is required to approve certain actions by our board of directors. As of April 13, 2018, FEMSA indirectly owned 47.2% of our outstanding capital stock, representing 63.0% of our capital stock with full voting rights. FEMSA is entitled to appoint 13 of our maximum of 21 directors and all of our executive officers. The Coca-Cola Company and FEMSA together, or only FEMSA in certain circumstances, have the power to determine the outcome of all actions requiring approval by our board of directors, and FEMSA and The Coca-Cola Company together, or only FEMSA in certain circumstances, have the power to determine the outcome of all actions requiring approval of our shareholders. **See Item 7. Major Shareholders and Related Party Transactions Major Shareholders The Shareholders Agreement.** The interests of The Coca-Cola Company and FEMSA may be different from the interests of our other shareholders, which may result in us taking actions contrary to the interests of such other shareholders.

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

We are subject to several laws and regulations in each of the territories where we operate. The principal areas in which we are subject to laws and regulations are water, environment, labor, taxation, health and antitrust. Laws and regulations can also affect our ability to set prices for our products. **See Item 4. Information on the Company Regulation.** Changes in existing laws and regulations, the adoption of new laws or regulations, or a stricter interpretation or enforcement thereof in the countries where we operate may increase our operating and compliance costs or impose restrictions on our operations which, in turn, may adversely affect our financial condition, business, results of operations and prospects. In particular, environmental standards are becoming more stringent in several of the countries where we operate. There is no assurance that we will be able to comply with changes in environmental laws and regulations within the timelines established by the relevant regulatory authorities. **See Item 4. Information on the Company Regulation Environmental Matters.**

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries where we operate. Currently, there are no price controls on our products in any of the territories where we have operations, except for those voluntary price restraints in Argentina, where authorities directly supervise certain of our products sold through supermarkets as a measure to control inflation, and statutory price controls in the Philippines, where the government has imposed price controls on certain products considered as basic necessities, such as our bottled water. We cannot assure you that existing or future laws and regulations in the countries where we operate relating to goods and services (in particular, laws and regulations imposing statutory price controls) will not affect our products, or that we will not need to implement voluntary price restraints, which could have a negative effect on our business, financial condition, results of operations and prospects. **See Item 4. Information on the Company Regulation Price Controls.**

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

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

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

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

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

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

Risks Related to the Series L shares and the ADSs

Holders of our Series L shares have limited voting rights.

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

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

Our Series L shares are traded on the New York Stock Exchange (NYSE) in the form of ADSs. Holders of our Series L shares in the form of ADSs may not receive notice of shareholder meetings from our ADS depositary in sufficient time to enable such holders to return voting instructions to the ADS depositary in a timely manner.

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

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

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

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

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

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

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

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

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

Risks Related to the Countries Where We Operate

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

We are a Mexican corporation and our Mexican operations are our single most important geographic territory. We also conduct an important part of our operations in Brazil. For the year ended December 31, 2017, approximately 67.9% of our total revenues were attributable to Mexico and Brazil. In addition, we conducted operations in Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Argentina, Venezuela and the Philippines. Our results are affected by the economic conditions in the countries where we conduct operations. Consumer demand and preferences, real prices and the costs of raw materials are heavily influenced by macroeconomic conditions, which vary by country and may not be correlated. In addition, adverse economic conditions may affect and reduce consumer per capita income, thereby adversely affecting consumer demand for our products as a result of a decrease in consumer purchasing power. Deterioration or prolonged periods of weak economic conditions in the countries where we conduct operations may have, and in the past have had, a negative effect on our company and a material adverse effect on our business, financial condition, results of operations and prospects.

Some of the countries where we conduct operations are influenced by the U.S. economy. Deterioration in economic conditions in the U.S. economy may affect these economies. In particular, economic conditions in Mexico are correlated with economic conditions in the U.S. as a result of the North American Free Trade Agreement, or NAFTA. Negotiations among the United States, Mexico and Canada seeking to amend and update NAFTA began on August 16, 2017 and are currently ongoing. The United States current administration has stated that it is willing to terminate NAFTA unless the United States is able to reach a fair deal in the NAFTA renegotiations. Any adverse event affecting the relationship between Mexico and the U.S., including the termination or an unfavorable re-negotiation of NAFTA, may have a significant adverse effect on the Mexican economy.

Table of Contents

Our business may also be significantly affected by interest rates, inflation rates and exchange rates of the local currencies of the countries where we operate. Decreases in growth rates, periods of negative growth and/or increases in inflation or interest rates may result in lower demand for our products, lower real pricing of our products or a shift to lower margin products. **See Item 11. Quantitative and Qualitative Disclosures about Market Risk.** In addition, an increase in interest rates would increase the cost to us of variable rate funding (which, after giving effect to our swap contracts, and calculated by weighting each year s outstanding debt balance mix, constituted approximately 9.3% of our total debt as of December 31, 2017), which would have an adverse effect on our financial position. A continued and prolonged increase in inflation rates in any of the countries where we operate may result in such country being categorized as a hyperinflationary economy for accounting purposes, which would change the manner in which we present and report financial information related to our operations in such country. **See Item 11. Quantitative and Qualitative Disclosures about Market Risk Interest Rate Risk.**

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

Depreciation of local currencies relative to the U.S. dollar increases our cost of some of the raw materials we acquire, the price of which may be paid in or determined with reference to U.S. dollars, and of our debt obligations denominated in U.S. dollars and may therefore negatively affect our results, financial position and equity. In addition, depreciation of local currencies of the countries where we operate relative to the U.S. dollar may also potentially increase inflation rates in such countries. Significant fluctuations of local currencies relative to the U.S. dollar have occurred in the past and may continue in the future, negatively affecting our results. Future currency devaluations or the imposition of exchange controls in any of the countries where we operate may potentially increase our operating costs, which could have an adverse effect on our financial position and results of operations. **See Item 3. Key Information Exchange Rate Information** and **Item 11. Quantitative and Qualitative Disclosures about Market Risk Foreign Currency Exchange Rate Risk.**

We selectively hedge our exposure to the U.S. dollar with respect to certain local currencies, our U.S. dollar-denominated debt obligations and the purchase of certain U.S. dollar-denominated raw materials. A severe depreciation of any currency of the countries where we operate may result in a disruption of the international foreign exchange markets and may limit our ability to transfer or to convert such currencies into U.S. dollars or other currencies for the purpose of making timely payments of interest and principal on our U.S. dollar-denominated indebtedness or obligations in other currencies. While the Mexican government does not currently restrict, and since 1982 has not restricted, the right or ability of Mexican or foreign persons or entities to convert Mexican pesos into U.S. dollars or to transfer other currencies out of Mexico, the Mexican government could impose restrictive exchange rate policies in the future. Currency fluctuations may have an adverse effect on our results, financial condition and cash flows in future periods.

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

In recent years, some of the governments in the countries where we operate have implemented and may continue to implement significant changes in laws, public policy or regulations that could affect the political and social conditions in these countries. Any such changes, and similar changes in other countries such as the U.S., may have an adverse effect on our business, results of operations, prospects and financial condition. Furthermore, national presidential and legislative elections have taken place or are scheduled to take place in 2018 in several of the countries where we operated in 2017, including Mexico, Brazil, Costa Rica, Colombia and Venezuela. We cannot assure you that political or social developments in the countries where we operate or elsewhere, such as the election of new administrations, changes in laws, public policy or regulations, political disagreements, civil disturbances and the rise in violence and perception of violence, over which we have no control, will not have a corresponding adverse effect on the local or global markets or on our business, financial condition, results of operations and prospects.

Table of Contents

Item 4. Information on the Company

THE COMPANY

Overview

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

Mexico a substantial portion of central Mexico, the southeast and northeast of Mexico.

Central America Guatemala (Guatemala City and surrounding areas), Nicaragua (nationwide), Costa Rica (nationwide) and Panama (nationwide).

Colombia most of the country.

Venezuela nationwide (through an investment in KOF Venezuela).

Brazil a major part of the states of Sao Paulo and Minas Gerais, the states of Parana, Santa Catarina and Mato Grosso do Sul and part of the states of Rio de Janeiro, Rio Grande do Sul and Goias.

Argentina Buenos Aires and surrounding areas.

The Philippines nationwide.

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

The following is an overview of our operations by consolidated reporting segment in 2017.

Operations by Consolidated Reporting Segment Overview

Year Ended December 31, 2017

	Total Revenues		Gross Profit	
	(in millions of Mexican pesos, except percentages)			
Mexico and Central America[(1)]	Ps. 92,643	45.5%	Ps. 45,106	49.2%
South America (excluding Venezuela)[(2)]	86,608	42.5%	37,756	41.2%
Venezuela	4,005	2.0%	646	0.7%
Asia[(3)]	20,524	10.1%	8,178	8.9%
Consolidated	Ps. 203,780	100.0%	Ps. 91,686	100.0%

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

(2) Includes Colombia, Brazil and Argentina.

(3) Includes results of KOF Philippines from February 1, 2017.

Corporate History

We are a subsidiary of FEMSA, a leading company that participates in the beverage industry through us, and the beer industry through its ownership of the second largest equity stake in Heineken, one of the world s leading brewers with operations in over 70 countries. FEMSA also participates in the retail industry through FEMSA Comercio, which is comprised of a retail division operating various small-format chain stores including OXXO, a health division which includes drugstores and related operations and a fuel division operating the OXXO Gas chain of retail service stations. Additionally, through its strategic businesses unit, FEMSA provides logistics, point-of-sale refrigeration solutions and plastics solutions to FEMSA s business units and third-party clients.

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

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

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

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

In December 2007 and May 2008, we sold most of our proprietary brands to The Coca-Cola Company. The proprietary brands are now being licensed back to us by The Coca-Cola Company pursuant to our bottler agreements. In May 2008, we entered into a transaction with The Coca-Cola Company to acquire its wholly owned bottling franchise Refrigerantes Minas Gerais, Ltda., or REMIL, located in the State of Minas Gerais in Brazil.

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

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

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

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

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

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

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

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

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

Table of Contents

In January 2013, we acquired a 51.0% non-controlling majority stake in KOF Philippines from The Coca-Cola Company. Since January 25, 2017, we control KOF Philippines as all decisions relating to the day-to-day operation and management of KOF Philippines s business, including its annual normal operations plan, are approved by a majority of its board of directors without requiring the affirmative vote of any director appointed by The Coca-Cola Company.

In May 2013, we merged with Grupo Yoli, a Mexican bottler with operations mainly in the state of Guerrero, as well as in parts of the state of Oaxaca. As part of our merger with Grupo Yoli, we also acquired an additional minority equity interest in PIASA.

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

In October 2013, we acquired Spaipa, a Brazilian bottler with operations in the state of Parana and in parts of the state of Sao Paulo. As part of our acquisition of Spaipa, we also acquired an additional minority equity interest in Leão Alimentos and a 50.0% stake in Fountain Água Mineral Ltda., a joint venture to develop the water category together with The Coca-Cola Company.

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

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

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

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

For further information, **see Item 7. Major Shareholders and Related Party Transactions Related Party Transactions The Coca-Cola Company.**

Capital Stock

As of April 13, 2018, FEMSA indirectly owned Series A shares equal to 47.2% of our capital stock (63.0% of our capital stock with full voting rights). As of April 13, 2018, The Coca-Cola Company indirectly owned Series D shares equal to 27.8% of the capital stock of our company (37.0% of our capital stock with full voting rights). Series L shares with limited voting rights, which trade on the Mexican Stock Exchange and in the form of ADSs on the NYSE, constitute the remaining 25.0% of our capital stock.

Business Strategy

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

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

To maximize growth and profitability and driven by our centers of excellence s initiatives we plan on continuing to execute the following key strategies: (i) accelerate revenue growth, (ii) increase our business scale and profitability across categories, (iii) continue our expansion through organic growth and strategic joint ventures, mergers and acquisitions, (iv) accelerate the digitization of our core processes and (v) empower people to lead this transformation, building on our high performance organization.

We seek to accelerate our revenue growth through the introduction of new categories, products and presentations that better meet market demand, while maintaining our core products and improving our profitability. To address our consumers diverse lifestyles, we have developed new products through innovation and have expanded the availability of low- and non-caloric beverages by reformulating existing products to reduce added sugar and offering smaller presentations of our products. As of December 31, 2017, approximately 41.0% of our brands were low- or non-caloric beverages, and we continue to expand our product portfolio to offer more options to our consumers so they can satisfy their hydration and nutrition needs. **See Our Products and Packaging.** In addition, we inform our consumers through front labeling on the nutrient composition and caloric content of our beverages. We have been pioneers in the introduction of the Guideline Daily Amounts (GDA), and we perform responsible advertising practices and marketing. We voluntarily adhere to national and international codes of conduct in advertising and marketing, including communications targeted to minors who are developed based on the Responsible Marketing policies and Global School Beverage Guidelines of The Coca-Cola Company, achieving full compliance with all such codes in all of the countries where we operate.

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

Table of Contents

Our Territories

The following map shows our territories giving estimates in each case of the population to which we offer products and the number of retailers of our beverages as of December 31, 2017:

Our Products

We produce, market, sell and distribute *Coca-Cola* trademark beverages. The *Coca-Cola* trademark beverages include: sparkling beverages (colas and flavored sparkling beverages), waters and still beverages (including juice drinks, coffee, teas, milk, value-added dairy, sports drinks, energy drinks and plant-based drinks).

Our most important brand, *Coca-Cola*, together with its main line extensions, accounted for 58.3% of total sales volume in 2017. Our next largest brands, *Ciel* (a water brand from Mexico and its line extensions), *Fanta* (and its line extensions), *Del Valle* (and its line extensions) and *Sprite* (and its line extensions) accounted for 9.9%, 5.7%, 4.0% and 3.7%, respectively, of total sales volume in 2017. We use the term line extensions to refer to the different flavors and low-calorie versions in which we offer our brands.

The following table sets forth our main products as of December 31, 2017:

Colas:		
Coca-Cola	*Coca-Cola Zero*	
Coca-Cola Sin Azúcar	*Coca-Cola Light*	
Flavored Sparkling Beverages:		
Crush	*Kuat*	*Quatro*
Fanta	*Lift*	*Schweppes*

Fresca	*Mundet*	*Sprite*	
Still Beverages:			
Cepita	*Hi-C*	*Leão*	*Monster*
Estrella Azul	*Santa Clara*	*Powerade*	*AdeS*
FUZE Tea	*Jugos del Valle*	*ValleFrut*	
Water:			
Alpina	*Brisa*	*Dasani*	*Wilkins*
Aquarius	*Ciel*	*Manantial*	*Viva*
Bonaqua	*Crystal*	*Nevada*	

Packaging

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

Sales Volume and Transactions Overview

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

The characteristics of our territories are very diverse. Central Mexico and our territories in Argentina are densely populated and have a large number of competing beverage brands as compared to the rest of our territories. Our territories in Brazil are densely populated but have lower consumption of beverage products as compared to Mexico. Portions of southern Mexico, Central America and Colombia are large and mountainous areas with low population density, low per capita income and low consumption of beverages. In the Philippines, although there are more than 7,600 islands, the population is concentrated on three main islands with low per capita income and low consumption of beverages.

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

	Year Ended December 31, 2017	2016	2015
	(millions of unit cases or millions of single units, except percentages)		
Sales Volume			
Mexico and Central America	2,017.9	2,025.6	1,952.4
South America (excluding Venezuela)[1][2]	1,236.0	1,165.3	1,247.6
Venezuela	64.2	143.1	235.6
Asia[3]	552.4		
Total Sales Volume	3,870.6	3,334.0	3,435.6
Growth	16.1%	(3.0)%	0.5%
Unit Case Mix by Category			
Sparkling beverages	78.2%	77.7%	78.1%
Water[4]	15.0%	15.9%	15.7%

Table of Contents

	Year Ended December 31, 2017	2016	2015
	(millions of unit cases or millions of single units, except percentages)		
Still beverages	6.8%	6.4%	6.2%
Total	100.0%	100.0%	100.0%
Number of Transactions			
Mexico and Central America	11,231.7	11,382.1	10,877.1
South America (excluding Venezuela)(1)(2)	7,924.1	7,619.7	8,084.4
Venezuela	441.0	772.6	1,318.1
Asia(3)	6,278.5		
Total Number of Transactions	25,875.3	19,774.4	20,279.6
Growth	30.9%	(2.5)%	0.7%
Transaction Mix by Category			
Sparkling beverages	83.4%	81.1%	81.3%
Water(4)	7.4%	8.7%	8.6%
Still beverages	9.2%	10.2%	10.1%
Total	100.0%	100.0%	100.0%

(1) Includes sales volume and transactions from the operations of Vonpar from December 2016.
(2) Excludes beer sales volume and transactions.
(3) Includes sales volume and transactions from our operations in the Philippines from February 1, 2017.
(4) Includes bulk water volume and transactions.

Total sales volume increased by 16.1% to 3,870.6 million unit cases in 2017 as compared to 2016, mainly as a result of the acquisition of Vonpar and the consolidation of KOF Philippines, which was partially offset by volume contraction in Argentina, Colombia and Venezuela as discussed below. On a comparable basis, excluding the effects of (i) our recent acquisition of Vonpar, and (ii) our operations in Venezuela, and including the results of KOF Philippines as if its consolidation had occurred on January 1, 2016 total sales volume would have decreased by 1.5% in 2017 as compared to 2016. Sales volume of our sparkling beverage portfolio increased 16.9% as compared to 2016. On a comparable basis, sales volume of our sparkling beverage portfolio would have decreased by 1.7%, driven by volume contractions across most of our operations, which were partially offset by volume growth in the Philippines. On the same basis, our colas portfolio s sales volume would have declined 1.4%, while our flavored sparkling beverage portfolio would have declined 2.6%. Sales volume of our still beverage portfolio increased 23.7% as compared to 2016. On a comparable basis, sales volume of our still beverage portfolio would have declined 2.6%, mainly due to volume contractions in Brazil, Colombia and the Philippines, which were partially offset by growth in Mexico and Argentina. Sales volume of bottled water, excluding bulk water, increased 9.2% as compared to 2016. On a comparable basis, bottled water, excluding bulk water, would have increased by 0.9%, driven mainly by growth in Mexico, Central America and the Philippines, which was partially offset by volume contractions in South America. Sales volume of bulk water increased 9.0% as compared to 2016. On a comparable basis, sales volume of bulk water would have decreased by 0.7%, driven mainly by a volume contraction in Colombia, which was partially offset by volume growth in Argentina, Brazil and the Philippines.

The total number of transactions in 2017 increased by 30.9% to 25,875.3 million transactions as compared to 2016, mainly as a result of the acquisition of Vonpar and the consolidation of KOF Philippines. On a comparable basis, the total number of transactions in 2017 would have decreased by 1.4% as compared to 2016. Total number of transactions for our sparkling beverage portfolio increased by 34.6% as compared to 2016. On a comparable basis, total transactions for our sparkling beverage portfolio in 2017 would have decreased by 1.5% as compared to 2016, mainly driven by transaction contractions across most of our operations, which were partially offset by an increase in transactions in Argentina and the Philippines. Total transactions for our still beverage category increased 17.8% as compared to 2016. On a comparable basis, total transactions for our still beverage category would have decreased 2.1% as compared to 2016, mainly driven by a transaction decline in Colombia, which was partially offset by an increase in transactions in Mexico, Argentina and the Philippines. Total transactions for bottled water, including bulk water, increased 11.6% as compared to 2016. On a comparable basis, total transactions for our water category would have remained flat as compared to 2016, driven mainly by an increase in transactions in Mexico and the Philippines, which was offset by transaction declines in the rest of our operations.

In 2017, multiple serving presentations represented 64.8% of total sparkling beverages sales volume, a 430 basis points decrease as compared to 2016. Returnable packaging, as a percentage of total sparkling beverage sales volume accounted for 32.3%, a 320 basis points increase as compared to 2016.

Total sales volume decreased by 3.0% to 3,334.0 million unit cases in 2016 as compared to 2015, as a result of the sales volume contraction in Brazil, Colombia, Argentina and Venezuela discussed below. On a comparable basis, excluding the effects of (i) our recent acquisition of Vonpar and (ii) our operations in Venezuela, total sales volume would have decreased by 0.9% in 2016 as compared to 2015. Sales volume of our sparkling beverage portfolio decreased by 3.4% as compared to 2015. On a comparable basis, sales volume of our sparkling beverage portfolio would have decreased by 1.0%, mainly as a result of a contraction in Brazil and Colombia, which was partially offset by the positive performance of the *Coca-Cola* brand in Mexico, Central America and Colombia, and our flavored sparkling beverage portfolio in Mexico and Central America. Sales volume of our still beverage portfolio decreased by 0.6% as compared to 2015. On a comparable basis, sales volume of our still beverage portfolio would have grown 2.9% mainly driven by the positive performance of *ValleFrut* orangeade, *Del Valle* juice and the Santa Clara dairy business in Mexico and *Fuze tea* in Central America. Sales volume of bottled water, excluding bulk water, decreased by 1.2% as compared to 2015. On a comparable basis, bottled water, excluding bulk water, would have decreased by 1.1%, driven by a contraction in Brazil and Colombia, which was partially offset by increased volume in Mexico and Argentina. Sales volume of bulk water decreased by 2.0% as compared to 2015. On a comparable basis, sales volume of bulk water would have decreased by 1.9%, mainly driven by a sales volume contraction of the *Brisa* and *Crystal* brand products in Colombia and Brazil, respectively.

The total number of transactions in 2016 decreased by 2.5% to 19,774.4 million transactions as compared to 2015. On a comparable basis, the total number of transactions in 2016 would have decreased by 0.3% to 18,902.4 million as compared to 2015. On the same basis, total transactions for our sparkling beverage portfolio in 2016 would have decreased by 0.6% as compared to 2015, mainly driven by a contraction in Brazil, Colombia and Argentina, which was partially offset by the positive performance in Mexico and Central America. On a comparable basis, total transactions for our still beverage category would have grown 2.6% as compared to 2015, mainly driven by the positive performance in Mexico and Central America. On the same basis, total transactions for bottled water, including bulk water, would have decreased by 1.1% as compared to 2015, driven by a contraction in Brazil, which was partially offset by the positive performance in Mexico, Central America and Colombia.

In 2016, multiple serving presentations represented 69.1% of total sparkling beverages sales volume, a 70 basis points increase as compared to 2015. Returnable packaging, as a percentage of total sparkling beverage sales volume accounted for 29.1%, a 90 basis points decrease as compared to 2015.

The following discussion analyzes our historical sales volume, number of transactions and unit case and transaction mix by category for each of our consolidated reporting segments.

Mexico and Central America. Our product portfolio consists of *Coca-Cola* trademark beverages, including the *Jugos del Valle* line of juice-based beverages.

The following table highlights historical sales volume, number of transactions and unit case and transaction mix by category in Mexico and Central America:

Table of Contents

	Year Ended December 31, 2017	2016	2015
	(millions of unit cases or millions of single units, except percentages)		
Sales Volume			
Mexico	1,845.0	1,850.7	1,784.6
Central America[(1)]	173.0	174.9	167.8
Total Sales Volume	2,017.9	2,025.6	1,952.4
Growth	(0.4)%	3.7%	1.8%
Unit Case Mix by Category			
Sparkling beverages	73.8%	74.1%	74.0%
Water[(2)]	19.8%	19.6%	20.2%
Still beverages	6.5%	6.2%	5.8%
Total	100.0%	100.0%	100.0%
Number of Transactions			
Mexico	9,764.5	9,884.1	9,429.1
Central America[(1)]	1,467.2	1,498.0	1,448.0
Total Number of Transactions	11,231.7	11,382.1	10,877.1
Growth	(1.3)%	4.6%	2.4%
Transaction Mix by Category			
Sparkling beverages	82.6%	82.9%	83.1%
Water[(2)]	7.0%	6.9%	7.0%
Still beverages	10.3%	10.2%	9.9%
Total	100.0%	100.0%	100.0%

(1) Includes Guatemala, Nicaragua, Costa Rica and Panama.
(2) Includes bulk water volumes and transactions.

Total sales volume in our Mexico and Central America consolidated reporting segment decreased by 0.4% to 2,017.9 million unit cases in 2017 as compared to 2016, as a result of volume contraction in both Mexico and Central America as discussed below. Sales volume of our sparkling beverage portfolio decreased by 0.9%, mainly driven by a 1.4% decrease in sales volume of our colas portfolio, which was partially offset by a 1.1% increase in sales volume of our flavored sparkling beverage portfolio. Sales volume of our still beverage portfolio increased by 3.8%, mainly due to growth in both Mexico and Central America. Sales volume of bottled water, excluding bulk water, increased by 2.6%, as Mexico and Central America had a positive performance. Our bulk water portfolio s sales volume declined 0.7%.

Sales volume in Mexico decreased by 0.3% to 1,845.0 million unit cases in 2017, as compared to 1,850.7 million unit cases in 2016. Sales volume of our sparkling beverage portfolio decreased by 0.8%, driven by a 1.3% decrease in sales volume of our colas portfolio, which was partially offset by a 1.6% increase in sales volume of our flavored sparkling beverage portfolio. Sales volume of our still beverage portfolio increased by 4.4%. Sales volume of bottled water, excluding bulk water, increased by 2.3%, while our bulk water portfolio s sales volume declined by 0.6%.

Sales volume in Central America decreased by 1.1% to 173.0 million unit cases in 2017, as compared to 174.9 million unit cases in 2016. Sales volume of our sparkling beverage portfolio decreased by 1.8%, driven by a 1.7% decrease in our colas portfolio and a 2.0% decrease in sales volume of our flavored sparkling beverage portfolio. Sales volume of our still beverage portfolio increased slightly by 0.5%. Sales volume of bottled water, excluding bulk water, increased by 5.7%, while our bulk water portfolio s sales volume declined by 3.9%.

The total number of transactions in 2017 in our Mexico and Central America division decreased by 1.3% to 11,231.7 million transactions as compared to 2016. The number of transactions for our sparkling beverage portfolio in 2017 decreased by 1.6% as compared to 2016, driven by a 1.9% decrease in our colas portfolio and a 0.3% decrease in our flavored sparkling beverage portfolio. Transactions for our still beverage category in 2017 remained flat as compared to 2016. Transactions for bottled water, including bulk water, in 2017 increased by 0.3% as compared to 2016.

In 2017, the total number of transactions in Mexico and Central America decreased by 1.2% to 9,764.5 million, and by 2.1% to 1,467.2 million, respectively, as compared to 2016. The number of transactions for our sparkling beverage portfolio decreased by 1.6% and 1.9%, respectively as compared to 2016. Transactions for our still beverage category increased by 0.9% in Mexico and decreased by 3.0% in Central America as compared to 2016. Transactions for bottled water, including bulk water, increased by 0.4% in Mexico and decreased 0.8% in Central America, as compared to 2016.

In 2017, multiple serving presentations represented 65.2% of total sparkling beverages sales volume in Mexico, a 50 basis points increase as compared to 2016; and 56.0% of total sparkling beverages sales volume in Central America, a 260 basis points increase as compared to 2016. Our strategy continues to be to encourage consumption of single serve presentations while maintaining multiple serving volumes, however Mexico and Central America faced higher inflation and other challenging conditions during 2017 that encouraged consumption of multiple serving presentations. In 2017, returnable packaging, as a percentage of total sparkling beverage sales volume accounted for 34.8% in Mexico, a 30 basis points decrease as compared to 2016; and 41.7% in Central America, a 200 basis points increase as compared to 2016, driven by the rollout of our initiatives in the region aimed at making our products more affordable to the consumer.

Total sales volume in our Mexico and Central America consolidated reporting segment increased by 3.7% to 2,025.6 million unit cases in 2016 as compared to 2015, as a result of volume increase in both Mexico and Central America as discussed below. Sales volume of our sparkling beverage portfolio increased by 3.9%, mainly driven by a 2.8% increase in sales volume of *Coca-Cola* brand products and an 8.3% increase in sales volume of our flavored sparkling beverage portfolio. Sales volume of our still beverage portfolio increased by 11.8%, mainly due to the performance of the Jugos del Valle portfolio and our Santa Clara dairy business in Mexico. Sales volume of bottled water, including bulk water, increased by 0.7%, mainly driven by an increase in sales volume of *Ciel* flavored water products in Mexico.

Sales volume in Mexico increased by 3.7% to 1,850.7 million unit cases in 2016, as compared to 1,784.6 million unit cases in 2015. Sales volume of our sparkling beverage portfolio increased by 3.8%, driven by a 2.7% increase in sales volume of *Coca-Cola* brand products and a 9.1% increase in sales volume of our flavored sparkling beverage portfolio, mainly supported by the performance of *Naranja&Nada* and *Limon&Nada*, our sparkling orangeade and lemonade, and the *Mundet* brand. Sales volume of our still beverage portfolio increased by 14.2%, mainly as a result of the performance of *ValleFrut* brand products, the *Del Valle* juice portfolio and our Santa Clara dairy business. Sales volume of bottled water, including bulk water, increased by 0.7%, mainly driven by the performance of *Ciel Exprim* flavored water products.

Sales volume in Central America increased by 4.2% to 174.9 million unit cases in 2016, as compared to 167.8 million unit cases in 2015. Sales volume of our sparkling beverage portfolio increased by 5.0%, supported by the strong performance of *Coca-Cola* brand products and our flavored sparkling beverages portfolio in Guatemala, Nicaragua and Costa Rica. Sales volume of our still beverage portfolio decreased slightly by 0.3%. Sales volume of bottled water, including bulk water, increased by 1.7%.

The total number of transactions in 2016 in our Mexico and Central America division increased by 4.6% to 11,382.1 million transactions as compared to 2015. The number of transactions for our sparkling beverage portfolio in 2016 increased by 4.3% as compared to 2015, driven by the positive performance of the *Coca-Cola* brand and our flavored sparkling beverage portfolio. Transactions for our still beverage category in 2016 increased by 8.3% as compared to 2015. Transactions for bottled water, including bulk water, in 2016 increased by 3.2% as compared to 2015.

In 2016, the total number of transactions in Mexico and Central America increased by 4.8% to 9,884.1 million, and by 3.4% to 1,498.0 million, respectively, as compared to 2015. The number of transactions for our sparkling beverage portfolio increased by 4.5% and 3.1%, respectively, as compared to 2015. Transactions for our still beverage category increased by 9.2% and 4.9%, respectively, as compared to 2015. Transactions for bottled water, including bulk water, increased by 3.1% and 3.8%, respectively, as compared to 2015.

In 2016, multiple serving presentations represented 64.7% of total sparkling beverages sales volume in Mexico, a 10 basis points increase as compared to 2015; and 53.4% of total sparkling beverages sales volume in Central America, a 160 basis points decrease as compared to 2015. Our strategy continues to be to encourage consumption of single serve presentations while maintaining multiple serving volumes. In 2016, returnable packaging, as a percentage of total sparkling beverage sales volume accounted for 35.1% in Mexico, a 140 basis points decrease as compared to 2015; and 39.7% in Central America, a 210 basis points increase as compared to 2015.

South America (Excluding Venezuela). Our product portfolio in South America (excluding Venezuela) consists mainly of *Coca-Cola* trademark beverages, including the *Jugos del Valle* line of juice-based beverages in Colombia and Brazil, and *Heineken* beer products in Brazil, which we sell and distribute pursuant to our agreement with Cervejarias Kaiser Brasil S.A., or Heineken Brazil, a subsidiary of the Heineken Group. Since 2005, we stopped considering beer sold and distributed in Brazil as part of our sales volume.

Table of Contents

The following table highlights historical sales volume, number of transactions and unit case and transaction mix by category in South America (excluding Venezuela), not including beer:

	Year Ended December 31,		
	2017	2016	2015
	(millions of unit cases or millions of single units, except percentages)		
Sales Volume			
Brazil(1)	765.1	649.2	693.6
Colombia	265.1	307.0	320.0
Argentina	205.9	209.1	233.9
Total Sales Volume	1,236.0	1,165.3	1,247.6
Growth	6.1%	(6.6)%	(0.8)%
Unit Case Mix by Category			
Sparkling beverages	84.7%	83.0%	82.8%
Water(2)	9.3%	10.3%	10.4%
Still beverages	6.1%	6.7%	6.8%
Total	100.0%	100.0%	100.0%
Number of Transactions			
Brazil(1)	4,857.6	4,206.1	4,578.6
Colombia	2,046.5	2,400.9	2,410.7
Argentina	1,019.9	1,012.6	1,095.0
Total Number of Transactions	7,924.1	7,619.6	8,084.3
Growth	4.0%	(5.7)%	(0.7)%
Transaction Mix by Category			
Sparkling beverages	80.8%	79.0%	79.4%
Water(2)	9.8%	10.7%	10.5%
Still beverages	9.4%	10.3%	10.1%
Total	100.0%	100.0%	100.0%

(1) Includes sales volume and transactions from the operations of Vonpar from December 2016.
(2) Includes bulk water volumes and transactions.

Total sales volume in our South America (excluding Venezuela) consolidated reporting segment increased by 6.1% to 1,236.0 million unit cases in 2017 as compared to 2016. On a comparable basis, excluding the effects of our recent acquisition of Vonpar, total sales volume would have decreased by 6.0% in 2017 as compared to 2016, as a result of a volume contraction in all of our South America operations. Sales volume of our sparkling beverage portfolio increased by 5.1% as compared to 2016. On a comparable basis, sales volume of our sparkling beverage portfolio would have decreased by 5.3%, mainly due to a volume contraction of our colas portfolio in all our territories in this consolidated reporting segment and a volume contraction in our flavored sparkling beverages in Brazil and Colombia. Sales volume of our still beverage portfolio decreased by 3.3% as compared to 2016. On a comparable basis, sales volume of our still beverage portfolio would have decreased by 10.4%, mainly driven by a sales volume contraction in Colombia, which was partially offset by volume growth in Argentina. Sales volume of our bottled water category, excluding bulk water, decreased by 2.4% as compared to 2016. On a comparable basis, sales volume of our bottled water category, excluding bulk water, would have decreased by 7.7% as compared to 2016, with volume contractions in Argentina, Brazil and Colombia. Sales volume of our bulk water portfolio decreased by 8.0% as compared to 2016. On a comparable basis, sales volume of our bulk water portfolio would have declined by 11.1%, mainly driven by a volume decline in Colombia, which was partially offset by volume growth in Argentina and Brazil.

Sales volume in Brazil increased by 17.9% to 765.1 million unit cases in 2017, as compared to 648.9 million unit cases in 2016. On a comparable basis, sales volume would have decreased by 3.8%. Sales volume of our sparkling beverage portfolio increased by 18.8% as compared to 2016. On a comparable basis, sales volume of our sparkling beverage portfolio would have decreased by 3.9%, as a result of a 3.2% sales volume decrease in our colas portfolio and a 5.8% sales volume decrease in our flavored sparkling beverage portfolio. Sales volume of our still beverage portfolio increased by 14.9% as compared to 2016. On a comparable basis, sales volume of our still beverage portfolio would have decreased by 2.1%. Sales volume of our bottled water, excluding bulk water, increased by 7.4% as compared to 2016, while sales volume of our bulk water portfolio increased by 18.0%. On a comparable basis, sales volume of bottled water, excluding bulk water, would have decreased by 4.8%, while sales volume of our bulk water portfolio would have increased by 2.5%.

Sales volume in Colombia decreased by 13.7% to 265.0 million unit cases in 2017, as compared to 307.0 million unit cases in 2016. Sales volume of our sparkling beverage portfolio decreased by 11.8% as compared to 2016, mainly driven by a 6.0% decrease in sales volume of our colas portfolio and a 31.2% decrease of our flavored sparkling beverages portfolio. Sales volume of our still beverage portfolio decreased by 29.1%, as compared to 2016. Sales volume of bottled water, excluding bulk water, decreased by 8.1% as compared to 2016, while sales volume of our bulk water portfolio decreased by 18.1%.

Sales volume in Argentina decreased by 1.5% to 205.9 million unit cases in 2017, as compared to 209.1 million unit cases in 2016. Sales volume of our sparkling beverage portfolio decreased by 1.5% as compared to 2016, mainly driven by a decrease in sales volume of our colas portfolio. Sales volume of our still beverage portfolio increased by 12.3% as compared to 2016. Sales volume of bottled water, excluding bulk water, decreased by 7.7%, while sales volume of our bulk water portfolio decreased by 11.1%.

The total number of transactions in 2017 in our South America (excluding Venezuela) consolidated reporting segment increased by 4.0% to 7,924.1 million transactions as compared to 2016. On a comparable basis, the total number of transactions in 2017 in this consolidated reporting segment would have decreased by 6.2% as compared to 2016. Transactions for our sparkling beverage portfolio in 2017 increased by 6.4% as compared to 2016. On a comparable basis, the number of transactions for our sparkling beverage portfolio in 2017 would have decreased by 4.6% as compared to 2016, driven by a contraction in the number of transactions in Brazil and Colombia, which were partially offset by transaction growth in Argentina. Transactions for our still beverage category in 2017 decreased by 5.5% as compared to 2016. On a comparable basis, transactions for our still beverage category in 2017 would have decreased by 13.7% as compared to 2016. Transactions for bottled water, including bulk water, decreased by 4.9% in 2017 as compared to 2016. On a comparable basis, transactions for bottled water, including bulk water, in 2017 would have decreased by 10.8% as compared to 2016.

In 2017, the total number of transactions in Argentina and Brazil increased by 0.7% and 15.5% to 1,019.9 and 4,857.6, respectively, while the number of transactions in Colombia decreased by 14.8% to 2,046.5 million as compared to 2016. On a comparable basis, the total number of transactions in Brazil would have decreased by 3.0%. The number of transactions for our sparkling beverage portfolio in Argentina and Brazil in 2017 increased by 16.0% and 1.6% respectively, while the number of transactions in Colombia decreased by 11.0%, as compared to 2016. On a comparable basis, total transactions of our sparkling portfolio in Brazil would have decreased by 2.9%. The number of transactions for our still beverage portfolio in Argentina and Brazil in 2017 increased by 16.8% and 1.7%, respectively, while the number of transactions in Colombia decreased by 32.2%, in each case as compared to 2016. On a comparable basis, transactions for our still beverage category in Brazil would have decreased by 1.1% in 2017. The number of transactions for bottled water, including bulk water, in 2017 increased by 8.5% in Brazil, while the number of transactions in Argentina and Colombia decreased by 6.5% and 16.4%, respectively, as compared to 2016. On a comparable basis, transactions for our bottled water, including bulk water, in Brazil would have decreased by 5.9% in 2017.

In 2017, multiple serving presentations represented 77.7% of total sparkling beverages sales volume in Brazil, a 140 basis points increase as compared to 2016; 69.4% of total sparkling beverages sales volume in Colombia, a 10 basis points increase as compared to 2016; and 82.1% of total sparkling beverages sales volume in Argentina, a 60 basis points decrease as compared to 2016. In 2017, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 16.6% in Brazil a 150 basis points decrease as compared to 2016 driven by the integration of our recent acquisition of Vonpar; 33.7% in Colombia, an increase of 380 basis points as compared to 2016; and 24.7% in Argentina, an increase of 80 basis points as compared to 2016.

Total sales volume in our South America (excluding Venezuela) consolidated reporting segment decreased by 6.6% to 1,165.3 million unit cases in 2016 as compared to 2015. On a comparable basis, total sales volume would have decreased by 8.2% to 1,145.7 million unit cases in 2016 as compared to 2015, as a result of volume contraction in all of our South America operations. On the same basis, sales volume of our sparkling beverage portfolio decreased by 8.0%, mainly due to a volume contraction of *Coca-Cola* brand products in Brazil and Argentina and flavored sparkling beverages in all our territories in this division. On a comparable basis, sales volume of our still beverage portfolio decreased by 8.9%, mainly driven by a sales volume contraction of the *Jugos del Valle* line of business in Colombia and *Kapo* and *Del Valle Mais* brand products in Brazil. On the same basis, sales volume of bottled water, including bulk water, decreased by 8.7%, mainly due to a sales volume contraction of *Brisa* brand products in Colombia and *Crystal* brand products in Brazil.

Sales volume in Brazil decreased by 6.4% to 649.2 million unit cases in 2016, as compared to 693.6 million unit cases in 2015. On a comparable basis, sales volume would have decreased by 9.2% to 629.7 million unit cases. On the same basis, sales volume of our sparkling beverage portfolio decreased by 9.0%, mainly as a result of a sales volume decrease in *Coca-Cola* brand products. On a comparable basis, sales volume of our still beverage portfolio decreased by 7.2%, mainly as a result of a sales volume contraction of *Kapo* and *Del Valle Mais* brand products. On the same basis, sales volume of bottled water, including bulk water, decreased by 13.1%, mainly due to a sales volume contraction of *Crystal* brand products.

Sales volume in Colombia decreased by 4.1% to 307.0 million unit cases in 2016, as compared to 320.0 million unit cases in 2015. Sales volume of our sparkling beverage portfolio decreased by 0.7%, mainly driven by a 9.4% decrease in sales volume of our flavored sparkling beverages portfolio, which was partially offset by a 1.9% sales volume increase of *Coca-Cola* brand products. Sales volume of our still beverage portfolio decreased by 13.6%, mainly as a result of a sales volume contraction of *Del Valle* and *ValleFrut* brand products. Sales volume of bottled water, including bulk water, decreased by 11.8%, driven by a sales volume contraction of *Brisa* brand products in multiple serving presentations.

Table of Contents

Sales volume in Argentina decreased by 10.6% to 209.1 million unit cases in 2016, as compared to 233.9 million unit cases in 2015. Sales volume of our sparkling beverage portfolio decreased by 13.6%, mainly driven by a decrease in sales volume of *Coca-Cola* brand products and our flavored sparkling beverage portfolio. Sales volume of our still beverage portfolio decreased by 0.6%, mainly driven by a decrease in sales volume of *Cepita* and *Powerade* brand products. Sales volume of bottled water, including bulk water, increased by 6.9%, mainly driven by an increase in sales volume of *Kin* and *Bonaqua* brand products.

The total number of transactions in 2016 in our South America (excluding Venezuela) consolidated reporting segment decreased by 5.7% to 7,619.7 million transactions as compared to 2015. On a comparable basis, the total number of transactions in 2016 in this consolidated reporting segment would have decreased by 7.0% to 7,520.3 million. On the same basis, the number of transactions for our sparkling beverage portfolio in 2016 decreased by 7.5% as compared to 2015, driven by a contraction in the number of transactions across all our territories in the division. On a comparable basis, transactions for our still beverage category in 2016 decreased by 4.8% as compared to 2015. On the same basis, transactions for bottled water, including bulk water, in 2016 decreased by 5.0% as compared to 2015.

In 2016, the total number of transactions in Brazil, Colombia and Argentina decreased by 8.1% to 4,206.1 million, 0.4% to 2,400.9 million and 7.5% to 1,012.6 million, respectively, as compared to 2015. On a comparable basis, the total number of transactions in Brazil in 2016 would have decreased by 10.3% to 4,106.7 million. On the same basis, the number of transactions for our sparkling beverage portfolio in Brazil, Colombia and Argentina in 2016 decreased by 10.0%, 1.2% and 9.2%, respectively, as compared to 2015. On a comparable basis, transactions for our still beverage category in 2016 decreased by 10.3% and 0.5% in Brazil and Argentina, respectively, and increased by 0.5% in Colombia, in each case as compared to 2015. On the same basis, the number of transactions for bottled water, including bulk water, in 2016 decreased by 13.6% and 1.1% in Brazil and Argentina, respectively, and increased by 2.7% in Colombia, in each case as compared to 2015.

In 2016, multiple serving presentations represented 76.3% of total sparkling beverages sales volume in Brazil, a 66 basis points increase as compared to 2015; 69.3% of total sparkling beverages sales volume in Colombia, a 121 basis points decrease as compared to 2015; and 82.7% of total sparkling beverages sales volume in Argentina, a 178 basis points decrease as compared to 2015. In 2016, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 18.1% in Brazil a 120 basis points increase as compared to 2015; 29.9% in Colombia, an increase of 80 basis points as compared to 2015; and 23.9% in Argentina, an increase of 150 basis points as compared to 2015.

Venezuela. KOF Venezuela s product portfolio consists of *Coca-Cola* trademark beverages. Over the last several years, we implemented a product portfolio rationalization strategy that allowed us to minimize the impact of certain operating disruptions that were recurrent in Venezuela. These operating disruptions were mainly related to difficulties in accessing raw materials due to the delay in obtaining the corresponding import authorizations and the Venezuelan exchange control regime.

The following table highlights historical sales volume, number of transactions and unit case and transaction mix by category in Venezuela:

	Year Ended December 31,		
	2017	2016	2015
	(millions of unit cases or millions of single		

	units, except percentages)		
Sales Volume			
Total	64.2	143.1	235.6
Growth	(55.1)%	(39.3)%	(2.3)%
Unit Case Mix by Category			
Sparkling beverages	84.9%	83.8%	86.2%
Water[(1)]	11.4%	10.0%	6.8%
Still beverages	3.6%	6.2%	7.0%
Total	100.0%	100.0%	100.0%
Number of Transactions			
Total	441.0	772.6	1,318.1
Growth	(42.9)%	(41.4)%	(3.6)%
Transaction Mix by Category			
Sparkling beverages	81.2%	75.0%	79.0%
Water[(1)]	14.0%	15.3%	9.7%
Still beverages	4.8%	9.7%	11.3%
Total	100.0%	100.0%	100.0%

(1) Includes bulk water volumes and transactions.

Table of Contents

Total sales volume in Venezuela decreased by 55.1% to 64.2 million unit cases in 2017 as compared to 2016, mainly due to an overall sales volume contraction in all our categories as a result of the conditions in the country, facing high inflation and scarcity of raw materials. Sales volume of our sparkling beverage portfolio decreased by 54.5%. Sales volume of our still beverage portfolio decreased by 29.1%. Sales volume of bottled water, including bulk water, decreased by 48.8%.

The number of transactions in 2017 in Venezuela decreased by 42.9% to 441.0 million transactions as compared to 2016. The number of transactions for our sparkling beverage portfolio in 2017 decreased by 38.1% as compared to 2016, driven by a contraction in our colas and flavored sparkling beverage portfolios. Transactions for our still beverage category in 2017 decreased by 71.7% as compared to 2016. Transactions for bottled water, including bulk water, in 2017 decreased by 48.1% as compared to 2016.

In 2017, multiple serving presentations represented 73.3% of total sparkling beverages sales volume in Venezuela, an 11.7% decrease as compared to 2016. In 2017, returnable presentations represented 18.4% of total sparkling beverages sales volume in Venezuela, an increase of 11.4% as compared to 2016.

Total sales volume in Venezuela decreased by 39.3% to 143.1 million unit cases in 2016 as compared to 2015, mainly due to an overall sales volume contraction in all our categories as a result of the scarcity of raw materials and demand for our products. Sales volume of our sparkling beverage portfolio decreased by 41.0%. Sales volume of our still beverage portfolio decreased by 46.4%. Sales volume of bottled water, including bulk water, decreased by 10.0%.

The number of transactions in 2016 in Venezuela decreased by 41.4% to 772.6 million transactions as compared to 2015. The number of transactions for our sparkling beverage portfolio in 2016 decreased by 44.4% as compared to 2015, mainly driven by a contraction in the number of transactions of *Coca-Cola* brand products and our flavored sparkling beverage portfolio. Transactions for our still beverage category in 2016 decreased by 49.6% as compared to 2015. Transactions for bottled water, including bulk water, in 2016 decreased by 7.2% as compared to 2015.

In 2016, multiple serving presentations represented 85.0% of total sparkling beverages sales volume in Venezuela, a 260 basis points increase as compared to 2015. In 2016, returnable presentations represented 6.5% of total sparkling beverages sales volume in Venezuela, a decrease of 40 basis points as compared to 2015.

Asia. Our product portfolio in the Philippines consists of *Coca-Cola* trademark beverages, including the Minute Maid line of juice-based beverages.

The following table highlights sales volume, number of transactions and unit case and transaction mix by category in the Philippines in 2017:

	Year Ended December 31, 2017 (millions of unit cases or millions of single units, except percentages)
Sales Volume[1]	
Total	552.4
Unit Case Mix by Category	
Sparkling beverages	79.4%

Water	10.7%
Still beverages	9.9%
Total	100.0%
Number of Transactions[1]	
Total	6,278.5
Transaction Mix by Category	
Sparkling beverages	88.0%
Water	4.7%
Still beverages	7.3%
Total	100.0%

(1) Includes sales volume and transactions of our operations in the Philippines from February 1, 2017.

The consolidation of our operations in the Philippines began in February 1, 2017. As a result, we only reported results for 11 months in 2017 for this consolidated reporting segment.

Total sales volume in the Philippines was 552.4 million unit cases in 2017. Our sparkling beverage category represented 79.4% of our total sales volume. Our still beverage category represented 9.9% of our sales volume. Our water portfolio s sales volume represented 10.7%, with 4.5% in bottled water and 6.2% in bulk water.

Total transactions in the Philippines were 6,278.5 million in 2017. Our sparkling beverage category represented 88.0% of our transactions. Our still beverage and water categories represented 7.3% and 4.7% of our transactions, respectively.

In 2017, multiple serving presentations represented 38.4% of total sparkling beverages sales volume in the Philippines. In 2017, returnable packaging, as a percentage of total sparkling beverage sales volume accounted for 48.5% in the Philippines.

Seasonality

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

Marketing

We, in conjunction with The Coca-Cola Company, have developed a marketing strategy to promote the sale and consumption of our products. We rely extensively on advertising, sales promotions and retailer support programs to target the particular preferences of our consumers. Our consolidated marketing expenses in 2017, net of contributions by The Coca-Cola Company, were Ps.4,504 million. The Coca-Cola Company contributed an additional Ps.4,023 million in 2017, which includes contributions for coolers, bottles and cases.

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

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

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

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

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

We believe that the implementation of these strategies described above also enables us to respond to competitive initiatives with channel-specific responses as opposed to market-wide responses. In addition, it allows us to be more efficient in the way we go to market and invest our marketing resources in those segments that could provide a higher return. Our marketing, segmentation and distribution activities are facilitated by our management information systems, and are all incorporated within our centers of excellence.

Product Sales and Distribution

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

	As of December 31, 2017			
	Mexico and Central America(1)	South America(2)	Venezuela(3)	Asia(4)
Distribution centers	181	67	24	52
Retailers(5)	971,844	817,401	158,563	818,502

(1) Includes Mexico, Guatemala, Nicaragua, Costa Rica and Panama.
(2) Includes Colombia, Brazil and Argentina.
(3) Includes KOF Venezuela.
(4) Includes the Philippines.
(5) Estimated.

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

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

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

Our distribution centers range from large warehousing facilities and re-loading centers to small deposit centers. In addition to our fleet of trucks, we distribute our products in certain locations through electric carts and hand-trucks in order to comply with local environmental and traffic regulations. In some of our territories, we retain third parties to transport our finished products from the bottling plants to the distribution centers.

Mexico. We contract a subsidiary of FEMSA for the transportation of finished products to our distribution centers from our production facilities. **See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions.** From the distribution centers, we then distribute our finished products to retailers through our fleet of trucks.

In Mexico, we sell a majority of our beverages at small retail stores to consumers who may take the beverages for consumption at home or elsewhere. We also sell products through modern distribution channels, the on-premise consumption segment, home delivery, supermarkets and other locations. Modern distribution channels include large and organized chain retail outlets such as wholesale supermarkets, discount stores and convenience stores that sell fast-moving consumer goods, where retailers can buy large volumes of products from various producers. The on-premise consumption segment consists of sales through sidewalk stands, restaurants, bars and various types of dispensing machines as well as sales through point-of-sale programs in stadiums, concert halls, auditoriums and theaters.

Brazil. In Brazil, we distribute our finished products to retailers through a combination of our own fleet of trucks and third party distributors, including related parties such as FEMSA, while we maintain control over the selling activities. In designated zones in Brazil, third-party distributors purchase our products at a discount from the wholesale price and resell the products to retailers. We also sell our products through the same modern distribution channels used in Mexico.

Table of Contents

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

Competition

While we believe that most of our products enjoy wider recognition and greater consumer loyalty than those of our principal competitors, the markets in the territories where we operate are highly competitive. Our principal competitors are local *Pepsi* bottlers and other bottlers and distributors of local beverage brands. We face increased competition in many of our territories from producers of low price beverages, commonly referred to as B brands. A number of our competitors in Central America, Brazil, Argentina and Colombia offer beer in addition to sparkling beverages, still beverages, and water, which may enable them to achieve distribution efficiencies.

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

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

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

South America (excluding Venezuela). Our principal competitor in Colombia is Postobón, a well-established local bottler (*Postobón* and *Colombiana* bottler). Postobón sells *manzana Postobón* (apple Postobón), which is the second most popular flavor in the Colombian sparkling beverage industry in terms of total sales volume. Postobón also sells *Pepsi* products. Postobón is a vertically integrated producer, the owners of which hold other significant commercial interests in Colombia. We also compete with low-price producers, such as the producers of *Big Cola*, which principally offer multiple serving size presentations in the sparkling and still beverage industry.

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

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

Venezuela. KOF Venezuela s main competitor is Pepsi-Cola Venezuela, C.A., a joint venture formed between PepsiCo and Empresas Polar, S.A., the leading beer distributor in the country. KOF Venezuela competes with the producers of *Big Cola* in part of this country.

Asia. In the Philippines our main competitors are Pepsi-Cola Products Philippines, Inc. (PCPPI), the exclusive bottler of *Pepsi* products in the Philippines and Asiawide Refreshments Corporation (ARC), a licensed Philippine bottler of *RC Cola* beverages. PCPPI manufactures and sells soft drinks, ready-to-drink juices, ready-to-drink energy drinks and water. ARC manufactures and sells soft drinks and root beer.

Table of Contents

Raw Materials

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

In the past, The Coca-Cola Company has increased concentrate prices for Coca-Cola trademark beverages in some of the countries where we operate. For example, The Coca-Cola Company (i) began to gradually increase concentrate prices for certain *Coca-Cola* trademark beverages in Mexico beginning in 2017 and Costa Rica and Panama beginning in 2014, and informed us that it would continue to do so through 2019 in Mexico and 2018 in Costa Rica and Panama; (ii) increased concentrate prices for certain *Coca-Cola* trademark beverages in Colombia in 2016 and 2017; and (iii) began to gradually increase concentrate prices for flavored water in Mexico beginning in 2015, and informed us it would continue to do so through 2018. Based on our estimates, we currently do not expect these increases will have a material adverse effect on our results of operations. The Coca-Cola Company may continue to unilaterally increase concentrate prices in the future, and we may not be successful in negotiating or implementing measures to mitigate the negative effect this may have in the prices of our products or our results. **See Item 7. Major Shareholders and Related Party Transactions Major Shareholders Cooperation Framework with The Coca-Cola Company.**

In addition to concentrate, we purchase sweeteners, carbon dioxide, PET resin and preforms to make plastic bottles, finished plastic and glass bottles, cans, caps and fountain containers, as well as other packaging materials and raw materials. Our bottler agreements provide that these materials may be purchased only from suppliers approved by The Coca-Cola Company. Prices for certain raw materials, including those used in the bottling of our products, mainly PET resin, finished plastic bottles, aluminum cans, HFCS and certain sweeteners, are paid in or determined with reference to the U.S. dollar, and therefore local prices in a particular country may increase based on changes in the applicable exchange rates. Our most significant packaging raw material costs arise from the purchase of PET resin, the price of which is related to crude oil prices and global PET resin supply. The average price that we paid for PET resin in U.S. dollars in 2017 increased only 2.7% as compared to 2016 in all our territories, excluding Venezuela. In addition, given that high currency volatility has affected and continues to affect most of our territories, the average price for PET resin in local currencies was higher in 2017 in Argentina and Mexico. In 2017, we purchased certain raw materials in advance, implemented a price fixing strategy and entered into certain derivative transactions, which helped us capture opportunities with respect to raw material costs and currency exchange rates.

Under our agreements with The Coca-Cola Company, we may use raw or refined sugar and HFCS in our products. Sugar prices in all of the countries where we operate, other than Brazil, are subject to local regulations and other barriers to market entry that, in certain countries, cause us to pay for sugar in excess of international market prices. In recent years, international sugar prices experienced significant volatility. Across our territories (excluding Venezuela), our average price for sugar in U.S. dollars, taking into account our financial hedging activities, increased by approximately 7.3% in 2017 as compared to 2016; however, the average price for sugar in local currency was lower in Panama, Colombia and the Philippines.

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

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

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

We purchase all of our cans from Fábricas de Monterrey, S.A. de C.V., or FAMOSA, and Envases Universales de México, S.A.P.I. de C.V., through Promotora Mexicana de Embotelladoras, S.A. de C.V., known as PROMESA, a cooperative of *Coca-Cola* bottlers, in which, as of April 13, 2018, we held a 35.0% equity interest. We mainly purchase our glass bottles from Vitro America, S. de R.L. de C.V. (formerly Compañía Vidriera, S.A. de C.V., or Vitro), FEVISA Industrial, S.A. de C.V., known as FEVISA, and Glass & Silice, S.A. de C.V., or SIVESA.

We purchase sugar from, among other suppliers, PIASA and Beta San Miguel, S.A. de C.V., both sugar cane producers in which, as of April 13, 2018, we held a 36.4% and 2.7% equity interest, respectively. We purchase HFCS from Ingredion México, S.A. de C.V. and Almidones Mexicanos, S.A. de C.V., known as Almex.

Sugar prices in Mexico are subject to local regulations and other barriers to market entry that cause us to pay higher prices than those paid in the international market. As a result, prices in Mexico have no correlation to international market prices. In 2017, sugar prices in local currency in Mexico increased approximately 24.4% as compared to 2016.

In Central America, the majority of our raw materials such as glass and non-returnable plastic bottles are purchased from several local suppliers. We purchase all of our cans through PROMESA. Sugar is available from suppliers that represent several local producers. In Costa Rica, we acquire plastic non-returnable bottles from Alpla C.R. S.A., and in Nicaragua we acquire such plastic bottles from Alpla Nicaragua, S.A.

South America (excluding Venezuela). In Colombia, we use sugar as a sweetener in all of our caloric beverages, which we buy from several domestic sources. Sugar prices in Colombia decreased approximately 11.2% in U.S. dollars and 14.3% in local currency, as compared to 2016. We purchase non-returnable plastic bottles from Amcor Rigid Plastics de Colombia, S.A. and Tapón Corona de Colombia S.A. (affiliate of Envases Universales de México, S.A.P.I. de C.V.). We have historically purchased all of our non-returnable glass bottles from O-I Peldar and other global suppliers in the Middle East. We purchase all of our cans from Crown Colombiana, S.A. Grupo Ardila Lulle (owners of our competitor Postobón) owns a minority equity interest in certain of our suppliers, including O-I Peldar, Crown Colombiana, S.A and Incauca S.A.S.

In Brazil, we also use sugar as a sweetener in all of our caloric beverages, which is available at local market prices, which historically have been similar to international prices. Sugar prices in Brazil decreased approximately 3.1% in U.S. dollars and decreased 10.5% in local currency as compared to 2016. Taking into account our financial hedging activities, our sugar prices in Brazil increased approximately 14.3% in U.S. dollars and increased 4.5% in local currency as compared to 2016. **See Item 11. Quantitative and Qualitative Disclosures about Market Risk Commodity Price Risk.** We purchase non-returnable glass bottles, plastic bottles and cans from several domestic and international suppliers. We mainly purchase PET resin from local suppliers such as M&G Polímeros México, S.A. de C.V. and Companhia Integrada Textil de Pernambuco.

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

Venezuela. KOF Venezuela uses sugar as a sweetener in all of its caloric beverages, which it purchases mainly from suppliers in the local market. Since 2003, KOF Venezuela has experienced a sugar shortage due to lower domestic production and the inability of the predominant sugar importers to obtain permission to import sugar on a timely basis. Because sugar distribution to the food and beverages industry and to retailers was controlled by the government, KOF Venezuela regularly experienced material disruptions with respect to access to sufficient sugar supply. For this reason, in 2016 we decided to adjust KOF Venezuela s product portfolio from caloric beverages to non-caloric beverages. KOF Venezuela purchases glass bottles from one local supplier, Productos de Vidrio, C.A., the only supplier authorized by The Coca-Cola Company. KOF Venezuela acquires most of its non-returnable plastic bottles from Alpla de Venezuela, S.A., and most of its aluminum cans from a local producer, Dominguez Continental, C.A.

Asia. In the Philippines, we use both local sugar and HFCS that we purchase in China mainly from Archer Daniels Midland and Scents (Shandong Xiangchi Jianyuan Bio-Tech Co., Ltd), and in Korea from Daesang Corp.

In 2017, sugar prices in the Philippines decreased by approximately 17.9% in local currency and 22.5% in U.S. dollars, as compared to 2016. Due to a tax reform imposing new taxes on sugar and HFCS beginning on January 1, 2018, we expect to use sugar as the sweetener in all of our caloric beverages in the Philippines. **See Item 4. Information on the Company Regulation Taxation of Beverages.**

We purchase non-returnable plastic bottles from global PET converters such as Alpla Philippines Inc. and Indorama Ventures Packaging Philippines Corporation. In the case of PET resin, we purchase our supply from top Asian suppliers from China, Taiwan and South East Asia, such as Indorama Ventures Polymers, Far Eastern New Century Corporation and SFX Jiangyin Xingyu New Material Co. Ltd. We purchase non-returnable glass bottles from Frigoglass Jebel Ali Free Zone, Saudi Arabian Glass Company Limited, Asia Brewery Inc., San Miguel Yamamura Packaging Corporation and Yantai NBC Glass Packaging Co., Ltd.

Table of Contents

REGULATION

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

Price Controls

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries where we operate. Currently, there are no price controls on our products in any of the territories where we have operations, except for voluntary price restraints in Argentina, where authorities directly supervise certain of our products sold through supermarkets as a measure to control inflation, and statutory price controls in the Philippines, where the government has imposed price controls on certain products considered as basic necessities, such as bottled water. In Venezuela, KOF Venezuela is subject to government-imposed price controls on certain of its products, including bottled water. In addition, KOF Venezuela is subject to the Fair Prices Law (*Ley Orgánica de Precios Justos*), which imposed a limit on profits earned on the sale of goods, including KOF Venezuela s products, seeking to maintain price stability and equal access to goods and services. Any changes to applicable law or potential violations may have an adverse effect on our business. **See Item 3. Key Information Risk Factors Regulatory developments may adversely affect our business.**

Taxation of Beverages

All the countries where we operate, except for Panama, impose value-added tax on the sale of sparkling beverages, with a rate of 16.0% in Mexico, 12.0% in Guatemala, 15.0% in Nicaragua, an average percentage of 15.8% in Costa Rica, 19.0% in Colombia (applied only to the first sale in the supply chain), 21.0% in Argentina, 12.0% in the Philippines and in Brazil 16.0% in the state of Parana, 17.0% in the state of Goias and Santa Catarina, 18.0% in the states of Sao Paulo, Minas Gerais and Rio de Janeiro, and 20.0% in the states of Mato Grosso do Sul and Rio Grande do Sul. The states of Rio de Janeiro, Minas Gerais and Parana also charge an additional 2.0% on sales as a contribution to a poverty eradication fund. In Brazil the value-added tax is grossed-up and added, along with federal sales tax, at the taxable basis. In addition, we are responsible for charging and collecting the value-added tax from each of our retailers in Brazil, based on average retail prices for each state where we operate, defined primarily through a survey conducted by the government of each state, which in 2017 represented an average taxation of approximately 17.8% over net sales. In addition, several of the countries where we operate impose the following excise or other taxes:

- Mexico imposes an excise tax of Ps.1.00 per liter on the production, sale and import of beverages with added sugar and HFCS as of January 1, 2014. This excise tax is applied only to the first sale and we are responsible for charging and collecting it. The excise tax is subject to an increase when accumulated inflation in Mexico reaches 10.0% since the most recent date of adjustment. The increased tax is imposed starting on the fiscal year following such increase. In November 2017, the accumulated inflation since the prior date of adjustment reached 17.0%. As a result, the excise tax increased to Ps.1.17 per liter as of January 1, 2018.

Guatemala imposes an excise tax of 0.18 cents in local currency (Ps.0.48 as of December 31, 2017) per liter of sparkling beverage.

Costa Rica imposes a specific tax on non-alcoholic carbonated bottled beverages based on the combination of packaging and flavor, currently assessed at 18.49 colones (Ps.0.64 as of December 31, 2017) per 250 ml, and an excise tax currently assessed at 6.457 colones (approximately Ps.0.22 as of December 31, 2017) per 250 ml.

Nicaragua imposes a 9.0% tax on consumption, and municipalities impose a 1.0% tax on our Nicaraguan gross income.

Panama imposes a 5.0% tax based on the cost of goods produced and a 10.0% selective consumption tax on syrups, powders and concentrate.

Argentina imposes an excise tax of 8.7% on sparkling beverages containing less than 5.0% lemon juice or less than 10.0% fruit juice, and an excise tax of 4.2% on sparkling water and flavored sparkling beverages with 10.0% or more fruit juice, although this excise tax is not applicable to some of our products.

Brazil assesses an average production tax of approximately 4.1% and an average sales tax of approximately 11.5% over net sales. Beginning on May 1, 2015, these federal taxes were applied based on the price sold, as detailed in our invoices, instead of an average retail price combined with a fixed tax rate and multiplier per presentation. Except for sales to wholesalers, this production and sales taxes apply only to the first sale and we are responsible for charging and collecting these taxes from each of our retailers. For sales to wholesalers, they are entitled to recover the sales tax and charge this tax again upon the resale of our products to retailers.

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

Beginning in January 2018, the Philippines impose an excise tax of 6.00 Philippine pesos (approximately Ps.2.37 as of December 31, 2017) per liter for sweetened beverages using caloric and non-caloric sweeteners, except for HFCS, and 12.00 Philippine pesos (approximately Ps.4.74 as of December 31, 2017) per liter for sweetened beverages using HFCS.

In Venezuela, KOF Venezuela is subject to value-added tax on the sale of sparkling beverages at a rate of 12.0%. In addition, Venezuela s municipalities imposed a variable excise tax applied only to the first sale of KOF Venezuela s products that varied between 0.6% and 2.5% of net sales.

Tax Reforms

On April 1, 2015, the Brazilian government issued Decree No. 8.426/15 to impose, as of July 2015, PIS/COFINS (Social Contributions on Gross Revenues) of 4.65% on financial income (except for foreign exchange variations). In addition, starting in 2016, the Brazilian federal production tax rates were reduced and the federal sales tax rates were increased. These rates continued to increase in 2017. However, the Supreme Court decided in early 2017 that the value-added tax will not be used as the basis for calculating the federal sales tax, which resulted in a reduction of the federal sales tax. Notwithstanding the above, the tax authorities appealed the Supreme Court s decision and are still waiting for a final resolution. In 2017 the federal production and sales taxes together resulted in an average of 15.6% tax over net sales. For 2018, these taxes will continue to increase, and we expect the average of these taxes will range between 16.0% and 17.5% over the net sales.

On December 30, 2015, the Venezuelan government enacted a new package of tax reforms that became effective in January 2016. This reform mainly (i) eliminated the inflationary adjustments for the calculation of income tax as well as the new investment tax deduction, and (ii) imposed a new tax on financial transactions effective as of February 1, 2016, for entities identified as special taxpayers, at a rate of 0.75% over certain financial transactions, such as bank withdrawals, transfer of bonds and securities, payment of indebtedness without intervention of the financial system and debits on bank accounts for cross-border payments. Given the inherent uncertainty as to how the Venezuelan government would require that the inflationary adjustments for the calculation of income tax be applied, in 2016 and 2017 we recognized the effects of the elimination of such inflationary adjustments in our Venezuelan operations.

In Guatemala the income tax rate for 2014 was 28.0% and it decreased to 25.0% for 2015.

On January 1, 2017, a new general tax reform became effective in Colombia. This reform reduced the income tax rate from 35.0% to 34.0% for 2017 and then to 33.0% for the following years. In addition, for entities located outside the free trade zone, this reform imposed an extra income tax rate of 6.0% for 2017 and 4.0% for 2018. For taxpayers located in the free trade zone, the special income tax rate increased from 15.0% to 20.0% for 2017. Additionally, the reform eliminated the temporary tax on net equity, the supplementary income tax at a rate of 9.0% as contributions to social programs and the temporary contribution to social programs at a rate of 5.0%, 6.0%, 8.0% and 9.0% for the years 2015, 2016, 2017 and 2018, respectively. For 2017, the dividends paid to individuals that are Colombian residents will be subject to a withholding of up to 10.0%, and the dividends paid to foreign individuals or entities non-residents in Colombia will be subject to a withholding of 5.0%. This reform increased the rate of the minimum assumed income tax (*renta presuntiva sobre el patrimonio*), from 3.0% to 3.5% for 2017. Finally, starting in 2017, the Colombian general value-added tax rate increased from 16.0% to 19.0%.

On January 1, 2018, a tax reform became effective in Argentina. This reform reduced the income tax rate from 35.0% to 30.0% for 2018 and 2019, and then to 25.0% for the following years. In addition, such reform imposed a new tax on dividends paid to non-resident stockholders and resident individuals at a rate of 7.0% for 2018 and 2019, and then to 13.0% for the following years. For sales taxes in the province of Buenos Aires, the tax rate decreased from 1.75% to 1.5% in 2018; however, in the City of Buenos Aires, the tax rate increased from 1.0% to 2.0% in 2018, and will be reduced to 1.5% in 2019, 1.0% in 2020, 0.5% in 2021 and 0.0% in 2022.

On January 1, 2018, a new tax reform became effective in the Philippines. This reform mainly (i) reduced the income tax rate imposed on a majority of individuals, (ii) increased the income tax rate on net capital gains from 5.0% or 10.0%, depending on the amount of shares sold, to a general tax rate of 15.0% on net capital gains from the sale of shares traded outside of the stock exchange by companies and individuals that are resident and non-resident, (iii) imposed an excise tax of 6.00 Philippine pesos per liter for sweetened beverages using caloric and non-caloric sweeteners, except for HFCS, and 12.00 Philippine pesos per liter for sweetened beverages using HFCS, (iv) imposed the obligation to issue electronic invoices and electronic sales reports, and (v) reduced the time period for keeping books and accounting records from 10 years to three years.

Water Supply

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

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

In Brazil, we obtain water and mineral water from wells pursuant to concessions granted by the Brazilian government for each plant. According to the Brazilian Constitution and the National Water Resources Policy, water is considered an asset of common use and can only be exploited for the national interest by Brazilians or companies formed under Brazilian law. Concessionaires and users have the responsibility for any damage to the environment. The exploitation and use of water is regulated by the Code of Mining, Decree Law No. 227/67 (*Código de Mineração*), the Mineral Water Code, Decree Law No. 7841/45 (*Código de Águas Minerais*), the National Water Resources Policy (Decree No. 24.643/1934 and Law No. 9433/97) and by regulations issued thereunder. The companies that exploit water are supervised by the National Mining Agency (*Agência Nacional de Mineração* ANM) and the National Water Agency (*Agência Nacional de Águas*) in connection with federal health agencies, as well as state and municipal authorities. In the Jundiai, Marilia, Curitiba, Maringa, Porto Alegre, Antonio Carlos and Itabirito plants, we do not exploit spring water. We only exploit spring water where we have all the necessary permits.

In Colombia, in addition to natural spring water for *Manantial*, we obtain water directly from wells and from utility companies. We are required to have a specific concession to exploit water from natural sources. Water use in Colombia is regulated by Law No. 9 of 1979 and Decrees No. 2811 of 1974 and No. 3930 of 2010. In addition, Decree No. 303 of 2012 requires us to apply for water concessions and for authorization to discharge our water into public waterways. The Ministry of Environment and Sustainable Development and Regional Autonomous Corporations supervises companies that use water as a raw material for their businesses. Furthermore, in Colombia, Law No. 142 of 1994 provides that public sewer services are charged based on volume (usage). The Water and Sewerage Company of the City of Bogota has interpreted this rule to be the volume of water captured, and not the volume of water discharged by users. Based on our production process, our Colombian subsidiary discharges into the public sewer system significantly less water than the water it captures. As a result, since October 2010 our Colombian subsidiary has filed monthly claims with the Water and Sewerage Company of the City of Bogota challenging these charges. In 2015, the highest court in Colombia issued a final ruling stating that the Water and Sewerage Company of the City of Bogota is not required to measure the volume of water discharged by users in calculating public sewer services charges. Based on this ruling, the Water and Sewerage Company of the City of Bogota commenced an administrative proceeding against our Colombian subsidiary requesting payment of approximately Ps.309 million for the sewer services it claims our subsidiary has not properly paid since 2005. In connection with such proceeding, in March 2016, this authority issued an order freezing certain of our bank accounts. See Note 8.2 to our consolidated financial statements. In June 2017, our Colombian subsidiary held conciliatory hearings with the Water and Sewerage Company of the City of Bogota and reached an agreement to settle this matter by payment of approximately Ps.216 million for the sewer services charged from June 2005 to May 2017. As of December 31, 2017, a reserve was created in our financial statements in the amount of this settlement. In June 2017, the settlement agreement was submitted before the administrative court seeking its judicial endorsement, and we are currently awaiting the final settlement approval.

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

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

KOF Venezuela uses private wells in addition to water provided by the municipalities, and it takes the appropriate actions, including actions to comply with water regulations, to have water supply available from these sources, regulated by the Water Law (*Ley de Aguas*).

In the Philippines, we primarily obtain water directly from local utility companies and from wells pursuant to water permits obtained from the Philippine government, which have an indefinite term. Notwithstanding the water permits, our Philippine subsidiary pays an annual fee to the Philippine government for pumping water from the wells. The extraction of water from wells is regulated by the National Water Resources Board.

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

We cannot assure that water will be available in sufficient quantities to meet our future production needs, that we will be able to maintain our current concessions or that additional regulations relating to water use will not be adopted in the future in our territories. We believe we are in material compliance with the terms of our existing water concessions and that we are in compliance with all relevant water regulations currently in place. **See Item 3. Key Information Risk Factors Water shortages or any failure to maintain existing concessions could adversely affect our business.**

Environmental Matters

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

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

In our Mexican operations, we established a partnership with The Coca-Cola Company and Alpla, our supplier of plastic bottles in Mexico, to create Industria Mexicana de Reciclaje (IMER), a PET recycling facility located in Toluca, Mexico. This facility began operations in 2005 and has a recycling capacity of approximately 25,000 metric tons per year from which 15,000 metric tons can be re-used for food packaging purposes. We have also continued contributing funds to ECOCE, A.C., a nationwide collector of containers and packaging materials.

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

As part of our environmental protection and sustainability strategies, in December 2009, we, jointly with strategic partners, entered into a wind energy supply agreement with a Mexican subsidiary of the Spanish wind farm developer, GAMESA Energía, S.A., or GAMESA, to supply green energy to our bottling facility in Toluca, Mexico, owned by our subsidiary, Propimex, S. de R.L. de C.V., or Propimex, and to some of our suppliers of PET bottles. In 2010, GAMESA sold its interest in the Mexican entity that owned the wind farm to Iberdrola Renovables México, S.A. de C.V. This wind farm, which is located in La Ventosa, Oaxaca, generates approximately 100,000 megawatt hours annually. In 2015, 2016 and 2017, this wind farm provided us with approximately 64,430, 57,750 and 49,767 megawatt hours, respectively.

Additionally, we have entered into 20-year wind power supply agreements with two suppliers to receive clean and renewable energy for use at our production and distribution facilities throughout Mexico: (a) Energía Eólica del Sur, S.A.P.I. de C.V. (formerly known as Mareña Renovables Wind Power Farm) with a 396,000 megawatt installed capacity wind farm in Oaxaca, Mexico, which is expected to begin operations in 2018; and (b) Enel Green Power with a 100,000 megawatt installed capacity wind farm in San Luis Potosi, Mexico, which provided a total of 77,262 megawatt hours to 50 of our production and distribution facilities in 2017. In 2017, five of our manufacturing facilities received a total of 33,015 megawatt hours from renewable energy sources such as bagasse cogeneration from the PIASA Tres Valles sugar mill. Currently, 22 of our Mexican manufacturing facilities receive energy from renewable energy sources, which represent 56.0% of our current energy consumption in Mexico.

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

Our Colombian operations are subject to several Colombian federal and state laws and regulations related to the protection of the environment and the disposal of treated water and toxic and hazardous materials. These laws include the control of atmospheric emissions, noise emissions, disposal of treated water and strict limitations on the use of chlorofluorocarbons. In addition, on February 6, 2012, Colombia promulgated Decree No. 303, which requires us to apply for an authorization to discharge our water into public waterways. We are engaged in nationwide reforestation programs and campaigns for the collection and recycling of glass and plastic bottles, among other programs with positive environmental impacts. We have also obtained and maintained the ISO 9001, ISO 14001, OHSAS 18001, FSSC 22000 and PAS 220 certifications for our plants located in Medellin, Cali, Bogota, Barranquilla, Bucaramanga and La Calera, as recognition for the highest quality and food harmlessness in our production processes, which is evidence of our strict level of compliance with relevant Colombian regulations. Our six plants joined a small group of companies that have obtained these certifications. Our plant located in Tocancipa, which commenced operations in February 2015, obtained the Leadership in Energy and Environmental Design (LEED 2009) certification in April 2017.

KOF Venezuela is subject to several Venezuelan federal, state and municipal laws and regulations related to the protection of the environment. The most relevant of these laws are the Organic Environmental Law (*Ley Orgánica del Ambiente*), the Substance, Material and Dangerous Waste Law (*Ley Sobre Sustancias, Materiales y Desechos Peligrosos*), the Criminal Environmental Law (*Ley Penal del Ambiente*), Waste Management Law (*Ley de Gestión Integral de Basura*) and the Water Law (*Ley de Aguas*).

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

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

In November 2015, we entered into two five-year wind power supply agreements with the following suppliers to receive renewable energy from wind power, small hydroelectric plants and sugarcane biomass plants, for use at our production and distribution facilities in Brazil: (a) Brookfield Energía Comercializadora, Ltda., which provided a total of 21,725 megawatt hours in 2017 and (b) CPFL Comercializão Brasil, S.A., which provided a total of 72,132 megawatt hours in 2017. In 2017, 13 of our Brazilian facilities received energy from renewable energy sources, which represented 83.0% of our energy consumption in Brazil.

In May 2008, a municipal regulation of the City of Sao Paulo, implemented pursuant to Law 13.316/2002, came into effect requiring us to collect for recycling a specified annual percentage of plastic bottles made from PET sold in the City of Sao Paulo. Beginning in May 2011, we were required to collect 90.0% of PET bottles sold. Currently, we are not able to collect the entire required volume of PET bottles we sell in the City of Sao Paulo. Since we do not meet the requirements of this regulation, which we believe to be more onerous than those imposed by the countries with the highest recycling standards, we could be fined and be subject to other sanctions, such as the suspension of operations in any of our plants and/or distribution centers located in the City of Sao Paulo. In May 2008, when this law came into effect, we and other bottlers in the City of Sao Paulo, through the Brazilian Soft Drink and Non-Alcoholic Beverage Association, or ABIR (*Associação Brasileira das Indústrias de Refrigerantes e de Bebidas Não-alcoólicas*), filed a motion requesting a court to overturn this regulation due to the impossibility of compliance. In November 2009, in response to a request by a municipal authority to provide evidence of the destination of the PET bottles sold in Sao Paulo, we filed a motion presenting all of our recycling programs and requesting a more practical timeline to comply with the requirements imposed. In October 2010, the municipal authority of Sao Paulo levied a fine on our Brazilian operating subsidiary of 250,000 Brazilian reais (approximately Ps.1.5 million as of December 31, 2017) on the grounds that the report submitted by our Brazilian operating subsidiary did not comply with the 75.0% proper disposal requirement for the period from May 2008 to May 2010. We filed an appeal against this fine, which was denied by the municipal authority in May 2013. This resolution by the municipal authority is final and not subject to appeal. However, in July 2012, the State Appellate Court of Sao Paulo rendered a decision on an interlocutory appeal filed on behalf of ABIR staying the requirement to pay the fines and other sanctions imposed on ABIR s associated companies, including our Brazilian subsidiary, pending the final resolution of the appeal. We are still awaiting the final resolution of the appeal filed on behalf of ABIR. In November 2016, the municipal authority filed a tax enforcement claim against our Brazilian subsidiary in order to try to collect the fine imposed in October 2010. In February 2017, we filed a motion for a stay of execution against the collection of the fine based on the decision rendered by the State Appellate Court of Sao Paulo in July 2012. We cannot assure you that these measures will have the desired effect or that we will prevail in any judicial challenge that our Brazilian subsidiary may pursue.

In August 2010, Law No. 12.305/2010 established the Brazilian National Solid Waste Policy. This policy is based on the principle of shared responsibility between the government, companies and the public, and provides for the post-consumption return of products to companies and requires public authorities to implement waste management programs. This law is regulated by Federal Decree No. 7.404/2010, and was published in December 2010. In response to the Brazilian National Solid Waste Policy, in December 2012, a proposal of agreement was provided to the Ministry of the Environment by almost 30 associations involved in the packaging sector, including ABIR in its capacity as representative for The Coca-Cola Company, our Brazilian subsidiary and other bottlers. This agreement proposed the creation of a coalition to implement systems for reverse logistics packaging non-dangerous waste that make up the dry fraction of municipal solid waste or equivalent. The goal of the proposal is to create methodologies for sustainable development, and improve the management of solid waste by increasing recycling rates and decreasing incorrect disposal in order to protect the environment, society and the economy. The Ministry of Environment approved and signed this agreement in November 2015. In August 2016, the public prosecutor s office of the state of Sao Paulo filed a class action against the parties that signed this agreement, challenging the validity of certain terms of the agreement and the effectiveness of the mandatory measures to be taken by the companies of the packaging sector, as provided in the agreement. ABIR is leading the lawsuit s defense.

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

Our Philippine operations are subject to federal laws and regulations relating to the protection of the environment. Among the most relevant laws and regulations are those concerning air emissions (Clean Air Act), water pollution (Clean Water Act) and the protection and management of the environment (Philippine Environmental Code). Our Philippine subsidiary has water treatment facilities in all of its plants, where waste water is treated to reach acceptable standards imposed by applicable law. Also, our Philippine subsidiary treats waste water to use it within their plants for cleaning and watering plants, among others activities.

In addition, all of our Philippine subsidiary s plants have an Environmental Compliance Certificate, certifying that such plant does not have any significant negative environmental impact, and a discharge permit, certifying that the water discharge by such plant meets all legal requirements.

For all of our plant operations, we employ the following environmental management system Environmental Administration System, or EKOSYSTEM (*Sistema de Administración Ambiental*) that is contained within the Integral Quality System or SICKOF (*Sistema Integral de Calidad*).

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

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

Other Regulations

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

In August 2015, the Philippine Competition Act (Republic Act No. 10667) came into effect, which prohibited anti-competitive practices, abuse of dominant position, and mergers which prevent, lessen or restrict competition between or among competitors. This law provided a two-year transition period until August 2017 to allow companies to comply with its requirements. We are currently in compliance with this law. However, we cannot assure you that this new law will not have an adverse effect on our business or our inorganic growth plans.

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

In November 2017, the Panamanian government enacted Law No. 75 which regulates the sale of food and beverages in public and private schools (from elementary school through high school). According to Law No. 75, a list of authorized food and beverages will be published. As of the date of this annual report, no list has been published. However, the Ministry of Education issued a decree with certain products that they recommend should be sold in schools; the products mentioned do not include sparkling beverages, teas and still beverages that contain high amounts of sugar. We cannot assure you that these restrictions and any further restrictions will not have an adverse impact on our results of operations.

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

BOTTLER AGREEMENTS

Coca-Cola Bottler Agreements

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

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

The bottler agreements include an acknowledgment by us that The Coca-Cola Company is the sole owner of the trademarks that identify the *Coca-Cola* trademark beverages and of the formulas with which The Coca-Cola Company s concentrates are made. Subject to our exclusive right to distribute *Coca-Cola* trademark beverages in our territories, The Coca-Cola Company reserves the

Table of Contents

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

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

- maintain plant and equipment, staff and distribution facilities capable of manufacturing, packaging and distributing the *Coca-Cola* trademark beverages in authorized containers in accordance with our bottler agreements and in sufficient quantities to satisfy fully the demand in our territories;

- undertake adequate quality control measures established by The Coca-Cola Company;

- develop, stimulate and satisfy fully the demand for *Coca-Cola* trademark beverages using all approved means, which includes the investment in advertising and marketing plans;

- maintain a sound financial capacity as may be reasonably necessary to assure performance by us and our subsidiaries of our obligations to The Coca-Cola Company; and

- submit annually to The Coca-Cola Company our marketing, management, promotional and advertising plans for the ensuing year.

The Coca-Cola Company contributed a significant portion of our total marketing expenses in our territories during 2017 and has reiterated its intention to continue providing such support as part of our cooperation framework. Although we believe that The Coca-Cola Company will continue to provide funds for advertising and marketing, it is not obligated to do so. Consequently, future levels of advertising and marketing support provided by The Coca-Cola

Company may vary materially from the levels historically provided. **See Item 7. Major Shareholders and Related Party Transactions Major Shareholders The Shareholders Agreement** and **Item 7. Major Shareholders and Related Party Transactions Major Shareholders Cooperation Framework with The Coca-Cola Company.**

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

As of December 31, 2017, we had:

- nine bottler agreements in Mexico: (i) two agreements for the Valley of Mexico territory, which are up for renewal in May 2018 and June 2023, (ii) the agreement for the southeast territory, which is up for renewal in June 2023, (iii) three agreements for the central territory, which are up for renewal in May 2018 (two agreements) and May 2025, (iv) the agreement for the northeast territory, which is up for renewal in May 2018, and (v) two agreements for the Bajio territory, which are up for renewal in May 2018 and May 2025;

- nine bottler agreements in Brazil, which are up for renewal in May 2018 (seven agreements) and April 2024 (two agreements); and

- one bottler agreement in each of Argentina, which is up for renewal in September 2024, Colombia, which is up for renewal in June 2024; Guatemala, which is up for renewal in March 2025; Costa Rica, which is up for renewal in September 2027; Nicaragua, which is up for renewal in May 2026; Panama, which is up for renewal in November 2024; and the Philippines, which is up for renewal in December 2022.

As of December 31, 2017, KOF Venezuela had one bottler agreement, which is up for renewal in August 2026.

Table of Contents

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

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

Table of Contents

DESCRIPTION OF PROPERTY, PLANT AND EQUIPMENT

Over the past several years, we made significant capital investments to modernize our facilities and improve operating efficiency and productivity, including:

- increasing the annual capacity of our bottling plants by installing new production lines;
- installing clarification facilities to process different types of sweeteners;
- installing plastic bottle-blowing equipment;
- modifying equipment to increase flexibility to produce different presentations, including faster sanitation and changeover times on production lines; and
- closing obsolete production facilities.

For more information on our capital investments, **see Item 5. Operating and Financial Review and Prospects Capital Expenditures.**

As of December 31, 2017, we owned 60 bottling plants company-wide. By country, as of such date, we had 17 bottling facilities in Mexico, 5 in Central America, 7 in Colombia, 10 in Brazil, 2 in Argentina and 19 in the Philippines. In addition, KOF Venezuela owned 4 bottling plants as of December 31, 2017.

As of December 31, 2017, we operated 300 distribution centers, approximately 60.3% of which were in our Mexican territories. As of such date, we owned more than 83.0% of these distribution centers and leased the remainder. As of December 31, 2017, KOF Venezuela operated 24 distribution centers. **See The Company Product Sales and Distribution.**

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

Certain factors may affect utilization levels of our bottling facilities, such as seasonality of demand for our products, supply chain planning due to different geographies and different packaging capacities of our production lines. As a result, we are exposed to seasonality and peak months of demand for our products, which may lead us to have excess capacity during certain months in certain countries.

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

Bottling Facility Summary

As of December 31, 2017

Country	Installed Capacity (thousands of unit cases)	Average Annual Utilization[1][2] (%)	Utilization in Peak Month[1] (%)
Mexico	2,818,533	63	78
Guatemala	49,379	67	67
Nicaragua	86,555	39	58
Costa Rica	88,207	51	56
Panama	70,605	43	47
Colombia	663,452	38	47
Venezuela[3]	242,121	27	30
Brazil	1,419,984	52	59
Argentina	367,620	41	48
Philippines	1,139,038	51	60

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

(2) Annualized rate.

(3) Includes bottling facilities owned by KOF Venezuela.

Table of Contents

The table below summarizes our principal production facilities in terms of installed capacity, including their location and facility area:

Bottling Facility by Location

As of December 31, 2017

Country	Plant	Facility Area (thousands of sq. meters)
Mexico	Toluca, Estado de Mexico	317
	Leon, Guanajuato	124
	Morelia, Michoacan	50
	Ixtacomitan, Tabasco	117
	Apizaco, Tlaxcala	80
	Coatepec, Veracruz	142
	La Pureza Altamira, Tamaulipas	300
	San Juan del Rio, Queretaro	84
Guatemala	Guatemala City	46
Nicaragua	Managua	54
Costa Rica	Calle Blancos, San Jose	52
Panama	Panama City	29
Colombia	Barranquilla, Atlántico	37
	Bogota, DC	105
	Tocancipa, Cundinamarca	298
Venezuela(1)	Valencia, Carabobo	100
Brazil	Jundiai, Sao Paulo	191
	Marilia , Sao Paulo	159
	Curitiba, Paraná	119
	Itabirito, Minas Gerais	320
	Porto Alegre, Río Grande do Sul	196
Argentina	Alcorta, Buenos Aires	73
Philippines	Santa Rosa, La Laguna	294
	Misamis, Mindanao	112
	Canlubang, La Laguna	137
	Imus, Cavite	19
	San Fernando, Pampanga	60

(1) Includes bottling facilities owned by KOF Venezuela.

Table of Contents

SIGNIFICANT SUBSIDIARIES

The table below sets forth all of our direct and indirect significant subsidiaries and the percentage of equity of each subsidiary we owned directly or indirectly as of December 31, 2017:

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

Item 4.A. Unresolved Staff Comments

None.

Table of Contents

Item 5. Operating and Financial Review and Prospects
General

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

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

Effects of Changes in Economic Conditions. Our results are affected by changes in economic conditions in Mexico, Brazil and in the other countries where we operate. For the year ended December 31, 2017, approximately 67.9% of our total revenues were attributable to Mexico and Brazil. In addition to Mexico and Brazil, during 2017, we also conducted operations in Central America (including Guatemala, Nicaragua, Costa Rica and Panama), Colombia, Venezuela, Argentina and the Philippines. Our results are affected by the economic conditions in the countries where we conduct operations. Some of these economies continue to be influenced by the U.S. economy, and therefore, deterioration in economic conditions in the U.S. economy may affect these economies. Deterioration or prolonged periods of weak economic conditions in the countries where we conduct operations may have, and in the past have had, a negative effect on our company and a material adverse effect on our results and financial condition. Our business may also be significantly affected by the interest rates, inflation rates and exchange rates of the local currencies of the countries where we operate. Decreases in growth rates, periods of negative growth and/or increases in inflation or interest rates may result in lower demand for our products, lower real pricing of our products or a shift to lower margin products. In addition, an increase in interest rates would increase the cost to us of variable rate funding, which would have an adverse effect on our financial position.

Changes to the Accounting Method for our Venezuelan Operations**.** As disclosed in Note 3.3 to our consolidated financial statements, effective as of December 31, 2017, we determined that deteriorating conditions in Venezuela had led us to no longer meet the accounting criteria to consolidate the results of operations of KOF Venezuela. Such deteriorating conditions had significantly impacted our ability to manage our capital structure and our capacity to import and purchase raw materials and had imposed limitations on our portfolio dynamics. In addition, government controls over the pricing of certain products, labor law restrictions and an inability to obtain U.S. dollars and imports have affected the normal course of our business. Therefore, as of December 31, 2017, we changed the method of accounting for the results of operations of KOF Venezuela from consolidation to fair value method.

As a result of the deconsolidation, we recorded an extraordinary loss in other expenses of Ps.28,177 million as of December 31, 2017. This amount includes the reclassification of Ps.26,123 million, which were previously recorded in accumulated foreign currency translation losses in equity, to the income statement and impairment charges of Ps.2,053 million. The impairment charges include the following: Ps.745 million of distribution rights, Ps.1,098 million of property, plants and equipment and Ps.210 million of remeasurement at fair value of the operations in Venezuela. Prior to deconsolidation, during 2017, our operations in Venezuela contributed Ps.4,005 million to net sales and losses of Ps.2,223 million to net income.

Beginning on January 1, 2018, we will recognize the results of operations of KOF Venezuela as an investment under the fair value method pursuant to IFRS 9, *Financial Instruments*. While we continue to report the results of operations of KOF Venezuela as a consolidated reporting segment for the periods ended December 31, 2017, 2016 and 2015, as a result of this change, we will no longer include the results of operations of KOF Venezuela in our consolidated financial statements beginning on January 1, 2018.

Exchange Control Regime in Venezuela. For the years ended December 31, 2016 and 2015, we translated our results of operations in Venezuela into our reporting currency, the Mexican peso, using the official exchange rate of 673.76 bolivars per U.S. dollar and 198.70 bolivars per U.S. dollar, respectively. We translated our results of operations in Venezuela for the year ended December 31, 2017 into Mexican pesos using an exchange rate of 22,793 bolivars per U.S. dollar. We believe that this exchange rate better represented the economic conditions in Venezuela and provided more useful and relevant information with respect to the financial position, financial performance and cash flows of our Venezuelan operations. On January 29, 2018, a new auction of the *Divisas Complementarias*, or DICOM, the official exchange rate in Venezuela, conducted by the Venezuelan government resulted in an estimated exchange rate of 30,987 bolivars per 1.00 (equivalent to approximately 25,000 bolivars per US$1.00).

Recent Developments in the Consolidation of KOF Philippines. Since January 25, 2017, we control KOF Philippines as all decisions relating to the day-to-day operation and management of KOF Philippines s business, including its annual normal operations plan, are approved by a majority of its board of directors without requiring the affirmative vote of any director appointed by The Coca-Cola Company. Commencing on February 1, 2017, we started consolidating KOF Philippines s financial results in our financial statements. Our results in 2017 reflect a reduction in our share of the profit of associates and joint ventures accounted for using the equity method, net of taxes, as a result of this consolidation. For further information, see Note 4.1.2 to our consolidated financial statements.

Table of Contents

Recent Acquisitions. In March 2017, we acquired, through our Mexican, Brazilian, Argentine, Colombian subsidiaries and also through our interest in Jugos del Valle in Mexico, a participation in the AdeS soy-based beverage businesses. As a result of this acquisition, we have exclusive distribution rights of AdeS soy-based beverages in our territories in these countries.

Recent Developments Relating to Our Indebtedness. On April 10, 2018 we entered into certain bank loans in Mexican pesos for an aggregate principal amount of Ps.10,100 million.

Critical Accounting Judgments and Estimates

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

New Accounting Pronouncements

For a description of the new IFRS and amendments to IFRS adopted during 2017, see Note 2.4 to our consolidated financial statements. In addition, for a description of the recently issued accounting standards effective in 2018 and 2019, see Note 26 to our consolidated financial statements.

Results

The following table sets forth our consolidated income statements for the years ended December 31 2017, 2016 and 2015.

	Year Ended December 31,			
	2017(1)(2)	2017	2016(3)	2015
	(in millions of Mexican pesos or millions of U.S. dollars, except per share data)			
Revenues:				
Net sales	US$ 10,355	Ps.203,374	Ps.177,082	Ps.151,914
Other operating revenues	21	406	636	446
Total revenues	10,376	203,780	177,718	152,360
Cost of goods sold	5,708	112,094	98,056	80,330
Gross profit	4,668	91,686	79,662	72,030
Costs and expenses:				
Administrative expenses	457	8,983	7,423	6,405
Selling expenses	2,848	55,927	48,039	41,879

Other income	223	4,371	1,281	620
Other expenses	1,682[4]	33,032[4]	5,093	2,368
Interest expenses	449	8,809	7,471	6,337
Interest income	45	887	715	414
Foreign exchange gain (loss), net	41	810	1,792	1,459
Gain (loss) on monetary position for subsidiaries in hyperinflationary economies	81	1,591	2,417	(33)
Market value gain on financial instruments	13	246	51	142
(Loss) income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method	(365)	(7,160)	14,308	14,725
Income taxes	232	4,554	3,928	4,551
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	3	60	147	155
Net income	(594)	(11,654)	10,527	10,329
Attributable to:				
Equity holders of the parent	(652)	(12,802)	10,070	10,235
Non-controlling interest	58	1,148	457	94

Table of Contents

	Year Ended December 31,			
	2017[1][2]	2017	2016[3]	2015
	(in millions of Mexican pesos or millions of U.S. dollars, except per share data)			
Net income	(594)	(11,654)	10,527	10,329
Per share data:				
Basic earnings per share[5]	(0.31)	(6.12)	4.86	4.94
Diluted earnings per share[6]	(0.31)	(6.12)	4.85	4.94

(1) Translation to U.S. dollar amounts at an exchange rate of Ps.19.64 per US$1.00 solely for the convenience of the reader.
(2) Includes results of KOF Philippines from February 1, 2017. See **Item 4. Information on the Company The Company Corporate History**.
(3) Includes results of Vonpar from December 2016. **See Item 4. Information on the Company The Company Corporate History.**
(4) See Note 18 to our consolidated financial statements.
(5) Computed on the basis of the weighted average number of shares outstanding during the period: 2,091.35 million in 2017 and 2,072.92 million in 2016 and 2015.
(6) Computed on the basis of the diluted weighted average number of shares outstanding during the period: 2,091.35 million in 2017, 2,074.83 million in 2016 and 2,072.92 million in 2015. For further information see Note 3.25 to our consolidated financial statements.

Operations by Consolidated Reporting Segment

The following table sets forth certain financial information for each of our consolidated reporting segments for the years ended December 31, 2017, 2016 and 2015. See Note 25 to our consolidated financial statements for additional information about all of our consolidated reporting segments.

	Year Ended December 31,		
	2017	2016	2015
	(in millions of Mexican pesos)		
Total revenues			
Mexico and Central America[1]	92,643	87,557	78,709
South America (excluding Venezuela)[2]	86,608	71,293	64,752
Venezuela	4,005	18,868	8,899
Asia[3]	20,524		
Gross profit			
Mexico and Central America[1]	45,106	43,569	40,130
South America (excluding Venezuela)[2]	37,756	29,263	27,532
Venezuela	646	6,830	4,368
Asia[3]	8,178		

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

(2) Includes Colombia, Brazil and Argentina. Includes results of Vonpar from December 2016.
(3) Includes the Philippines.

Results for the Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

Consolidated Results

The comparability of our financial and operating performance in 2017 as compared to 2016 was affected by the following factors: (1) the ongoing integration of mergers, acquisitions, and divestitures completed in recent years; (2) translation effects from fluctuations in exchange rates; (3) our results in Venezuela, which is considered a hyperinflationary economy, and the extraordinary charges as a result of the deconsolidation of our Venezuelan operations; and (4) the consolidation of KOF Philippines commencing on February 1, 2017. In certain information presented below, we have excluded the effects of (i) translation effects resulting from exchange rate fluctuations, (ii) our recent acquisition of Vonpar in Brazil, and (iii) our operations in Venezuela, and included the results of KOF Philippines as if its consolidation had occurred on January 1, 2016, in order to better describe the performance of our business on a comparable basis in 2017 as compared to 2016. To translate the results of our Venezuelan operations in 2017, we used the exchange rate of 22,793 bolivars per U.S. dollar, as compared to 673.76 bolivars per U.S. dollar used to translate our 2016 reported results. In addition, the average depreciation of currencies used in our main operations relative to the U.S. dollar in 2017, as compared to 2016, were: 12.1% for the Argentine peso, 1.5% for the Mexican peso and 6.1% for the Philippine peso. Moreover, the average appreciation of currencies used in our main operations relative to the U.S. dollar in 2017, as compared to 2016, were: 3.4% for the Colombian peso and 8.5% for the Brazilian real.

Total Revenues. Our consolidated total revenues increased by 14.7% to Ps.203,780 million in 2017, as a result of the acquisition of Vonpar in Brazil and the consolidation of our operations in the Philippines beginning on February 1, 2017. Total revenues were also driven by average price per unit case increases in local currency aligned with or above inflation in key territories, supported by the positive translation effect resulting from the appreciation of the Brazilian real and the Colombian peso, despite the depreciation of the Argentine peso, the Philippine peso and the Venezuelan bolivar; in each case relative to the Mexican peso. On a comparable basis, total revenues would have increased by 3.6%, driven by growth in our average price per unit case across most of our operations and volume growth in the Philippines, which were partially offset by volume declines in our South American (excluding Venezuela) consolidated reporting segment.

Total sales volume increased by 16.1% to 3,870.6 million unit cases in 2017 as compared to 2016, mainly as a result of the acquisition of Vonpar and the consolidation of KOF Philippines, which was partially offset by volume contraction in Argentina, Colombia and Venezuela as discussed below. On a comparable basis, total sales volume would have decreased by 1.5% in 2017 as compared to 2016. Sales volume of our sparkling beverage portfolio increased 16.9% as compared to 2016. On a comparable basis, sales volume of our sparkling beverage portfolio would have decreased by 1.7%, driven by volume contractions across most of our operations, which were partially offset by volume growth in the Philippines. On the same basis, our colas portfolio s sales volume would have declined 1.4%, while our flavored sparkling beverage portfolio would have declined 2.6%. Sales volume of our still beverage portfolio increased 23.7% as compared to 2016. On a comparable basis, sales volume of our still beverage portfolio would have declined 2.6%, mainly due to volume contractions in Brazil, Colombia and the Philippines, which were partially offset by growth in Mexico and Argentina. Sales volume of bottled water, excluding bulk water, increased 9.2% as compared to 2016. On a comparable basis, bottled water, excluding bulk water, would have increased by 0.9%, driven mainly by growth in Mexico, Central America and the Philippines, which was partially offset by volume contractions in South America. Sales volume of bulk water increased 9.0% as compared to 2016. On a comparable basis, sales volume of bulk water would have decreased by 0.7%, driven mainly by a volume contraction in Colombia, which was partially offset by volume growth in Argentina, Brazil and the Philippines.

Consolidated average price per unit case decreased by 2.9% to Ps.49.29 in 2017, as compared to Ps.50.75 in 2016, mainly as a result of the negative translation effect resulting from depreciation of the Argentine peso, the Philippine peso and the Venezuelan bolivar relative to the Mexican peso, which was partially offset by the positive translation effect resulting from the appreciation of the Brazilian real and the Colombian peso, in each case relative to the Mexican peso. On a comparable basis, average price per unit case would have increased by 5.1% in 2017, driven by average price per unit case increases in local currency in Mexico, Argentina, Brazil and Colombia.

Gross Profit. Our gross profit increased by 15.1% to Ps.91,686 million in 2017; however, our gross profit margin decreased by 20 basis points to reach 45.0% in 2017 as compared to 2016. On a comparable basis, our gross profit would have increased by 6.1% in 2017, as compared to 2016. Our pricing initiatives, together with our currency and raw material hedging strategies, offset higher costs resulting from higher sweetener and concentrate prices in Mexico and the depreciation in the average exchange rate of the Mexican peso, the Argentine peso, and the Philippine peso as applied to U.S. dollar-denominated raw material costs.

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

Administrative and Selling Expenses. Our administrative and selling expenses as a percentage of total revenues increased by 70 basis points to 31.9% in 2017 as compared to 2016. Our administrative and selling expenses in absolute terms increased by 17.0% to Ps.64,910 million as compared to Ps.55,462 million in 2016, mainly as a result of the consolidation of KOF Philippines and the recent acquisition of Vonpar; however, this increase was partially offset by an operating foreign exchange gain. In 2017, we continued investing across our territories to support marketplace execution, increase our cooler coverage, and bolster our returnable presentation base.

Other Expenses Net. We recorded other expenses net of Ps.28,661 million in 2017 as compared to Ps.3,812 million in 2016, mainly due to the deconsolidation of Venezuela, which was partially offset by the consolidation of KOF Philippines. For more information, see Note 3.3 to our consolidated financial statements.

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

Comprehensive financing result in 2017 recorded an expense of Ps.5,275 million as compared to an expense of Ps.6,080 million in 2016. This decrease was mainly driven by an increase in interest expenses of Ps.8,809 million in 2017 as compared to interest expenses of Ps.7,741 million in 2016, which was more than offset by a foreign exchange gain of Ps.810 million in 2017 as compared to a foreign exchange loss of Ps.1,792 million in 2016, such gain resulting from the appreciation of the end-of-period exchange rate of the Mexican peso relative to the U.S. dollar as applied to our U.S. dollar-denominated debt.

Income Taxes. In 2017, reported income tax was Ps.4,554 million as compared to Ps.3,928 million in 2016. For more information, see Note 23 to our consolidated financial statements.

Share of the Profit of Associates and Joint Ventures Accounted for Using the Equity Method, Net of Taxes. In 2017, we recorded a loss of Ps.60 million in the share of the profits of associates and joint ventures accounted for using the equity method, net of taxes, mainly due to the consolidation of KOF Philippines, which is no longer accounted for under the equity method from February 1, 2017; this loss was partially offset by gains in our joint ventures in Brazil.

Net Income (Equity holders of the parent). Consolidated net controlling interest loss was Ps.12,802 million during 2017, mainly as a result of the deconsolidation of our Venezuelan operations, which resulted in the reclassification of an accumulated non-cash item as a one-time charge to the other expenses line of the income statement in accordance with IFRS standards. On a comparable basis, controlling net income would have grown 34.7% in 2017.

Results by Consolidated Reporting Segment

Mexico and Central America

Total Revenues. Total revenues in our Mexico and Central America consolidated reporting segment increased by 5.8% to Ps.92,643 million in 2017 as compared to 2016, mainly as a result of an increase in the average price per unit case in Mexico.

Total sales volume in our Mexico and Central America consolidated reporting segment decreased by 0.4% to 2,017.9 million unit cases in 2017 as compared to 2016, as a result of volume contraction in both Mexico and Central America as discussed below. Sales volume of our sparkling beverage portfolio decreased by 0.9%, mainly driven by a 1.4% decrease in sales volume of our colas portfolio, which was partially offset by a 1.1% increase in sales volume of our flavored sparkling beverage portfolio. Sales volume of our still beverage portfolio increased by 3.8%, mainly due to growth in both Mexico and Central America. Sales volume of bottled water, excluding bulk water, increased by 2.6%, as Mexico and Central America had a positive performance. Our bulk water portfolio s sales volume declined 0.7%.

Sales volume in Mexico decreased by 0.3% to 1,845.0 million unit cases in 2017, as compared to 1,850.7 million unit cases in 2016. Sales volume of our sparkling beverage portfolio decreased by 0.8%, driven by a 1.3% decrease in sales volume of our colas portfolio, which was partially offset by a 1.6% increase in sales volume of our flavored sparkling beverage portfolio. Sales volume of our still beverage portfolio increased by 4.4%. Sales volume of bottled water, excluding bulk water, increased by 2.3%, while our bulk water portfolio s sales volume declined by 0.6%.

Sales volume in Central America decreased by 1.1% to 173.0 million unit cases in 2017, as compared to 174.9 million unit cases in 2016. Sales volume of our sparkling beverage portfolio decreased by 1.8%, driven by a 1.7% decrease in our colas portfolio and a 2.0% decrease in sales volume of our flavored sparkling beverage portfolio. Sales volume of our still beverage portfolio increased slightly by 0.5%. Sales volume of bottled water, excluding bulk water, increased by 5.7%, while our bulk water portfolio s sales volume declined by 3.9%.

Gross Profit. Our gross profit in this consolidated reporting segment increased by 3.5% to Ps.45,106 million in 2017 as compared to 2016; however, gross profit margin decreased by 110 basis points to 48.7% in 2017. Gross profit margin decreased mainly as a result of higher sugar prices, increases in concentrate prices, and the depreciation of the average exchange rate of the Mexican peso as applied to our U.S. dollar-denominated raw material costs. This decrease was partially offset by our pricing initiatives and lower PET resin prices in the segment.

Administrative and Selling Expenses. Administrative and selling expenses as a percentage of total revenues in this consolidated reporting segment increased by 60 basis points to 33.2% in 2017 as compared with the same period in 2016. Administrative and selling expenses, in absolute terms, increased 7.6% as compared to 2016.

Table of Contents

South America (excluding Venezuela)

Total Revenues. Total revenues in our South America (excluding Venezuela) consolidated reporting segment increased by 21.5% to Ps.86,608 million in 2017 as compared to 2016, mainly as a result of the acquisition of Vonpar in Brazil and driven by average price per unit case increases together with the positive translation effect resulting from the appreciation of the Brazilian real and the Colombian peso relative to the Mexican peso. Total revenues for beer amounted to Ps.12,608 million.

Total sales volume in our South America (excluding Venezuela) consolidated reporting segment increased by 6.1% to 1,236.0 million unit cases in 2017 as compared to 2016, mainly as a result of the acquisition of Vonpar in Brazil. On a comparable basis, total sales volume would have decreased by 6.0% in 2017 as compared to 2016, as a result of a volume contraction in all of our South America operations. Sales volume of our sparkling beverage portfolio increased by 5.1% as compared to 2016. On a comparable basis, sales volume of our sparkling beverage portfolio would have decreased by 5.3%, mainly due to a volume contraction of our colas portfolio in all our territories in this consolidated reporting segment and a volume contraction in our flavored sparkling beverages in Brazil and Colombia. Sales volume of our still beverage portfolio decreased by 3.3% as compared to 2016. On a comparable basis, sales volume of our still beverage portfolio would have decreased by 10.4%, mainly driven by a sales volume contraction in Colombia, which was partially offset by volume growth in Argentina. Sales volume of our bottled water category, excluding bulk water, decreased by 2.4% as compared to 2016. On a comparable basis, sales volume of our bottled water category, excluding bulk water, would have decreased by 7.7% as compared to 2016, with volume contractions in Argentina, Brazil and Colombia. Sales volume of our bulk water portfolio decreased by 8.0% as compared to 2016. On a comparable basis, sales volume of our bulk water portfolio would have declined by 11.1%, mainly driven by a volume decline in Colombia, which was partially offset by volume growth in Argentina and Brazil.

Sales volume in Brazil increased by 17.9% to 765.1 million unit cases in 2017, as compared to 648.9 million unit cases in 2016, mainly as a result of the acquisition of Vonpar in Brazil. On a comparable basis, sales volume would have decreased by 3.8%. Sales volume of our sparkling beverage portfolio increased by 18.8% as compared to 2016. On a comparable basis, sales volume of our sparkling beverage portfolio would have decreased by 3.9%, as a result of a 3.2% sales volume decrease in our colas portfolio and a 5.8% sales volume decrease in our flavored sparkling beverage portfolio. Sales volume of our still beverage portfolio increased by 14.9% as compared to 2016. On a comparable basis, sales volume of our still beverage portfolio would have decreased by 2.1%. Sales volume of our bottled water, excluding bulk water, increased by 7.4% as compared to 2016, while sales volume of our bulk water portfolio increased by 18.0%. On a comparable basis, sales volume of bottled water, excluding bulk water, would have decreased by 4.8%, while sales volume of our bulk water portfolio would have increased by 2.5%.

Sales volume in Colombia decreased by 13.7% to 265.0 million unit cases in 2017, as compared to 307.0 million unit cases in 2016. Sales volume of our sparkling beverage portfolio decreased by 11.8% as compared to 2016, mainly driven by a 6.0% decrease in sales volume of our colas portfolio and a 31.2% decrease of our flavored sparkling beverages portfolio. Sales volume of our still beverage portfolio decreased by 29.1% during 2017, as compared to 2016. Sales volume of bottled water, excluding bulk water, decreased by 8.1% as compared to 2016, while sales volume of our bulk water portfolio decreased by 18.1%.

Sales volume in Argentina decreased by 1.5% to 205.9 million unit cases in 2017, as compared to 209.1 million unit cases in 2016. Sales volume of our sparkling beverage portfolio decreased by 1.5% as compared to 2016, mainly driven by a decrease in sales volume of our colas portfolio. Sales volume of our still beverage portfolio increased by 12.3% as compared to 2016. Sales volume of bottled water, excluding bulk water, decreased by 7.7%, while sales volume of our bulk water portfolio decreased by 11.1%.

Gross Profit. Gross profit in this consolidated reporting segment reached Ps.37,756 million, an increase of 23.5% in 2017 as compared to 2016, with a 280 basis point margin expansion to 43.6%. This increase in gross profit margin was mainly driven by lower costs resulting from lower PET resin and sweetener prices and the appreciation of the Brazilian real and the Colombian peso as applied to U.S. dollar-denominated raw material costs, which increase was partially offset by higher aluminum prices and the depreciation of the average exchange rate of the Argentine peso as applied to U.S. dollar-denominated raw material costs.

Administrative and Selling Expenses. Administrative and selling expenses as a percentage of total revenues in this consolidated reporting segment decreased by 10 basis points to 29.4% in 2017 as compared to 2016. Administrative and selling expenses, in absolute terms, increased by 15.1% as compared to 2016, driven mainly by the acquisition of Vonpar in Brazil.

Venezuela

Total Revenues. Total revenues in Venezuela decreased by 78.8% to Ps.4,005 million in 2017 as compared to 2016, mainly driven by a volume decline and the negative translation effect resulting from the devaluation of the Venezuelan bolivar relative to the Mexican peso. These effects were partially offset by an average price per unit case increase.

Total sales volume in Venezuela decreased by 55.1% to 64.2 million unit cases in 2017 as compared to 2016, mainly due to an overall sales volume contraction in all our categories as a result of the conditions in the country, facing high inflation and scarcity of raw materials. Sales volume of our sparkling beverage portfolio decreased by 54.5%. Sales volume of our still beverage portfolio decreased by 29.1%. Sales volume of bottled water, including bulk water, decreased by 48.8%.

Table of Contents

Gross Profit. For the reasons explained above, gross profit in Venezuela reached Ps.645 million in 2017, a decrease of 90.6% as compared to 2016.

Administrative and Selling Expenses. Administrative and selling expenses as a percentage of total revenues in this consolidated reporting segment increased by 16.2% to 47.2% in 2017 as compared to 2016. Administrative and selling expenses, in absolute terms, decreased by 67.7% as compared to 2016.

Philippines

Total Revenues. Total revenues in the Philippines were Ps.20,524 million in 2017.

Total sales volume in the Philippines was 552.4 million unit cases in 2017. Our sparkling beverage category represented 79.4% of our total sales volume. Our still beverage category represented 9.9% of our sales volume. Our water portfolio s sales volume represented 10.7%, with 4.5% in bottled water and 6.2% in bulk water.

Gross Profit. Gross profit in the Philippines was Ps.8,178 million in 2017, and gross profit margin reached 39.8%. This figure reflected lower sweetener and PET resin prices and the depreciation of the Philippine peso as applied to our U.S. dollar-denominated raw material costs.

Administrative and Selling Expenses. Administrative and selling expenses as a percentage of total revenues in this consolidated reporting segment were 33.4% in 2017.

Results for the Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

Consolidated Results

The comparability of our financial and operating performance in 2016 as compared to 2015 was affected by the following factors: (1) our acquisition and integration of Vonpar, (2) translation effects from fluctuations in exchange rates and (3) our results of operations in territories that are considered hyperinflationary economies (our only operation that was considered a hyperinflationary economy was Venezuela). In certain information presented below, we have excluded the effects of (i) our recent acquisition of Vonpar in Brazil, and (ii) our operations in Venezuela, in order to better describe the performance of our business on a comparable basis in 2016 as compared to 2015. To translate the results of our Venezuelan operations in 2016, we used the DICOM exchange rate of 673.76 bolivars per U.S. dollar, as compared to 198.70 bolivars per U.S. dollar exchange rate used to translate our 2015 results. The average depreciations to the U.S. dollar of currencies used in our main operations during 2016, as compared to 2015, were: 17.7% for the Mexican peso, 4.8% for the Brazilian real, 11.4% for the Colombian peso and 59.5% for the Argentine peso. Consolidated results include full-year figures of our territories and one month figures of Vonpar.

Total Revenues. Our consolidated total revenues increased by 16.6% to Ps.177,718 million in 2016, mainly as a result of the appreciation of the Brazilian real and the Colombian peso relative to the Mexican peso, which was partially offset by the negative translation effect resulting from the use of the DICOM exchange rate to translate the results of our Venezuelan operations and the depreciation of the Argentine peso relative to the Mexican peso. Excluding the effects of currency fluctuations, total revenues would have increased by a smaller amount, driven by the growth of the average price per unit case in most of our operations and volume growth in Mexico and Central America.

Total sales volume decreased by 3.0% to 3,334.0 million unit cases in 2016 as compared to 2015, as a result of the sales volume contraction in Brazil, Colombia, Argentina and Venezuela discussed below. On a comparable basis, total sales volume would have decreased by 0.9% in 2016 as compared to 2015. Sales volume of our sparkling beverage portfolio decreased by 3.4% as compared to 2015. On a comparable basis, sales volume of our sparkling beverage portfolio would have decreased by 1.0%, mainly as a result of a contraction in Brazil and Colombia, which was partially offset by the positive performance of the *Coca-Cola* brand in Mexico, Central America and Colombia, and our flavored sparkling beverage portfolio in Mexico and Central America. Sales volume of our still beverage portfolio decreased by 0.6% as compared to 2015. On a comparable basis, sales volume of our still beverage portfolio would have grown 2.9% mainly driven by the positive performance of *ValleFrut* orangeade, *Del Valle* juice and the Santa Clara dairy business in Mexico and *Fuze tea* in Central America. Sales volume of bottled water, excluding bulk water, decreased by 1.2% as compared to 2015. On a comparable basis, bottled water, excluding bulk water, would have decreased by 1.1%, driven by a contraction in Brazil and Colombia, which was partially offset by increased volume in Mexico and Argentina. Sales volume of bulk water decreased by 2.0% as compared to 2015. On a comparable basis, sales volume of bulk water would have decreased by 1.9%, mainly driven by a sales volume contraction of the *Brisa* and *Crystal* brand products in Colombia and Brazil, respectively.

Consolidated average price per unit case increased by 19.8% reaching Ps.50.75 in 2016, as compared to Ps.42.34 in 2015, mainly as a result of the appreciation of the Brazilian real and the Colombian peso relative to the Mexican peso, which was partially offset by the negative translation effect resulting from the use of the DICOM exchange rate to translate the results of our Venezuelan operations and the depreciation of the Argentine peso relative to the Mexican peso. Excluding the effects of currency fluctuations, our recent acquisition of Vonpar and the results of our operations in Venezuela, average price per unit case would have grown 6.8% in 2016, driven by average price per unit case increases above inflation in local currency in most of our territories.

Gross Profit. Our gross profit increased by 10.6% to Ps.79,662 million in 2016; however, our gross profit margin decreased by 250 basis points to reach 44.8% in 2016, mainly as a result of higher sugar prices, the depreciation of the average exchange rate of the Mexican peso, the Brazilian real, the Colombian peso and the Argentine peso relative to the U.S. dollar as applied to U.S. dollar-denominated raw material costs and an unfavorable currency hedging position in Brazil, which were partially offset by lower PET resin prices and our overall currency hedging strategy.

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

Administrative and Selling Expenses. Our administrative and selling expenses as a percentage of total revenues decreased by 50 basis points to 31.2% in 2016 as compared to 2015. Our administrative and selling expenses in absolute terms increased by 14.9% as compared to 2015, mainly as a result of the appreciation of the Brazilian real and the Colombian peso relative to the Mexican peso, the inflationary effect of our operations in Venezuela, as well as the depreciation of the Mexican peso relative to the U.S. dollar. In local currency, administrative and selling expenses as a percentage of revenues decreased in Brazil and Colombia. In 2016, we continued investing in marketing across our territories to support marketplace execution, increase cooler coverage and bolster returnable presentation base.

Other Expenses Net. We recorded other expenses net of Ps.3,812 million in 2016 as compared to Ps.1,748 million in 2015, mainly due to negative currency fluctuation effects in our operations in Venezuela.

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

Comprehensive financing result in 2016 recorded an expense of Ps.6,080 million as compared to an expense of Ps.7,273 million in 2015. This decrease was mainly driven by a gain on the monetary position in our hyperinflationary operations in Venezuela due to an increase in the balance of accounts payable. This gain was partially offset by a foreign exchange loss resulting from the depreciation of the end-of-period exchange rate of the Mexican peso relative to the U.S. dollar as applied to our U.S. dollar-denominated debt.

Income Taxes. In 2016, income tax as a percentage of income before taxes was 27.2% as compared to 30.6% in 2015. This lower effective tax rate in 2016 was mainly due to certain tax efficiencies across our operations, a lower effective tax rate in Colombia and ongoing efforts to reduce non-deductible items across our operations. For more information, see Note 23 to our consolidated financial statements.

Share of the Profit of Associates and Joint Ventures Accounted for Using the Equity Method, Net of Taxes. In 2016, we recorded a gain of Ps.147 million in the share of the profits of associates and joint ventures accounted for using the equity method, net of taxes, representing a decrease of 5.2% as compared to 2015, mainly due to a reduced equity method gain from our participation in associated companies.

Net Income (Equity holders of the parent). Our net controlling interest income reached Ps.10,070 million in 2016 as compared to Ps.10,235 million in 2015. Basic earnings per share in 2016 were Ps.4.86 (Ps.48.58 per ADS) computed on the basis of the weighted average number of shares outstanding during the period of 2,072.9 million shares outstanding (each ADS represents 10 Series L shares).

Results by Consolidated Reporting Segment

Mexico and Central America

Total Revenues. Total revenues in our Mexico and Central America consolidated reporting segment increased by 11.2% to Ps.87,557 million in 2016 as compared to 2015, mainly driven by a positive translation effect resulting from the appreciation of local currencies in our Central American territories relative to the Mexican peso. Excluding the effect of currency fluctuations, total revenues would have increased by a smaller amount, mainly as a result of positive volume performance and average price increases in both Mexico and Central America.

Total sales volume in our Mexico and Central America consolidated reporting segment increased by 3.7% to 2,025.6 million unit cases in 2016 as compared to 2015, as a result of volume increase in both Mexico and Central America as discussed below. Sales volume of our sparkling beverage portfolio increased by 3.9%, mainly driven by a 2.8% increase in sales volume of *Coca-Cola* brand products and an 8.3% increase in sales volume of our flavored sparkling beverage portfolio. Sales volume of our still beverage portfolio increased by 11.8%, mainly due to the performance of the Jugos del Valle portfolio and our Santa Clara dairy business in Mexico. Sales volume of bottled water, including bulk water, increased by 0.7%, mainly driven by an increase in sales volume of *Ciel* flavored water products in Mexico.

Sales volume in Mexico increased by 3.7% to 1,850.7 million unit cases in 2016, as compared to 1,784.6 million unit cases in 2015. Sales volume of our sparkling beverage portfolio increased by 3.8%, driven by a 2.7% increase in sales volume of *Coca-Cola* brand products and a 9.1% increase in sales volume of our flavored sparkling beverage portfolio, mainly supported by the performance of *Naranja&Nada* and *Limon&Nada*, our sparkling orangeade and lemonade, and the *Mundet* brand. Sales volume of our still beverage portfolio increased by 14.2%, mainly as a result of the performance of *ValleFrut* brand products, the *Del Valle* juice portfolio and our Santa Clara dairy business. Sales volume of bottled water, including bulk water, increased by 0.7%, mainly driven by the performance of *Ciel Exprim* flavored water products.

Sales volume in Central America increased by 4.2% to 174.9 million unit cases in 2016, as compared to 167.8 million unit cases in 2015. Sales volume of our sparkling beverage portfolio increased by 5.0%, supported by the strong performance of *Coca-Cola* brand products and our flavored sparkling beverages portfolio in Guatemala, Nicaragua and Costa Rica. Sales volume of our still beverage portfolio decreased slightly by 0.3%. Sales volume of bottled water, including bulk water, increased by 1.7%.

Gross Profit. Our gross profit in this consolidated reporting segment increased by 8.6% to Ps.43,569 million in 2016 as compared to 2015; however, gross profit margin decreased by 120 basis points to 49.8% in 2016, mainly as a result of higher prices of sugar and the depreciation of the average exchange rate of the Mexican peso relative to the U.S. dollar as applied to our U.S. dollar-denominated raw material costs, which were partially offset by lower PET resin prices and our overall currency hedging strategy.

Administrative and Selling Expenses. Administrative and selling expenses as a percentage of total revenues in this consolidated reporting segment decreased by 60 basis points to 32.6% in 2016 as compared to 2015. Administrative and selling expenses in absolute terms increased by 9.4% as compared to 2015, mainly due to an increase in selling expenses in Mexico.

South America (excluding Venezuela)

Total Revenues. Total revenues in our South America (excluding Venezuela) consolidated reporting segment increased by 10.1% to Ps.71,293 million in 2016 as compared to 2015, mainly driven by the positive translation effect resulting from the appreciation of the Brazilian real and the Colombian peso relative to the Mexican peso. Total revenues for beer amounted to Ps.7,887 million. Excluding the effects of currency fluctuations, total revenues would have grown by a smaller amount, driven by an average price per unit case increases across our territories.

Total sales volume in our South America (excluding Venezuela) consolidated reporting segment decreased by 6.6% to 1,165.3 million unit cases in 2016 as compared to 2015. Excluding the effects of our recent acquisition of Vonpar, total sales volume would have decreased by 8.2% to 1,145.7 million unit cases in 2016 as compared to 2015, as a result of volume contraction in all of our South America operations. On the same basis, sales volume of our sparkling beverage portfolio decreased by 8.0%, mainly due to a volume contraction of *Coca-Cola* brand products in Brazil and Argentina and flavored sparkling beverages in all our territories in this division. Excluding the effects of our recent acquisition of Vonpar, sales volume of our still beverage portfolio decreased by 8.9%, mainly driven by a sales volume contraction of the *Jugos del Valle* line of business in Colombia and *Kapo* and *Del Valle Mais* brand products in Brazil. On the same basis, sales volume of bottled water, including bulk water, decreased by 8.7%, mainly due to a sales volume contraction of *Brisa* brand products in Colombia and *Crystal* brand products in Brazil.

Sales volume in Brazil decreased by 6.4% to 649.2 million unit cases in 2016, as compared to 693.6 million unit cases in 2015. Excluding the effects of our recent acquisition of Vonpar, sales volume would have decreased by 9.2% to 629.7 million unit cases. On the same basis, sales volume of our sparkling beverage portfolio decreased by 9.0%, mainly as a result of a sales volume decrease in *Coca-Cola* brand products. Excluding the effects of our recent acquisition of Vonpar, sales volume of our still beverage portfolio decreased by 7.2%, mainly as a result of a sales volume contraction of *Kapo* and *Del Valle Mais* brand products. On the same basis, sales volume of bottled water, including bulk water, decreased by 13.1%, mainly due to a sales volume contraction of *Crystal* brand products.

Sales volume in Colombia decreased by 4.1% to 307.0 million unit cases in 2016, as compared to 320.0 million unit cases in 2015. Sales volume of our sparkling beverage portfolio decreased by 0.7%, mainly driven by a 9.4% decrease in sales volume of our flavored sparkling beverages portfolio, which was partially offset by a 1.9% sales volume increase of *Coca-Cola* brand products. Sales volume of our still beverage portfolio decreased by 13.6%, mainly as a result of a sales volume contraction of *Del Valle* and *ValleFrut* brand products. Sales volume of bottled water, including bulk water, decreased by 11.8%, driven by a sales volume contraction of *Brisa* brand products in multiple serving presentations.

Sales volume in Argentina decreased by 10.6% to 209.1 million unit cases in 2016, as compared to 233.9 million unit cases in 2015. Sales volume of our sparkling beverage portfolio decreased by 13.6%, mainly driven by a decrease in sales volume of *Coca-Cola* brand products and our flavored sparkling beverage portfolio. Sales volume of our still beverage portfolio decreased by 0.6%, mainly driven by a decrease in sales volume of *Cepita* and *Powerade* brand products. Sales volume of bottled water, including bulk water, increased by 6.9%, mainly driven by an increase in sales volume of *Kin* and *Bonaqua* brand products.

Gross Profit. Our gross profit in this consolidated reporting segment in 2016 reached Ps.29,263 million, an increase of 6.3% as compared to 2015; however, gross profit margin decreased by 150 basis points to 41.0% in 2016. This decrease was mainly driven by higher sugar prices, the depreciation of the average exchange rate of the Brazilian real, the Colombian peso and the Argentine peso relative to the U.S. dollar as applied to U.S. dollar-denominated raw material costs and an unfavorable currency hedging position in Brazil, which was partially offset by lower PET resin prices and our currency hedging strategy in Colombia and Argentina.

Administrative and Selling Expenses. Administrative and selling expenses as a percentage of total revenues in this consolidated reporting segment decreased by 50 basis points to 29.5% in 2016 as compared to 2015. Administrative and selling expenses in absolute terms increased by 8.5%, as compared to 2015, mainly driven by the negative translation effect resulting from the appreciation of the Brazilian real and the Colombian peso relative to the Mexican peso.

Venezuela

Total Revenues. Total revenues in Venezuela increased by 112.0% to Ps.18,868 million in 2016 as compared to 2015, mainly driven by an increase in the average price per unit case.

Total sales volume in Venezuela decreased by 39.3% to 143.1 million unit cases in 2016 as compared to 2015, mainly due to an overall sales volume contraction in all our categories as a result of the scarcity of raw materials and demand for our products. Sales volume of our sparkling beverage portfolio decreased by 41.0%. Sales volume of our still beverage portfolio decreased by 46.4%. Sales volume of bottled water, including bulk water, decreased by 10.1%.

Gross Profit. Gross profit in Venezuela reached Ps.6,830 million in 2016, an increase of 56.4% as compared to 2015 with a gross profit margin decrease of 12.9 percentage points reaching 36.2%. This decrease in gross profit margin was mainly driven by an increase in the prices of raw materials.

Administrative and Selling Expenses. Administrative and selling expenses as a percentage of total revenues in this consolidated reporting segment remained flat at 31.0% in 2016, as compared to 2015. Administrative and selling expenses in absolute terms increased by 112.0%, as compared to 2015, mainly driven by an increase in selling expenses in Venezuela.

Liquidity and Capital Resources

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

Our total indebtedness was Ps.83,360 million as of December 31, 2017, as compared to Ps.88,909 million as of December 31, 2016. Short-term debt and long-term debt were Ps.12,171million and Ps.71,189 million, respectively, as of December 31, 2017, as compared to Ps.3,052 million and Ps.85,857 million, respectively, as of December 31, 2016. Total debt decreased Ps.5,549 million in 2017, compared to year end 2016. As of December 31, 2017, our cash and cash equivalents were Ps.18,767 million, as compared to Ps.10,476 million as of December 31, 2016. We had cash outflows in 2017 mainly resulting from dividend payments and the partial redemption of our 2.375% Notes due 2018. As of December 31, 2017, our cash and cash equivalents were comprised of 36.3% U.S. dollars, 24.0% Philippine pesos, 23.3% Mexican pesos, 11.3% Brazilian reais, 2.4% Argentine pesos, 1.9% Colombian pesos and 0.8% other legal currencies. As of March 31, 2018, our cash and cash equivalents balance was Ps.19,549 million, including US$352 million denominated in U.S. dollars. We believe that these funds, in addition to the cash generated by our operations, are sufficient to meet our operating requirements.

Table of Contents

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

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

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

Sources and Uses of Cash. The following table summarizes the sources and uses of cash for the years ended December 31, 2017, 2016 and 2015, from our consolidated statements of changes in cash flows:

	Year Ended December 31,		
	2017	**2016**	**2015**
	(in millions of Mexican pesos)		
Net cash flows from operating activities	33,236	32,446	23,202
Net cash flows used in investing activities[1]	(10,890)	(26,915)	(10,945)
Net cash flows used in financing activities	(10,775)	(9,734)	(8,567)
Dividends paid	(6,992)	(7,014)	(6,416)

(1) Includes purchases of property, plant and equipment, the payment of a portion of the purchase price for our acquisition of Vonpar in 2016 and investments in other assets.

Contractual Obligations

The table below sets forth our contractual obligations as of December 31, 2017:

	As of December 31, 2017				
	Maturity less than 1 year	Maturity 1 3 years	Maturity 4 5 years	Maturity in excess of 5 years	Total
	(in millions of Mexican pesos)				
Debt[1]					
Mexican pesos		2,498	8,990	8,487	19,975
U.S. dollars	8,774	13,876	17,576	11,849	52,076
Brazilian reais	612	7,755[2]	130	29	8,525
Colombian pesos	2,679				2,679
Argentine pesos	106				106
Interest Payments on Debt[3]					
Mexican pesos	1,399	2,861	2,512	3,072	9,844
U.S. dollars	2,035	2,761	2,658	14,483	21,937
Brazilian reais	153	127	15	12	307
Colombian pesos	121				121
Argentine pesos	11				11
Cross Currency Swaps					
U.S. dollars to Mexican pesos[4]		(567)	(139)	(50)	(756)
U.S. dollars to Brazilian reais[5]	3,863	330	(24)		4,169
Interest Rate Swaps					
Brazilian variable interest rate to fixed rate[6]		48	33		81
Options					
U.S. dollars to Mexican pesos[7]	(12)				(12)
Forwards					
U.S. dollars to Mexican pesos[8]	(113)				(113)
U.S. dollars to Brazilian reais[9]	(51)				(51)
U.S. dollars to Colombian pesos[10]	3				3
U.S. dollars to Argentine pesos[11]	7				7
Commodity Hedge Contracts					
Sugar[12]	4	(3)			1
Expected Benefits to be Paid for Pension and Retirement Plans, Seniority Premiums and Post-employment	346	635	193	1,778	2,952

(1) Excludes the effect of cross currency swaps.

(2) Part of our debt denominated in Brazilian reais consists of a promissory note for 1,090 million Brazilian reais (approximately Ps.6,707 million as of December 31, 2017). This promissory note is denominated and payable in Brazilian reais; however, it is linked to the performance of the exchange rate between the Brazilian real and the U.S. dollar. As a result, the principal amount under the promissory note may be increased or reduced based on the depreciation or appreciation of the Brazilian real relative to the U.S. dollar.

(3) Interest was calculated using the contractual debt and nominal interest rates as of December 31, 2017. Liabilities denominated in U.S. dollars were converted to Mexican pesos at an exchange rate of Ps.19.74 per U.S. dollar, the exchange rate reported by *Banco de México* quoted to us by dealers for the settlement of obligations in foreign currencies on December 31, 2017.

(4) Cross-currency swaps used to convert U.S. dollar-denominated debt into Mexican peso-denominated debt with a notional amount of Ps.18,552 million. These cross-currency swaps are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2017.

(5) Cross-currency swaps used to convert U.S. dollar-denominated debt into Brazilian real-denominated debt with a notional amount of Ps.39,233 million. These cross-currency swaps are considered hedges for accounting purposes and the amounts shown in the table are fair value figures (gain)/loss as of December 31, 2017.

(6) Reflects the market value as of December 31, 2017 of the interest rate swaps used to hedge Brazilian interest rate variation. These interest rate swaps are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2017.

(7) Reflects the market value as of December 31, 2017 of a collar option derivative instrument used to hedge against fluctuation in the Mexican peso. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2017.
(8) Reflects the market value as of December 31, 2017 of forward derivative instruments used to hedge against fluctuation in the Mexican peso. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2017.
(9) Reflects the market value as of December 31, 2017 of forward derivative instruments used to hedge against fluctuation in the Brazilian real. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2017.
(10) Reflects the market value as of December 31, 2017 of forward derivative instruments used to hedge against fluctuation in the Colombian peso. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2017.
(11) Reflects the market value as of December 31, 2017 of forward derivative instruments used to hedge against fluctuation in the Argentine peso. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2017.
(12) Reflects the market value as of December 31, 2017 of futures contracts used to hedge sugar cost. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures (gain)/loss as of December 31, 2017.

Debt Structure

The following chart sets forth the debt breakdown of our company and its subsidiaries by currency and interest rate type as of December 31, 2017:

Currency	Percentage of Total Debt(1)(2)	Average Nominal Rate(3)	Average Adjusted Rate(1)(4)
Mexican pesos	44.7%	7.0%	8.3%
U.S. dollars	1.1%	3.5%	3.0%
Brazilian reais	51.0%	7.0%	7.4%
Colombian pesos	3.0%	7.9%	7.9%
Argentine pesos	0.2%	22.4%	22.4%

(1) Includes the effects of our derivative contracts as of December 31, 2017, including cross currency swaps from U.S. dollars to Mexican pesos and U.S. dollars to Brazilian reais.
(2) Due to rounding, these figures may not equal 100.0%.
(3) Annual weighted average interest rate per currency as of December 31, 2017.
(4) Annual weighted average interest rate per currency as of December 31, 2017 after giving effect to interest rate swaps and cross currency swaps. **See Item 11. Quantitative and Qualitative Disclosures about Market Risk Interest Rate Risk.**

Summary of Significant Debt Instruments

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

Mexican Peso-Denominated Bonds (Certificados Bursátiles).

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

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

Table of Contents

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

As of December 31, 2017, we had the following *certificados bursátiles* outstanding in the Mexican securities market:

Issue Year	Maturity	Amount	Rate
2017	June 18, 2027	Ps.8,500 million	7.87%
2017	June 24, 2022	Ps.1,500 million	28-day TIIE + 0.25%
2013	May 12, 2023	Ps.7,500 million	5.46%
2011	April 5, 2021	Ps.2,500 million	8.27%

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

2.375% Notes due 2018. On November 26, 2013, we issued US$1 billion aggregate principal amount of 2.375% senior notes due November 26, 2018. On August 18, 2017, we redeemed 55.5% of the face value of the 2.375% senior notes in a principal amount of US$555 million; therefore, the aggregate principal amount of the 2.375% senior notes outstanding is US$445 million. These notes are guaranteed by the Guarantors. The indenture governing these notes imposes, among others, certain conditions upon a consolidation or merger by us and restricts the incurrence of liens and the entering into sale and leaseback transactions by us and our significant subsidiaries.

3.875% Notes due 2023. On November 26, 2013, we issued US$750 million aggregate principal amount of 3.875% senior notes due November 26, 2023. On January 21, 2014, we issued US$150 million aggregate principal amount of additional notes under this series. These notes are guaranteed by the Guarantors. The indenture governing these notes imposes, among others, certain conditions upon a consolidation or merger by us and restricts the incurrence of liens and the entering into sale and leaseback transactions by us and our significant subsidiaries.

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

4.625% Notes due 2020. On February 2, 2010, we issued US$500 million aggregate principal amount of 4.625% senior notes due February 15, 2020. These notes are guaranteed by the Guarantors. The indenture governing these notes imposes, among others, certain conditions upon a consolidation or merger by us and restricts the incurrence of liens and the entering into sale and leaseback transactions by us and our significant subsidiaries.

Bank Loans. As of December 31, 2017, we had a number of bank loans in U.S. dollars, Colombian pesos, Brazilian reais, and Argentine pesos, with an aggregate principal amount of Ps.8,634 million. On April 10, 2018, we entered into certain bank loans in Mexican pesos for an aggregate principal amount of Ps.10,100 million. Our bank loans in U.S. dollars and Mexican pesos are guaranteed by the Guarantors.

Promissory Note (Vonpar Acquisition). On December 6, 2016, as part of the purchase price paid for our acquisition of Vonpar, we issued and delivered a three-year promissory note to the sellers, for a total amount of 1,090 million Brazilian reais (approximately Ps.6,707 million as of December 31, 2017). The promissory note bears interest at an annual rate of 0.375%, and is denominated and payable in Brazilian reais. The promissory note is linked to the performance of the exchange rate between the Brazilian real and the U.S. dollar. As a result, the principal amount under the promissory note may be increased or reduced based on the depreciation or appreciation of the Brazilian real relative to the U.S. dollar.

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

Off-Balance Sheet Arrangements

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

Table of Contents

Contingencies

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

We have various losses related to tax, labor and other legal proceedings. We periodically assess the probability of loss for such contingencies and accrue a provision and/or disclose the relevant circumstances, as appropriate. If the potential loss of any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a provision for the estimated loss. See Note 24 to our consolidated financial statements. We use outside legal counsel for certain complex legal proceedings. The following table presents the nature and amount of the loss contingencies recorded as of December 31, 2017:

	As of December 31, 2017 (in millions of Mexican pesos)	
Tax	Ps.	6,717
Labor		2,365
Legal		1,985
Total	Ps.	11,067

In recent years, our Mexican subsidiaries have been required to submit certain information to relevant authorities regarding alleged monopolistic practices. **See Item 8. Financial Information Legal Proceedings Mexico Antitrust Matters.** Such proceedings are a normal occurrence in the beverage industry and we do not expect any significant liability to arise from these contingencies.

As is customary in Brazil, we have been required by the relevant authorities to collateralize tax contingencies currently in litigation amounting to Ps.9,433 million, Ps.8,093 million and Ps.3,569 million as of December 31, 2017, 2016 and 2015, respectively, by pledging fixed assets, or providing bank guarantees.

In connection with our acquisition of Vonpar, the sellers have agreed to indemnify us against certain contingencies that may arise as a result of the management of the business prior to the acquisition. See Note 24.5.1 to our consolidated financial statements.

Capital Expenditures

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

	Year Ended December 31,		
	2017	2016	2015
	(in millions of Mexican pesos)		
Mexico and Central America[1]	8,231	6,597	4,672

South America (excluding Venezuela)(2)	4,686	4,240	5,686
Venezuela(3)		1,554	1,126
Asia(4)	1,695		
Capital expenditures, net(5)	14,612	12,391	11,484

(1) Includes Mexico, Guatemala, Nicaragua, Costa Rica and Panama.
(2) Includes Colombia, Brazil and Argentina.
(3) Includes the effects of inflation.
(4) Includes the Philippines.
(5) Includes acquisitions and disposals of property, plant and equipment, intangible assets and other long-lived assets.

In 2017, 2016 and 2015, we focused our capital expenditures on investments in (i) increasing production capacity; (ii) placing coolers with retailers; (iii) returnable bottles and cases; (iv) improving the efficiency of our distribution infrastructure; and (v) information technology. Through these measures, we continuously seek to improve our profit margins and overall profitability.

We have budgeted approximately US$650 million for our capital expenditures in 2018. Our capital expenditures in 2018 are primarily intended for:

investments in production capacity;

Table of Contents

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

We estimate that of our projected capital expenditures for 2018, approximately 40.0% will be for our Mexican territories and the remaining will be for our non-Mexican territories. We believe that internally generated funds will be sufficient to meet our budgeted capital expenditure for 2018. Our capital expenditure plan for 2018 may change based on market and other conditions, our results and financial resources.

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

Table of Contents

Hedging Activities

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

The following table provides a summary of the fair value of derivative instruments as of December 31, 2017. The fair market value is estimated using market prices that would apply to terminate the contracts at the end of the period and are confirmed by external sources, which generally are also our counterparties to the relevant contracts.

	Fair Value as of December 31, 2017				
	Maturity less than 1 year	**Maturity 1 3 years**	**Maturity 4 5 years**	**Maturity in excess of 5 years**	**Total fair value**
	(in millions of Mexican pesos)				
Cross Currency Swaps					
U.S. dollars to Mexican pesos		(567)	(139)	(50)	(756)
U.S. dollars to Brazilian reais	3,863	330	(24)		4,169
Interest Rate Swaps					
Brazilian variable interest rate to fixed rate		48	33		81
Options					
U.S. dollars to Mexican pesos	(12)				(12)
Forwards					
U.S. dollars to Mexican pesos	(113)				(113)
U.S. dollars to Brazilian reais	(51)				(51)
U.S. dollars to Colombian pesos	3				3
U.S. dollars to Argentine pesos	7				7
Commodity Hedge Contracts					
Sugar	4	(3)			1

Table of Contents

Item 6. Directors, Senior Management and Employees

Directors

Management of our business is vested in our board of directors and in our chief executive officer. In accordance with our bylaws and Article 24 of the Mexican Securities Market Law, our board of directors will consist of no more than 21 directors and their respective alternates, elected at the annual ordinary shareholders meeting for renewable terms of one year. Our board of directors currently consists of 21 directors and 18 alternate directors; 13 directors and their respective alternate directors are elected by holders of the Series A shares voting as a class; five directors and their respective alternate directors are elected by holders of the Series D shares voting as a class; and up to three directors and their respective alternate directors are elected by holders of the Series L shares voting as a class. Directors may only be elected by a majority of shareholders of the appropriate series, voting as a class.

In accordance with our bylaws and Article 24 of the Mexican Securities Market Law, at least 25.0% of the members of our board of directors must be independent (as defined by the Mexican Securities Market Law). The board of directors may designate interim directors in the case that a director is absent or an elected director and corresponding alternate are unable to serve; the interim directors serve until the next shareholders meeting, at which the shareholders elect a replacement.

Our bylaws provide that when Series B shares are issued, which has not yet occurred, for every 10.0% of issued and paid shares of capital stock of our company held by shareholders of such Series B shares, either individually or as a group, such shareholders shall have the right to designate and revoke one director and the corresponding alternate, pursuant to Article 50 of the Mexican Securities Market Law.

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

At our general ordinary shareholders meeting held on March 9, 2018, the following directors were appointed or confirmed: 13 directors and their respective alternates as applicable, were appointed or confirmed by holders of Series A shares, five directors and their respective alternates as applicable, were appointed or confirmed by holders of Series D shares and three directors and their respective alternates as applicable, were appointed or confirmed by holders of Series L shares. Our board of directors is currently comprised of 21 members.

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

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

Series A Directors

José Antonio Vicente	Born:	February 1954
	First elected:	1993, as director; 2001 as chairman.
	Term expires:	2019

Fernández Carbajal

Chairman

Principal occupation:	Executive Chairman of the board of directors of FEMSA.
Other directorships:	Chairman of the board of directors of Fundación FEMSA, A.C. and Instituto Tecnológico y de Estudios Superiores de Monterrey, or ITESM. Chairman Emeritus of the US Mexico Foundation. Member of the board of directors of Heineken Holding, N.V., and Grupo Televisa, S.A.B. de C.V. and vice-chairman of the supervisory board of Heineken, N.V., Chairman of the America s committee and member of the preparatory committee and selection and appointment committee of Heineken, N.V. Member of the board of directors of Industrias Peñoles, S.A.B. de C.V., Co-Chairman of the advisory board of Woodrow Wilson Center, Mexico Chapter and member of the board of trustees of the Massachusetts Institute of Technology Corporation.

Table of Contents

	Business experience:	Joined the strategic planning department of FEMSA in 1988, after which he held managerial positions at FEMSA Cerveza s commercial division and OXXO. He was appointed Deputy Chief Executive Officer of FEMSA in 1991 and Chief Executive Officer in 1995, a position he held until December 31, 2013. As of January 1, 2014, he was appointed Executive Chairman of the board of directors of FEMSA.
	Education:	Holds a degree in Industrial Engineering and a Master in Business Administration, or MBA, from ITESM.
	Alternate director:	Eva María Garza Lagüera Gonda(3)
Miguel Eduardo Padilla Silva	Born:	January 1955
	First elected:	2016
	Term expires:	2019
Director	Principal occupation:	Chief Executive Officer of FEMSA.
	Other directorships:	Member of the board of directors of FEMSA, and member of the board of directors of Grupo Lamosa, S.A.B. de C.V., Club Industrial, A.C., Universidad Tec Milenio and Coppel, S.A. de C.V.
	Business experience:	He held the position of Chief Financial and Corporate Officer of FEMSA from 2016 to 2017 and Chief Executive Officer of FEMSA Comercio from 2004 to 2016. Also, he held the positions of Planning and Control Officer of FEMSA from 1997 to 1999 and Chief Executive Officer of the Strategic Procurement Business Division of FEMSA from 2000 to 2003. He had a 20-year career in Alfa, S.A.B. de C.V., or Alfa, and held a position in Terza, S.A. de C.V. as Chief Executive Officer.
	Education:	Holds a degree in Mechanical Engineering from ITESM, a MBA from Cornell University and executive management studies at Instituto Panamericano de Alta Dirección de Empresa, or IPADE.
	Alternate director:	Francisco José Calderón Rojas

Javier Gerardo Astaburuaga Sanjines	Born:	July 1959
	First elected:	2006
	Term expires:	2019
Director		
	Principal occupation:	Vice-President of Corporate Development of FEMSA.
	Business experience:	Joined FEMSA as a financial information analyst and later acquired experience in corporate development, administration and finance. He held various senior positions at FEMSA Cerveza between 1993 and 2001, including Chief Financial Officer and for two years he served as FEMSA Cerveza s Director of Sales for the north region of Mexico, prior to his current position and until 2003, when he was appointed FEMSA Cerveza s Co-Chief Executive Officer. He held the position of Chief Financial and Corporate Officer of FEMSA from 2006 to 2015.
	Other directorships:	Member of the board of directors of Heineken N.V. and FEMSA. Member of the audit committee of Heineken N.V., finance and investments committee of ITESM and of the investments committee of Grupo Acosta Verde.
	Education:	Holds a degree in accounting from ITESM and is licensed as a Certified Public Accountant, or CPA.
	Alternate director:	Mariana Garza Lagüera Gonda(2)
Federico Reyes García	Born:	September 1945
	First elected:	1992
	Term expires:	2019
Director		
	Principal occupation:	Independent consultant.
	Business experience:	At FEMSA, he held the position of Executive Vice-President of Corporate Development from 1992 to 1993, Chief Financial Officer from 1999 to 2006, and Corporate Development Officer until 2015.
	Other directorships:	Alternate member of the board of directors of FEMSA, and member of the board of directors of Fundación FEMSA and Tec Salud.
	Education:	Holds a degree in Business and Finance from ITESM.
	Alternate director:	Alejandro Bailleres Gual
John Anthony Santa Maria Otazua	Born:	August 1957
	First elected:	2014
	Term expires:	2019
Director	Principal occupation:	Our Chief Executive Officer.
	Business experience:	Has served as our Strategic Planning and Business Development Officer and Chief Operating Officer of our Mexican operations. Has served as Strategic Planning and Commercial Development Officer and Chief Operating Officer of our South America division. He also has experience in several areas of our company,

		namely development of new products and mergers and acquisitions. Has experience with different bottler companies in Mexico in areas such as Strategic Planning and General Management.
	Other directorships:	Member of the board of directors of Gentera, S.A.B. de C.V., or Gentera and member of the board of directors and commercial committee of Banco Compartamos, S.A., Institución de Banca Múltiple.
	Education:	Holds a Bachelor s degree in Business Administration and a MBA with a major in Finance from Southern Methodist University.
	Alternate director:	Héctor Treviño Gutiérrez
Paulina Garza	Born:	March 1972
	First elected:	2009
Lagüera Gonda(2)	Term expires:	2019
Director		
	Business experience:	Private investor
	Other directorships:	Alternate member of the board of directors of FEMSA. Member of the board of directors of Controladora Pentafem, S.A.P.I. de C.V., Inmobiliaria Valmex, S.A. de C.V., Inversiones Bursátiles Industriales, S.A. de C.V., Desarrollo Inmobiliaria La Sierrita, S.A. de C.V., Refrigeración York, S.A. de C.V. and Peñitas, S.A. de C.V.

64

	Education:	Holds a degree in Business Administration from ITESM.
	Alternate director:	Alfonso Garza Garza[1]
Ricardo Guajardo Touché	Born:	May 1948
	First elected:	1988
	Term expires:	2019
Director	Principal occupation:	Chairman of the board of directors of Solfi, S.A. de C.V.
	Other directorships:	Member of the board of directors of FEMSA, Grupo Valores Operativos Monterrey, S.A.P.I. de C.V., El Puerto de Liverpool, S.A.B. de C.V., Alfa, Grupo Financiero BBVA Bancomer, BBVA Bancomer, S.A., Institución de Banca Múltiple, or BBVA Bancomer, Grupo Aeroportuario del Sureste, S.A.B. de C.V., Grupo Bimbo, S.A.B. de C.V., or Bimbo, Grupo Coppel, S.A. de C.V., ITESM and Vitro, S.A.B. de C.V.
	Business experience:	Has held senior executive positions at FEMSA, Grupo AXA, S.A. de C.V. and Grupo Valores de Monterrey, S.A.B. de C.V.
	Education:	Holds a degree in Electrical Engineering from ITESM and the University of Wisconsin and a Master s degree from the University of California at Berkeley.
	Alternate director:	Daniel Alberto Rodríguez Cofré
Alfonso González Migoya	Born:	January 1945
	First elected:	2006
	Term expires:	2019
Independent Director	Principal occupation:	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.
	Other directorships:	Member of the board of directors of FEMSA, Nemak, S.A.B. de C.V., Bolsa Mexicana de Valores, S.A.B. de C.V., Banregio Grupo Financiero, S.A., Grupo Cuprum, S.A. de C.V., Berel, S.A. de C.V., Servicios Corporativos Javer, S.A.P.I. de C.V., Grupo Senda Autotransporte, S.A. de C.V. and ITESM.
	Business experience:	Served as Corporate Director of Alfa from 1995 to 2005 and as Chairman of the board of directors and Chief Executive Officer of Grupo Industrial Saltillo, S.A.B. de C.V. from 2009 to 2014.
	Education:	Holds a degree in Mechanical Engineering from ITESM and a MBA from the Stanford University Graduate School of Business.
	Alternate director:	Ernesto Cruz Velázquez de León (independent director)
Enrique F. Senior Hernández	Born:	August 1943
	First elected:	2004
	Term expires:	2019
Independent Director	Principal occupation:	Managing Director of Allen & Company, LLC.
	Other directorship:	Alternate member of the board of directors of FEMSA, and member of the board of directors of Televisa, Cinemark USA, Inc. and Univision Communications, Inc.
	Business experience:	Among other clients, has provided financial advisory services to FEMSA and Coca-Cola FEMSA.

Education:	Holds a law degree from Yale University, an Honorary Law Doctorate from Emerson College and a MBA from Harvard University Business School.
Alternate director:	Herbert A. Allen III (independent director)

Luis Rubio Freidberg	Born:	August 1955
	First elected:	2015
	Term expires:	2019
Independent Director	Principal occupation:	President of the Organization México Evalúa
	Other directorships:	President of the board of directors of Consejo Mexicano de Asuntos Internacionales (COMEXI). He is also a member of the board of directors of Xanthrus, The India Fund-Asia Tigers, The Tinker Foundation and Transparencia Mexicana.
	Business experience:	He is a contributing editor of the newspaper Reforma. In the 1970s he was Planning Director at Citibank in Mexico and served as an adviser to Mexico s Secretary of the Treasury.
	Education:	Holds a degree in Financial Administration, a multinational MBA and a Master s degree and PhD in political science from Brandeis University.
	Alternate director:	Jaime A. El Koury (independent director)
Daniel Javier Servitje Montull	Born:	April 1959
	First elected:	1998
	Term expires:	2019
Independent Director	Principal occupation:	Chief Executive Officer and Chairman of the board of directors of Bimbo.
	Other directorships:	Member of the board of directors of Grupo Financiero Banamex, S.A. de C.V., Instituto Mexicano para la Competitividad, A.C., The Consumer Goods Forum, and Latin America Conservation Council (The Nature Conservancy). Member of Stanford GSB Advisory Council and Wal-Mart Mexico Advisory Board of Suppliers. Chairman of the board of directors of Corporación Aura Solar, S.A.P.I. de C.V., Servicios Comerciales de Energía, S.A. de C.V., and Aura Solar II Corp.
	Business experience:	Served as Vice-President of Bimbo.
	Education:	Holds a degree in Business Administration from the Universidad Iberoamericana in Mexico and a MBA from the Stanford University Graduate School of Business.
	Alternate director:	Victor Alberto Tiburcio Celorio (independent director)
José Luis Cutrale	Born:	September 1946
	First elected:	2004
Director	Term expires:	2019
	Principal occupation:	Chairman of the board of directors of Sucocítrico Cutrale, Ltda.
	Other directorships:	Member of the board of directors of Cutrale North America, Inc., Cutrale Citrus Juice USA, Inc., Citrus Products, Inc. and Chiquita Brands International and member of the Brazilian American Chamber of Commerce.
	Business experience:	Founding partner of Sucocítrico Cutrale and member of the Brazilian American Chamber of Commerce.
	Education:	Holds a degree in Business Administration.
	Alternate director:	José Luis Cutrale, Jr.

Luis Alfonso Nicolau Gutiérrez	Born:	June 1961
Director	First elected:	2018
	Term expires:	2019
	Principal occupation:	Partner at Ritch, Mueller, Heather y Nicolau, S.C., law firm; member of the firm s executive committee.
	Other directorships:	Member of the boards of directors of Morgan Stanley, Casa de Bolsa, S.A. de C.V., Grupo Financiero Credit Suisse, S.A. de C.V., UBS Asesores México, S.A. de C.V., Grupo Posadas, S.A.B. de C.V., Ignia Fund (*Fideicomiso Ignia*), Pizzas del Valle de México, S.A de C.V. (Shakey s Pizza Mexico) and KIO Networks. Member of the investment committee of Ignia Fund and Promotora Social México and an independent member of the supervisory board of Bolsa Mexicana de Valores, S.A.B. de C.V.
	Business experience:	Has been a partner at Ritch Mueller since 1990, specializes in mergers and acquisitions, debt and equity capital markets transactions and banking and finance. He is a leading expert in assisting underwriters and issuers in debt and equity offerings in Mexico and abroad. Also, he worked as a foreign associate for Johnson & Gibbs, Dallas and Shearman & Sterling, New York.

66

Table of Contents

	Education:	Holds a Law degree from the Escuela Libre de Derecho and a Master in Law from Columbia University.
Series D Directors		
José Octavio Reyes Lagunes	Born:	March 1952
	First elected:	2016
	Term expires:	2019
Director		
	Principal occupation:	Retired.
	Other directorships:	Member of the board of directors and President of the resources committee of MasterCard Worldwide and member of the board of directors and member of the sustainability committee of Coca-Cola Hellenic Bottling Company.
	Business experience:	He began his career with The Coca-Cola Company in 1980 as Manager of Strategic Planning at Coca-Cola de México, was appointed Manager of the *Sprite* and *Diet Coke* brands at the corporate headquarters in Atlanta in 1987, became Marketing Director for the Brazil Division in 1990, was named Marketing and Operations Vice President of the Mexico Division and became President of the Mexico Division in 1996. He served as President of the Latin American Group of The Coca-Cola Company from 2002 to 2012.
	Education:	Holds a degree in Chemical Engineering from the Universidad Nacional Autónoma de México and a MBA from ITESM.
	Alternate director:	T. Robin Rodgers Moore
Charles Brent Hastie	Born:	July 1973
	First elected:	2017
Director	Term expires:	2019
	Principal occupation:	Senior Vice President, Chief Financial and Supply Chain Officer of Coca-Cola North America.
	Other directorships:	Member of the executive committee of Piedmont Coca-Cola Bottling Partnership.
	Business experience:	He first joined The Coca-Cola Company in 2006 and his previous leadership assignments included Chief Strategy Officer for Coca-Cola Refreshments; President of active lifestyle brands, where he was responsible for managing the glacéau business; and Vice President, Commercial Leadership of Still Beverages, and Vice President of Strategy and Planning, all for the North America Group. Prior to joining The Coca-Cola Company he was a Principal with Mckinsey & Company in Atlanta, Brazil and South Africa. Additionally, he worked at Bain Capital as Vice President in the Portfolio Group. Recently, he was Senior Vice President of Strategic and Business Planning for The

		Coca-Cola Company.
	Education:	Holds a Bachelor s degree in Chemical Engineering from the Georgia Institute of Technology, graduating summa cum laude, and holds a MBA with honors from Harvard University.
	Alternate director:	Franz Alscher
Charles H. McTier	Born:	January 1939
	First elected:	1998
Independent Director	Term expires:	2019
	Principal occupation:	Retired.
	Business experience:	Was associated with the Robert W. Woodruff Foundation for over forty years, serving as its President from 1988-2006 and served as a trustee from 2006-2015. Served on the board of directors of nine U.S. Coca-Cola bottling companies in the 1970s and 1980s.
	Education:	Holds a Bachelor s degree in Business Administration from Emory University.
Brian Smith	Born:	December 1955
	First elected:	2017
Director	Term expires:	2019
	Principal occupation:	President of The Coca-Cola Company Europe, Middle East and Africa Group.
	Other directorships:	Member of the board of directors, the compensation committee and audit committee of Evertec, Inc.

	Business experience:	Joined The Coca-Cola Company in 1997 as Latin America Group Manager for Mergers and Acquisitions until 2001. From July 2001 to July 2002 he worked as Executive Assistant to the Chief Operating Officer and Vice-Chairman of The Coca-Cola Company. From August 2002 to October 2008 he was President of the Brazil Division and from 2008 to 2012 he was President of the Mexico Division. Before his current position, he was Group President of Latin America from 2013 to 2016.
	Education:	Holds a MBA from the University of Chicago.
	Alternate director:	Marie D. Quintero-Johnson
Bárbara Garza	Born:	December 1959
Lagüera Gonda[(2)]	First elected:	1999
	Term expires:	2019
Director	Principal occupation:	Private investor.
	Other directorships:	Alternate member of the board of directors of FEMSA. Vice-Chairman of the board of directors of ITESM Campus Mexico City. Member of the board of directors of Fresnillo, Plc., Inmobiliaria Valmex, S.A. de C.V., Inversiones Bursátiles Industriales, S.A. de C.V., Desarrollo Inmobiliario La Sierrita, S.A. de C.V., Refrigeración York, S.A. de C.V., Peñitas, S.A. de C.V., Controladora Pentafem, S.A.P.I. de C.V., BECL, S.A. de C.V., Soluciones Financieras (SOLFI), Fondo para la Paz, Museo Franz Mayer and member of the supervision commission of the Fondo Nacional para la Cultura y las Artes (FONCA).
	Education:	Holds a degree in Business Administration from ITESM.
	Alternate director:	Maximino José Michel González

Series L Directors

Robert Alan Fleishman Cahn	Born:	February 1962
	First elected:	2012
	Term expires:	2019
Independent Director	Principal occupation:	Chief Executive Officer of Grupo Tampico, S.A.P.I. de C.V.
	Other directorships:	Secretary of the board of directors of Grupo Tampico, S.A.P.I. de C.V. and its subsidiaries, and member of the regional board of Banco Nacional de México, S.A. and BBVA Bancomer. Member of the board of directors of Fundación Fleishman.
	Education:	Holds a Bachelor s degree in Business from the University of Texas and an executive development program certificate from the Wharton School at the University of Pennsylvania.
	Alternate:	Herman Harris Fleishman Cahn (independent director)
José Manuel Canal Hernando	Born:	February 1940
	First elected:	2003
	Term expires:	2019
Independent Director	Principal occupation:	Independent consultant on corporate governance matters, statutory examiner and director of several public and private companies.
	Business experience:	Former managing partner at Arthur Andersen (Ruiz, Urquiza y Cía, S.C.) from 1981 to 1999, acted as statutory examiner of FEMSA from 1984 to 2002, founder and chairman of the Mexican Accounting Standards Board.
	Other directorships:	Member of the board of directors of FEMSA, Estafeta Mexicana, S.A. de C.V. and Tapón Corona, S.A. de C.V., member of the board of directors and chairman of the audit committee of Grupo Kuo, S.A.B. de C.V., member of the board of directors and member of the audit committee of Grupo Industrial Saltillo, S.A.B. de C.V., member of the board of directors, member of the audit committee and chairman of the risk committee of Gentera, and statutory examiner of Grupo BBVA Bancomer and Bank of America.
	Education:	Holds a degree in Accounting from the Universidad Nacional Autónoma de México and is licensed as a CPA.
Francisco Zambrano Rodríguez	Born:	January 1953
	First elected:	2003
	Term expires:	2019
Independent Director	Principal occupation:	Managing Partner of FORTE Estate Planning S.C.
	Other directorships:	Co-Chief Executive Officer and member of the board of directors of Desarrollo Inmobiliario y de Valores, S.A. de C.V., Corporativo Zeta DIVASA, S.A.P.I. and IPFC Inmuebles, S.A.P.I. de C.V. Member of the supervisory board of ITESM.
	Business experience:	Has extensive experience in investment banking and private investment services in Mexico, real estate projects, and as patrimonial and probate consultant.
	Education:	

	Holds a degree in Chemical Engineering from ITESM and a MBA from the University of Texas at Austin.
Alternate director:	Sergio Deschamps Ebergenyi (independent director)

(1) Cousin of Eva María Garza Lagüera Gonda, Paulina Garza Lagüera Gonda, Mariana Garza Lagüera Gonda and Bárbara Garza Lagüera Gonda.
(2) Sister of Eva Maria Garza Lagüera Gonda and sister-in-law of José Antonio Fernández Carbajal.
(3) Wife of José Antonio Fernández Carbajal.

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

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

Table of Contents

Executive Officers

The following are the executive officers of our company:

John Anthony Santa Maria Otazua *Chief Executive Officer*	Born:	August 1957
	Joined:	1995
	Appointed to current position:	2014
	Business experience with us:	Has served as our Strategic Planning and Business Development Officer and Chief Operating Officer of our Mexican operations. Has served as Strategic Planning and Commercial Development Officer and Chief Operating Officer of our South America division. He also has experience in several areas of our company, namely development of new products and mergers and acquisitions.
	Other business experience:	Has experience with different bottler companies in Mexico in areas such as Strategic Planning and General Management.
	Education:	Holds a Bachelor s degree in Business Administration and a MBA with a major in Finance from Southern Methodist University.
Héctor Treviño Gutiérrez *Chief Financial Officer*	Born:	August 1956
	Joined:	1981
	Appointed to current position:	1993
	Other business experience:	At FEMSA, was in charge of the International Financing department, served as Manager of Financial Planning and Manager of International Financing, Chief Officer of Strategic Planning and Chief Officer of Business Development and headed the Corporate Development department.
	Education:	Holds a degree in Chemical Engineering from ITESM and a MBA from the Wharton School of Business.
Constantino Spas Montesinos *Strategic Planning Officer*	Born:	May 1970
	Joined:	2018
	Appointed to current position:	2018
	Other business experience:	He has 24 years of experience in the food and beverage sector in companies such as Grupo Mavesa and Empresas Polar in Venezuela, Kraft Foods, SAB Miller in Latin America and Bacardi in Mexico, occupying different positions in marketing, as regional officer and as VP Managing Director.
	Education:	Holds a Bachelor s degree in Business Administration from Universidad Metropolitana in Caracas and a MBA from Emory University-Goizueta Business School in Atlanta, Georgia.

Tanya Cecilia Avellan Pinoargote	Born:	May 1966
	Joined:	2002
Information Technology and Commercial Officer	Appointed to current position:	2014
	Business experience with us:	Served as Strategic Planning Officer at FEMSA, Chief Operations Officer at our Central America division and Commercial Planning and Strategic Development Officer.
	Other business experience:	Has undertaken responsibilities in different multinational companies with vast experience in mass consumer goods.
	Education:	Holds a degree in Communications from Universidad Politécnica del Ecuador and a MBA specialized in marketing from INCAE Business School.

Karina Paola Awad Pérez	Born:	February 1968
	Joined:	2018
Human Resources Officer	Appointed to current position:	2018
	Business experience with us:	Joined our company in 2018 as Human Resources Officer.
	Other business experience:	Has served for more than 20 years in several areas of human resources. In 2010, she occupied the position of Vice President of Human Resources for Wal-Mart Chile and in 2013 she was named Senior Vice President of Human Resources for Wal-Mart Mexico and Central America.
	Education:	Holds a degree in psychology from the Pontificia Universidad Católica de Chile and a MBA from the UAI de Chile.
José Ramón de Jesús Martínez Alonso	Born:	July 1961
	Joined:	2012
Corporate Affairs Officer	Appointed to current position:	2016
	Business experience with us:	In 2012, he joined our company as Corporate Affairs Officer for México and Central America division. He further occupied the position as Strategic Planning Officer for South America division and previous to his current position he occupied the position as Chief Operating Officer for Brazil.
	Other business experience:	More than 30 years of experience in the Coca-Cola system. He began his career at Panamco where he developed various activities related with the business operation including sugar production and concentrates. In 1994, he occupied the position as Operations Officer of Panamco in Mexico and the following year he occupied the position as Operations Officer of Panamco in Venezuela. From 2005 to 2012, he was Chief Executive Officer of the *Asociación Mexicana de Embotelladores* de Coca-Cola (ASCOCA).
	Education:	Holds a degree in Chemical Engineering from La Salle University, an MBA from IPADE and postgraduate studies in production administration from the Georgia Institute of Technology; Strategic Direction from Stanford University; and Finance Management from John E. Anderson Graduate School of the University of California, Los Angeles.
Rafael Ramos Casas	Born:	April 1961
	Joined:	1999
Supply Chain and Engineering Officer	Appointed to current position:	2018
	Business experience with us:	Has served as Supply Chain Officer of FEMSA and OXXO. He held several positions in Propimex for our division in Mexico.
	Other business experience:	He has experience with a different bottler company in Mexico in positions such as Chief Operating Officer, Manufacturing

		Director and plant manager.
	Education:	Holds a degree in Biochemical Engineering with a minor in Administration and a Master s degree in Business Administration of Agricultural Enterprises.
Xiemar Zarazua López	Born:	June 1963
	Joined:	2017
Chief Operating Officer Mexico	Appointed to current position:	2017
	Business experience with us:	Joined our company in January 2017 as Chief Operating Officer of Mexico.
	Other business experience:	Has served for more than 30 years in The Coca-Cola Company in different positions including Chief Executive Officer of the Brazil Business Unit from 2008 to 2016 and Chief Executive Officer of the Latin America Business Unit from 2006 to 2008. He also served in different areas in Mexico and Central America.
	Education:	Holds a Bachelor s degree in Economics from Universidad Autónoma de Nuevo León and Finance postgraduate studies from ITESM.

71

Table of Contents

Eduardo Guillermo Hernández Peña	Born:	October 1965
	Joined:	2015
Chief Operating Officer Latin America	Appointed to current position:	2018
	Business experience with us:	Has served as New Businesses Officer and Strategic Planning Officer.
	Other business experience:	At Empresas Polar he held several positions in the beer, wine and food business. From 2012 to 2015 he served as Chief Executive Officer of Gloria, S.A.
	Education:	Holds a Bachelor s degree in Business Administration from Universidad Metropolitana of Venezuela, a degree in Marketing from Harvard University and a MBA from Northwestern University.
Ian Marcel Craig García	Born:	May 1972
	Joined:	1994
Chief Operating Officer Brazil	Appointed to current position:	2016
	Business experience with us:	Has served as Chief Operating Officer of Argentina. Has served as Chief Financial Officer of our South America division, and also as Corporate Finance and Treasury Director of Coca-Cola FEMSA.
	Other business experience:	Within the group he has worked in a Corporate Finance position and Beer Division Supply Chain position. Also, he worked in other companies in the area of strategic planning.
	Education:	Holds a Bachelor s degree in Industrial Engineering from ITESM, a MBA from the University of Chicago Booth School of Business and a Master s degree in International Commercial Law from ITESM.
Washington Fabricio Ponce García	Born:	April 1968
	Joined:	1998
Chief Operating Officer Asia	Appointed to current position:	2015
	Business experience with us:	Has served as head of our Colombian operations prior to his assignment in the Philippines. Has served as Managing Director of Central America, Argentina, Brazil, Colombia and Strategic Planning Director for our operations in Latin America.
	Other business experience:	He worked for three years with Bain & Company.
	Education:	Holds a Master´s degree in Business Economics from INCAE, Costa Rica.
Stanislas Pierre Marie Auber	Born:	December 1963
	Joined:	2017
New Businesses Officer	Appointed to current position:	2017

	Other business experience:	Has served for more than 20 years in the global beverage industry and he has held several managerial positions in Latin America. He also has experience as project consultant in France and the United States of America.
	Education:	Holds a MBA from ESSEC Business School (France).
Rafael Alberto Suárez Olaguibel	Born:	April 1960
	Joined:	1986