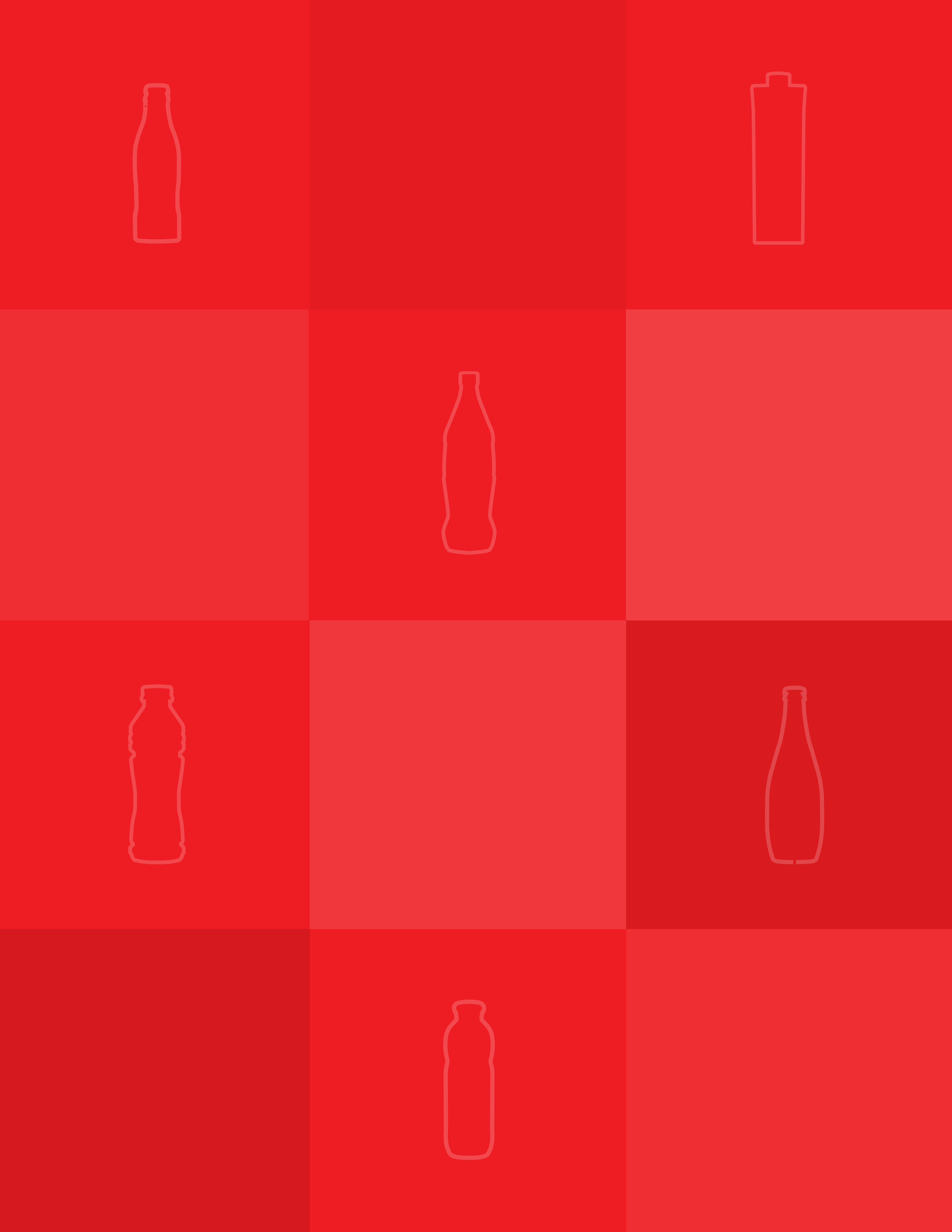
COCA-COLA FEMSA

FINANCIAL STATEMENTS 2018



Content

Annual Report of the Audit Committee 4
Independent Auditors' Report...6
Consolidated Statements of Financial Position..................10
Consolidated Income Statements...12
Consolidated Statements of Comprehensive Income 13
Consolidated Statements of Changes in Equity 14
Consolidated Statements of Cash Flows 16
Notes to the Consolidated Statements................................18

Annual Report of the
Audit Committee

To the Board of Directors Coca Cola FEMSA, S.A.B. de C.V. (the ¨Company¨):

Pursuant to Articles 42 and 43 of the Mexican Securities Law (Ley del Mercado de Valores) and the Charter of the Audit Committee, we submit to the Board of Directors our report on the activities performed during, 2018. We considered the recommendations established in the Code of Corporate Best Practices and, since the Company is a publicly-listed company in the New York Stock Exchange (¨NYSE¨), we also complied with the applicable provisions set forth in Sarbanes-Oxley Act. We met at least on a quarterly basis and, based on a work program, we carried out the activities described below:

Risk Assessment

We periodically evaluated the effectiveness of the Enterprise Risk Management Process, which is established to identify, measure, record, assess, and manage the Company´s risks, as well as for the implementation of follow-up measures to ensure its effective operation.

We reviewed with Management and both External and Internal Auditors of the Company, the key risk factors that could adversely affect the Company´s operations and assets, and we determined that they have been appropriately identified, managed, and considered in both audit programs.

Considering that in 2018, the risks of cybersecurity continuous being a key risk area for the business, the Committee dedicated special attention to follow up of progress of the issues raised during the ongoing cybersecurity assessment and reviewing the information security initiatives presented to assure the confidentiality of information as well as the continuity of operations in information technology.

The Committee, with the objective of strengthening its understanding of the business risks and related mitigating controls, was visited the most important bottling plant, as well as one of its distribution centers.

Internal Control

We verified the compliance by Management of its responsibilities regarding internal control, and the establishment of general guidelines and the procedures necessary for their application and compliance. This process included presentations to the Audit Committee by the area responsible of the most important subsidiaries. Additionally, we followed the comments and remarks made in this regard by External Auditors as a result of their findings.

We verified the actions taken by the Company in order to comply with section 404 of Sarbanes-Oxley Act regarding the self-assessment of internal controls. During this process, we made sure that a follow up on main preventive and corrective actions implemented concerning internal control issues that required improvement, were taken, and the submission to the authorities of requested information.

External Audit

We recommend to the Board of Directors the appointment of the Group's external auditors for the fiscal year 2108. For this purpose we verified their independence and compliance with the requirements established in the Law and the general provisions applicable to the entities and issuers supervised by the National Banking and Securities Comission that require external audit services for basic financial statements, wich came into effect on August 1, 2018. We analyze their approach and the work program with them, as well as their coordination with the internal Audit function.

We modified and submitted our charter of approval of the Board of Directors, in order to comply with the new provisions. We implemented the actions established in the aforementioned law, regarding the responsibilities of the Audit committee and also, with regard to the requirements applicable to the external auditors.

We reviewed the work program of the external audit and its coordination, with the internal audit function.

We were in permanent and direct communication with them to be timely informed of their progress and their observations, and also to consider any comments that resulted from their review of the quarterly financial statements. We were timely informed of their conclusions and reports, regarding the annual financial statements and followed up on the actions implemented resulting from the findings and recommendations provided during the year.

We authorized the fees of the external auditors for their annual audit and other permitted services, and verified that such services would not compromise their Independence from the Group.

Considering the opinion of the Management, we began the process of assessing the performance of external auditors for the fiscal year 2018.

Internal Auditing

In order to maintain its independence and objectivity, the Internal Audit area reports to the Audit Committee therefore:

We reviewed and approved the annual work program and budget, in order to comply with the requirements of Sarbanes-Oxley Act. For its preparation, the Internal Audit area participated in the risk assessment process and the validation of the internal control system.

We received periodic reports regarding the progress of the approved work program, any deviations and the causes thereof.

We followed up the implementation of the observations developed by Internal Audit.

We confirmed the existence and validated the implementation of an Annual Training program.

We reviewed and discuss with the responsible of the IA function the evaluations of the Internal Audit service performed by the responsible of each business unit and the Audit Committee.

Financial Information, Accounting Policies and Reports to the Third Parties

We reviewed the quarterly and annual financial statements of the Company with the individuals responsible for its preparation and recommended to the Board of Directors, its approval and authorize its publication. As part of this process, we analyzed the comments of the external auditors and confirm that the criteria, accounting policies and information used by Management to prepare financial information were adequate, sufficient, and consistently applied with the prior year. As a consequence, the information submitted by Management reasonably reflects the financial position of the Company, its operating results and cash flows for the fiscal year ending on December 31, 2018.

We also reviewed the quarterly reports prepared by Management and submitted to shareholders and the financial community, verifying that such information was prepared under International Financial Reporting Standards (IFRS) and the same accounting criteria for preparing the annual information. We also reviewed the existence of an integral process that provides a reasonable assurance of fairness in the information content. To conclude, we recommended to the Board of Directors to authorize the release of such information.

Our reviews also included reports and any other financial information required by Mexican and United States regulatory authorities.

We reviewed and approved the changes to the accounting standards used by the Company that became effective in 2018, recommending their approval to the Board of Directors.

Compliance With Applicable Laws and Regulations, Legal Issues and Contingencies

We verified the existence and reliability of the Company-established controls to ensure compliance with the various legal provisions applicable to the Company. When required, we verified its appropriate disclosure in the financial reports.

We made periodic reviews of the various tax, legal and labor contingencies of the Company. We supervised the efficiency of the procedures established for their identification and follow-up, as well as their adequate disclosure and recording.

Code Of Conduct

We reviewed the new version of the Business Code of Ethics of the Company which incorporates among other changes an update of its values, validating that it includes a compliance provision with the Anti-Money Laundering laws in the countries where we operate, as well as compliance with anti-corruption laws (FCPA), and recommended its approval to the Board of Directors.

With the support of Internal Audit, we verified the compliance of the Business Code of Ethics, the existence of adequate processes to update it and its communication to employees, as well as the application of sanctions in those cases where violations were detected.

We reviewed the complaints received in the Company´s Whistle-Blowing System and followed up on their correct and timely handling.

Training

To comply with the training requirements of our charter, during the year, The Audit Committee members attended specific courses on topics as internal controls, risk management and auditing.

Administrative Activities

We held regular meetings with Management to be informed of any relevant or unusual activities and events. We also met individually with external and internal auditors to review their work, and observations.

In those cases where we deemed advisable, we requested the support and opinion from independent experts. We are not aware of any significant non-compliance with the operating policies, the internal control system or the accounting records of the Company.

We held executive meetings and when applicable reviewed with Management our resolutions.

We submitted quarterly reports to the Board of Directors, on the activities performed by the Committee.

We reviewed the Audit Committee Charter and made the amendments that we deemed appropriate, submitting such changes for its approval by the Board of Directors.

We verified that the financial expert of the Committee meets the technical background and experience requirements to be considered as such, and that each Committee Member meets the independence requirements set forth in by the applicable laws and regulations.

Our activities were duly documented in the minutes prepared for each meeting. Such minutes were properly reviewed and approved by Committee members.

We made our annual performance self-assessment, and submitted the results to the Chairman of the Board of Directors.

Sincerely

José Manuel Canal Hernando
February 25, 2019

Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018 and 2017, and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its financial performance and its cash flows for each of the tree years period ended December 31, 2018, in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the "International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants" ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico according to the "Codigo de Etica Profesional del Instituto Mexicano de Contadores Publicos" ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the accompanying consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Sale of Coca-Cola FEMSA Philippines

Description of the key audit matter

As disclosed in Note 5 to the consolidated financial statements, on August 16, 2018, Coca- Cola FEMSA announced its decision to exercise the option of selling it's 51% interest in Coca- Cola FEMSA Philippines, Inc's ("CCFPI") stock to The Coca- Cola Company. Given the aforementioned, since August 31, 2018, the Company classified their assets and liabilities related to CCFPI as held-for-sale until the sale was completed on December 13, 2018, in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Also, pursuant to IFRS 5, the results of operations of the CCFPI component have been deconsolidated and presented as discontinued operations, together with the corresponding information of the prior year. The proceed from the sale of CCFPI has been measured based on the terms and conditions negotiated in the shareholders agreement by the parties.

Due to the complexity resulting from the application of IFRS 5, including the requirement to recognize the assets and liabilities of the component held for sale at the lower of the net proceed expected from the transaction and the carrying value at the date the Company decided to sell the component, we have determined this to be a key audit matter.

How our audit addressed the matter

We evaluated management´s assessment regarding the accounting treatment of the sale of CCFPI and its classification as held for sale in accordance with IFRS by 1) reviewing the related share purchase agreement and the specific clauses regarding the put option and the determination of the selling price used to established the net proceeds expected from sale and as the basis to compare to the carrying value of the investment, 2) auditing the calculation of the net proceeds expected from the sale and 3) verifying the proper presentation of the results of operations of CCFPI in the income statement in accordance with IFRS 5.

Finally, we evaluated the related disclosures made in the consolidated financial statements.

Impairment testing of distribution rights and goodwill

Description of the key audit matter

As disclosed in Note 12 to the consolidated financial statements, Distribution Rights and Goodwill were Ps. 111,122 million as of December 31, 2018. Given the significant judgments and estimation assumptions required by management when evaluating these accounts for impairment, we have determined this area to be a key audit matter.

How our audit addressed the matter

We evaluated management assumptions related to compound annual growth rates, projected costs and expenses among other key assumptions used in the impairment testing by 1) assessing the historical accuracy of management's budgetary estimates, 2) obtaining and analyzing management´s business strategies supporting the future cash flows estimates, and 3) evaluating the macroeconomic environment including comparisons to the performance of comparable companies for which relevant data is available.

We also assessed management's sensitivity analyses focusing on the projected compound annual growth rates and projected cost savings, mainly. We involved our internal specialists in performing these procedures. In addition, we tested the Group's procedures around the preparation of the budget, upon which the value-in-use model is based.

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

Recoverability of deferred tax assets

Description of the key audit matter

As disclosed on Note 24 to the consolidated financial statements, the Group had recognized Ps. 8,358 million in deferred tax assets relating to net operating loss carry-forwards as of December 31, 2018; such amount relates to the Brazilian and Mexican operations. Also, as disclosed on Note 24, the Company recognized deferred tax assets arising from tax credits for an amount Ps. 1,855 million, mostly generated in Mexico in 2016.

We focused on this area because the recognition of deferred tax assets relies on the application of significant judgement by management in respect of assessing the probability and sufficiency of future taxable profits and ongoing tax planning strategies; therefore, due to the size of the Group's deferred tax assets in Brazil and Mexico and the associated uncertainty surrounding recoverability, this is considered a key audit matter.

How our audit addressed the matter

Our audit procedures, among others, included the assessment of controls over the recognition and measurement of deferred tax assets and the evaluation of assumptions used in projecting the Group's future taxable profits in Mexico and Brazil. With the assistance of our internal tax specialists, we assessed the feasibility of the Group's future tax planning strategies that may enable realizability of the deferred tax asset in Mexico.

Our audit procedures also focused on management´s projections of future taxable profits based on forecasts of anticipated cost savings, revenue growth rates, among other key assumptions. We also assessed the consistency of those assumptions with those used in other areas of the financial statements. We involved our internal specialists when performing these procedures.

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

Other information included in the Group’s 2018 Annual Report

Other information consists of the information included in the Group’s 2018 Annual Report to be presented to the stockholders and the Annual Report to be presented to the Comision Nacional Bancaria y de Valores (“CNBV”), other than the financial statements and our auditor’s report thereon. Management is responsible for the other information. The other information is expected to be made available to us after the date of this auditor’s report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report, is who signs it.

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

Luis F. Ortega Sinencio

Mexico City, Mexico
March 6, 2019

Consolidated Statements of Financial Position

COCA-COLA FEMSA, S.A.B. DE C.V. AND SUBSIDIARIES
At December 31, 2018 and 2017
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

	Note	December **2018** (*)	December **2018**	December 2017
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	6	$ 1,208	Ps. 23,727	Ps. 18,767
Trade receivables, net	7	756	14,847	17,576
Inventories	8	512	10,051	11,364
Recoverable taxes	24	308	6,038	5,172
Other current financial assets	9	41	805	737
Other current assets	9	103	2,022	2,041
Total current assets		2,928	57,490	55,657
Non-current assets:				
Investments in other entities	10	536	10,518	12,540
Property, plant and equipment, net	11	3,155	61,942	75,827
Intangible assets, net	12	5,949	116,804	124,243
Deferred tax assets	24	430	8,438	8,012
Other non-current financial assets	13	108	2, 123	1,277
Other non-current assets	13	330	6,472	8,121
Total non-current assets		10,508	206,297	230,020
TOTAL ASSETS		$ 13,436	Ps. 263,787	Ps. 285,677

(*) Convenience translation to U.S. dollars ($) – See Note 2.2.3
The accompanying notes are an integral part of these consolidated statements of financial position.

	Note	December **2018** (*)	December **2018**	December 2017
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Bank loans and notes payable	18	$ 70	Ps. 1,382	Ps. 2,057
Current portion of non-current debt	18	521	10,222	10,114
Interest payable		25	497	487
Suppliers		1,007	19,746	19,956
Accounts payables		302	5,904	11,397
Taxes payable		367	7,207	7,074
Other current financial liabilities	25	29	566	4,509
Total current liabilities		2,321	45,524	55,594
NON CURRENT LIABILITIES:				
Bank loans and notes payable	18	3,575	70,201	71,189
Post-employment and other non-current employee benefits	16	135	2,652	3,029
Deferred tax liabilities	24	145	2,856	1,714
Other non-current financial liabilities	25	70	1,376	1,169
Provisions and other non-current liabilities	25	480	9,428	12,272
Total non-current liabilities		4,405	86,513	89,373
TOTAL LIABILITIES		6,726	132,037	144,967
EQUITY:				
Common stock	22	105	2,060	2,060
Additional paid-in capital		2,320	45,560	45,560
Retained earnings		3,630	71,270	61,786
Other equity instruments		(78)	(1,524)	(485)
Accumulated other comprehensive income		386	7,578	13,648
Equity attributable to equity holders of the parent		6,363	124,944	122,569
Non-controlling interest in consolidated subsidiaries	21	347	6,806	18,141
TOTAL EQUITY		6,710	131,750	140,710
TOTAL LIABILITIES AND EQUITY		$ 13,436	Ps. 263,787	Ps. 285,677

Consolidated Income Statements

For the years ended December 31, 2018, 2017 and 2016
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.) except for earnings per share amounts

	Note	2018 (*)	2018	2017	2016
CONTINUING OPERATIONS					
Net sales		$ 9,260	Ps. 181,823	Ps. 182,850	Ps. 177,082
Other operating revenues		26	519	406	636
Total revenues		9,286	182,342	183,256	177,718
Cost of goods sold		5,012	98,404	99,748	98,056
Gross profit		4,274	83,938	83,508	79,662
Administrative expenses		407	7,999	7,693	7,423
Selling expenses		2,543	49,925	50,351	48,039
Other income	19	29	569	1,542	1,281
Other expenses	19	125	2,450	32,899	5,093
Interest expense	18	385	7,568	8,777	7,471
Interest income		51	1,004	791	715
Foreign exchange (loss) income, net		(14)	(277)	788	(1,792)
Gain on monetary position for subsidiaries in hyperinflationary economies		11	212	1,590	2,417
Market value (loss) income on financial instruments	20	(16)	(314)	246	51
Income (loss) before income taxes and share of the profit of associates and joint ventures accounted for using the equity method		875	17,190	(11,255)	14,308
Income taxes	24	268	5,260	4,184	3,928
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	10	(12)	(226)	60	147
Net income (loss) from continuing operations		596	11,704	(15,379)	10,527
Net income (loss) after tax from discontinued operations	5	172	3,366	3,725	–
CONSOLIDATED NET INCOME (LOSS)		$ 768	Ps. 15,070	Ps. (11,654)	Ps. 10,527
Attributable to:					
Equity holders of the parent- continuing operations		$ 557	Ps. 10,936	Ps. (16,058)	Ps. 10,070
Equity holders of the parent- discontinued operations		152	2,975	3,256	–
Non-controlling interest- continuing operations		39	768	679	457
Non-controlling interest- discontinued operations		$ 20	Ps. 391	Ps. 469	Ps. –
Net income (loss)		$ 768	Ps. 15,070	Ps. (11,654)	Ps. 10,527
Earnings per share- Equity holders of the parent (U.S. dollars and Mexican pesos):					
Basic controlling interest net income (loss) from continuing operations	23	$ 0.27	Ps. 5.21	Ps. (7.68)	Ps. 4.86
Basic controlling interest net income from discontinued operations	23	0.07	1.41	1.56	–
Diluted controlling interest net income (loss) from continuing operations	23	0.27	5.21	(7.68)	4.85
Diluted controlling interest net income from discontinued operations	23	0.07	1.41	1.56	–

(*) Convenience translation to U.S. dollars ($) – See Note 2.2.3
(**) Results for 2017 have been restated for the discontinued Philippines operations. See Note 5.
The accompanying notes are an integral part of these consolidated income statements.

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018, 2017 and 2016
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

	Note	2018 (*)	2018	2017	2016
CONSOLIDATED NET INCOME (LOSS)		$ 768	Ps. 15,070	Ps. (11,654)	Ps. 10,527
Other comprehensive income, net of taxes:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Valuation of the effective portion of derivative financial instruments, net of taxes	20	(20)	(437)	(266)	715
Exchange differences on the translation of foreign operations and associates		(371)	(7,234)	15,207	16,052
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods		(391)	(7,671)	14,941	16,767
Items that will not be reclassified to profit or loss in subsequent periods:					
Loss from equity financial asset classified at FVOCI		(53)	(1,039)	–	–
Re-measurements of the net defined benefit liability, net of taxes	16	13	259	28	(123)
Other comprehensive income (loss) not being reclassified to profit or loss in subsequent periods		(40)	(780)	28	(123)
Total other comprehensive (loss) income, net of tax		(430)	(8,451)	14,969	16,644
Consolidated comprehensive income for the year, net of tax		**337**	**Ps. 6,619**	**Ps. 3,315**	**Ps. 27,171**
Attributable to:					
Equity holders of the parent from continuing operations		203	Ps. 3,984	Ps. 841	Ps. 24,818
Equity holders of the parent from discontinued operations		143	2,817	2,500	–
Non-controlling interest from continuing operations		(21)	(422)	146	2,353
Non-controlling interest from discontinued operations		12	239	(172)	–
Consolidated comprehensive income for the year, net of tax		**337**	**Ps. 6,619**	**Ps. 3,315**	**Ps. 27,171**

(*) Convenience translation to U.S. dollars ($) – See Note 2.2.3
(**) Results for 2017 have been restated for the discontinued Philippines operations. See Note 5.
The accompanying notes are an integral part of these consolidated statements of comprehensive income.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018, 2017 and 2016
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

Attributable to:	Capital Stock	Additional Paid-in Capital	Retained Earnings	Other Equity Instruments
Balances as of January 1, 2016	Ps. 2,048	Ps. 41,490	Ps. 78,454	Ps. –
Consolidated net income	–	–	10,070	–
Other comprehensive income, net of tax	–	–	–	–
Total comprehensive income	–	–	10,070	–
Dividends declared	–	–	(6,945)	–
Increase in non-controlling interest	–	–	–	–
Acquisition of Vonpar (Note 4)	–	–	–	(485)
Balances as of December 31, 2016	2,048	41,490	81,579	(485)
Consolidated net income (loss)	–	–	(12,802)	–
Other comprehensive loss, net of tax	–	–	–	–
Total comprehensive income				
Deconsolidation of Venezuela (Note 3.3)	–	–	–	–
Total comprehensive income	–	–	(12,802)	–
Acquisition of Vonpar (Note 4)	12	4,070	–	–
Dividends declared	–	–	(6,991)	–
Consolidation of Philippines	–	–	–	–
Balances as of December 31, 2017	Ps. 2,060	Ps. 45,560	Ps. 61,786	Ps. (485)
Accounting standard adoption effects (see Note 2.4)	–	–	(75)	–
Adoption of IAS 29 for Argentina	–	–	2,686	–
Balances as of January 1, 2018	**Ps. 2,060**	**Ps. 45,560**	**Ps. 64,397**	**Ps. (485)**
Consolidated net income	–	–	**13,911**	–
Other comprehensive loss, net of tax	–	–	–	**(1,039)**
Total comprehensive income	–	–	**13,911**	**(1,039)**
Dividends declared	–	–	**(7,038)**	–
Sale of Philippines operations	–	–	–	–
Balances as of December 31, 2018	**Ps. 2,060**	**Ps. 45,560**	**Ps. 71,270**	**Ps. (1,524)**

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

Valuation of the Effective Portion of Derivative Financial Instruments	Exchange Differences on Translation of Foreign Operations and Associates	Remeasurements of the Net Defined Benefit Liability	Equity Attributable To Equity Holders of the Parent	Non-Controlling Interest	Total Equity
Ps. (225)	Ps. (16,584)	Ps. (434)	Ps. 104,749	Ps. 3,986	Ps. 108,735
–	–	–	10,070	457	10,527
664	14,207	(123)	14,748	1,896	16,644
664	14,207	(123)	24,818	2,353	27,171
–	–	–	(6,945)	(69)	(7,014)
–	–	–	–	826	826
–	–	–	(485)	–	(485)
439	(2,377)	(557)	122,137	7,096	129,233
–	–	–	(12,802)	1,148	(11,654)
(192)	(9,778)	(10)	(9,980)	(1,174)	(11,154)
–	26,123	–	26,123	–	26,123
(192)	16,345	(10)	3,341	(26)	3,315
–	–	–	4,082	–	4,082
–	–	–	(6,991)	(1)	(6,992)
–	–	–	–	11,072	11,072
Ps. 247	Ps. 13,968	Ps. (567)	Ps. 122,569	Ps. 18,141	Ps. 140,710
–	–	–	(75)	(12)	(87)
–	–	–	2,686	–	2,686
Ps. 247	Ps. 13,968	Ps. (567)	Ps. 125,180	Ps. 18,129	Ps. 143,309
–	–	–	13,911	1,159	15,070
(396)	(5,897)	223	(7,109)	(1,342)	(8,451)
(396)	(5,897)	223	6,802	(183)	6,619
–	–	–	(7,038)	–	(7,038)
–	–	–	–	(11,140)	(11,140)
Ps. (149)	Ps. 8,071	Ps. (344)	Ps. 124,944	Ps. 6,806	Ps. 131,750

Consolidated Statements of Cash Flows

For the years ended December 31, 2018, 2017 and 2016
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.) except for earnings per share amounts

	2018 (*)	2018	2017	2016
OPERATING ACTIVITIES:				
Income (loss) before income taxes from continuing operations	$ 864	Ps. 16,964	Ps. (11,195)	Ps. 14,455
Adjustments for:				
Non-cash operating expenses	66	1,296	4,663	2,329
Depreciation	428	8,404	8,402	7,579
Amortization	83	1,624	1,230	1,087
(Loss) on disposal of long-lived assets	(9)	(178)	(129)	(22)
Write-off of long-lived assets	5	103	174	40
Share of the (profit) loss of associates and joint ventures accounted for using the equity method, net of taxes	12	226	(60)	(147)
Interest income	(51)	(1,004)	(791)	(715)
Interest expense	265	5,198	4,617	4,388
Foreign exchange loss (income), net	14	277	(788)	1,792
Non-cash movements in post-employment and other non-current employee benefits obligations	11	219	396	580
Impairment	22	432	1,843	–
Deconsolidation of Venezuela	–	–	26,333	–
Consolidation of Philippines	–	–	(2,996)	–
Monetary position gain, net	(11)	(212)	(1,591)	(2,417)
Market value loss on financial instruments	121	2,370	4,073	2,817
(Increase) decrease:				
Accounts receivable and other current assets	(107)	(2,097)	(3,363)	(2,727)
Other current financial assets	(20)	(396)	(2,435)	(3,552)
Inventories	(71)	(1,386)	(688)	(2,142)
Suppliers and other accounts payable	85	1,666	3,668	11,199
Other liabilities	19	381	735	931
Employee benefits paid	(6)	(124)	(310)	(258)
Income taxes paid	(315)	(6,182)	(5,252)	(2,771)
Net cash flows generated from operating activities from continuing operations	1,405	27,581	26,536	32,446
Income before income taxes for discontinued operations	67	1,308	1,265	–
Net cash flows generated from operation activities for discontinued operations	33	654	5,435	–

(*) Convenience translation to U.S. dollars ($) – See Note 2.2.3
(**) Results for 2017 have been restated for the discontinued Philippines operations. See Note 5.
The accompanying notes are an integral part of these consolidated statements of cash flow.

	2018 (*)	2018	2017	2016
INVESTING ACTIVITIES:				
Acquisition and mergers, net of cash acquired (see Note 4)	(290)	(5,692)	26	(13,198)
Deconsolidation of Venezuela (see Note 3.3)	–	–	(170)	–
Proceed from sale of subsidiary, net of cash disposed	390	7,649	–	–
Interest received	51	1,004	791	715
Acquisitions of long-lived assets	(505)	(9,917)	(9,715)	(10,308)
Proceeds from the sale of long-lived assets	20	399	323	324
Acquisition of intangible assets	(70)	(1,373)	(3,410)	(2,385)
Other non-current assets	1	18	(145)	–
Dividends received from investments in associates and joint ventures (Note 10)	–	8	33	5
Investment in shares	(20)	(387)	(1,443)	(2,068)
Investing activities for discontinued operations	–	–	–	–
Net cash flows (used in) investing activities from continuing operations	**$ (423)**	**Ps. (8,291)**	**Ps. (13,710)**	**Ps. (26,915)**
Net cash flows (used in) investing activities from discontinued operations	**(49)**	**Ps. (962)**	**Ps. 2,820**	**Ps. –**
FINANCING ACTIVITIES:				
Proceeds from borrowings	786	15,426	12,488	8,040
Repayment of borrowings	(813)	(15,957)	(13,109)	(4,948)
Interest paid	(254)	(4,984)	(4,558)	(4,122)
Dividends paid	(358)	(7,038)	(6,992)	(7,013)
Other financing activities	(86)	(1,682)	(2,201)	(2,517)
Proceeds from issuing shares (see Note 4)	–	–	4,082	–
Increase in non-controlling interest	–	–	–	826
Net cash flows (used in) financing activities for continuing operations	**(725)**	**(14,235)**	**(10,290)**	**(9,734)**
Net cash flows (used in) financing activities for discontinued operations	**(2)**	**(37)**	**(485)**	**–**
Net increase (decrease) in cash and cash equivalents from continuing operations	257	5,055	2,536	(4,203)
Net increase (decrease) in cash and cash equivalents from discontinued operations	49	963	9,035	–
Cash and cash equivalents at the beginning of the period	956	18,767	10,476	15,989
Effects of exchange rate changes and inflation effects on cash and cash equivalents held in foreign currencies	(54)	(1,058)	(3,280)	(1,310)
Cash and cash equivalents at the end of the period	$ 1,208	Ps. 23,727	Ps. 18,767	Ps. 10,476

Notes
to the consolidated statements

For the years ended December 31, 2018, 2017 and 2016
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

Note 1. Activities of the Company

Coca-Cola FEMSA, S.A.B. de C.V. ("Coca-Cola FEMSA") is a Mexican corporation, mainly engaged in acquiring, holding and transferring all types of bonds, shares and marketable securities.

Coca-Cola FEMSA is indirectly owned by Fomento Economico Mexicano, S.A.B. de C.V. ("FEMSA"), which holds 47.2% of its capital stock and 63% of its voting shares and The Coca-Cola Company ("TCCC"), which indirectly owns 27.8% of its capital stock and 37% of its voting shares. The remaining 25% of Coca-Cola FEMSA's shares trade on the Bolsa Mexicana de Valores, S.A.B. de C.V. (BMV: KOF) as series "L" shares and its American Depositary Shares ("ADS") (equivalent to ten series "L" shares) trade on the New York Stock Exchange, Inc. The address of its registered office and principal place of business is Mario Pani No. 100 Col. Santa Fe Cuajimalpa, Delegacion Cuajimalpa de Morelos, Mexico City, 05348, Mexico.

Coca-Cola FEMSA and its subsidiaries (the "Company"), as an economic unit, are engaged in the production, distribution and marketing of certain Coca-Cola trademark beverages in Mexico, Central America (Guatemala, Nicaragua, Costa Rica and Panama), Colombia, Venezuela, Brazil, Uruguay, Argentina and until November 2018 the Philippines. (see note 5)

As of December 31, 2018 and 2017 the most significant subsidiaries which the Company controls are:

Company	Activity	Country	Ownership percentage 2018	Ownership percentage 2017
Propimex, S. de R.L. de C.V.	Manufacturing and distribution	Mexico	100.00%	100.00%
Controladora Interamericana de Bebidas, S. de R.L. de C.V.	Holding	Mexico	100.00%	100.00%
Spal Industria Brasileira de Bebidas, S.A.	Manufacturing and distribution	Brazil	96.06%	96.06%
Distribuidora y Manufacturera del Valle de México, S. de R.L. de C.V.	Manufacturing and distribution	Mexico	100.00%	100.00%
Servicios Refresqueros del Golfo, S. de R.L. de C.V.	Manufacturing and distribution	Mexico	100.00%	100.00%

Note 2. Basis of Preparation

2.1 Statement of compliance

The consolidated financial statements of Coca-Cola FEMSA S.A.B. de C.V. and its subsidiaries as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company's consolidated financial statements and notes were authorized for issuance by the Company's Chief Executive Officer John Santa Maria Otazua and Chief Financial and Administrative Officer Constantino Spas Montesinos on February 25, 2019. These consolidated financial statements and notes were approved at the Company's Board of Directors meeting on February 25, 2019. Subsequent events have been considered through that date (see Note 29). These consolidated financial statements and their accompanying notes will be presented to the Shareholders meeting on March 14, 2019. The Company´s Board of Directors and Shareholders have the authority to approve or modify the Company´s consolidated financial statements.

2.2 Basis of measurement and presentation

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

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

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

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

2.2.1 Presentation of consolidated income statement

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

2.2.2 Presentation of consolidated statements of cash flows.

The Company´s consolidated statement of cash flows is presented using the indirect method.

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

The consolidated financial statements are stated in millions of Mexican pesos ("Ps.") and rounded to the nearest million unless stated otherwise. However, solely for the convenience of the readers, the consolidated statement of financial position as of December 31, 2018 and the consolidated income statement, the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2018 were converted into U.S. dollars at the exchange rate of Ps 19.6350 per U.S. dollar as published by the Federal Reserve Bank of New York on December 31, 2018, the last date in 2018 for which information is available. This arithmetic conversion should not be construed as representations that the amounts expressed in Mexican pesos may be converted into U.S. dollars at that or any other exchange rate. As of March 6, 2019 (the issuance date of these financial statements) such exchange rate was Ps. 19.3065 per U.S. dollar, an appreciation of 1.6% since December 31, 2018.

2.3 Critical accounting judgments and estimates

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

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

Judgements

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

2.3.1 Key sources of estimation uncertainty

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

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

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

The Company assesses at each reporting date whether there is an indication that a long-lived asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount, which is determined based on its value in use. In assessing value in use, the estimated future cash flows expected to be generated from the use of the asset or CGU re discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. These calculations are corroborated by valuation multiples or other available fair value indicators. The key assumptions used to determine the recoverable amount for the Company's CGUs, including a sensitivity analysis, are further explained in Notes 3.17 and 12.

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

Property, plant and equipment, including returnable bottles which expected to provide benefits over a period of more than one year, as well as intangible assets with definite useful lives are depreciated/ amortized over their estimated useful lives. The Company bases its estimates on the experience of its technical personnel as well as its experience in the industry for similar assets; see Notes 3.13, 11 and 12.

2.3.1.3 Post-employment and other non-current employee benefits

The Company regularly evaluates the reasonableness of the assumptions used in its post-employment and other non-current employee benefit computations. Information about such assumptions is described in Note 16.

2.3.1.4 Income taxes

Deferred income tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The Company recognizes deferred tax assets for unused tax losses and other credits and regularly reviews them for recoverability, based on its judgment regarding the probability of the expected timing and level of future taxable income, the expected timing of the reversals of existing taxable temporary differences and future tax planning strategies see Note 24.

2.3.1.5 Tax, labor and legal contingencies and provisions

The Company is subject to various claims and contingencies related to tax, labor and legal proceedings as described in Note 25. Due to their nature, such legal proceedings involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions. Management periodically assesses the probability of loss for such contingencies and accrues a provision and/ or discloses the relevant circumstances, as appropriate. If the potential loss of any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues a provision for the estimated loss. Management's judgment must be exercised to determine the likelihood of such a loss and an estimate of the amount, due to the subjective nature of the loss.

2.3.1.6 Valuation of financial instruments

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

The fair values of derivative financial instruments are determined considering quoted prices in recognized markets. If such instruments are not traded, fair value is determined by applying techniques based upon technical models supported by sufficient, reliable and verifiable data, recognized in the financial sector. The Company bases its forward price curves upon market price quotations. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments, see Note 20.

2.3.1.7 Business combinations

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

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

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

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

2.3.1.8 Investments in associates

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

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

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

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

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

2.3.1.9 Joint Arrangements

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

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

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

As mentioned in Note 4, until January 2017, Coca-Cola FEMSA accounted for its 51% investment in Coca-Cola FEMSA Philippines, Inc. (CCFPI) as a joint venture, this was based on the facts that Coca-Cola FEMSA and TCCC: (i) make all operating decisions jointly during the initial four-year period and (ii) potential voting rights to acquire the remaining 49% of CCFPI were not probable to be exercised in the foreseeable future and the fact that the call option remains "out of the money" as of December 31, 2016. In January 2017, the arrangement between Coca-Cola FEMSA and TCCC for joint control of CCFPI expired; therefore, Coca-Cola FEMSA started to consolidate the operations of CCFPI effective February 2017. On August 16, 2018, Coca-Cola FEMSA announced the exercise of the put option to sell its 51% stock in CCFPI to TCCC and the transaction closed on December 13, 2018. Therefore, the consolidated income and cash flows statements presented in the consolidated financial statements are represented as if the CCFPI had been discontinued from February 2017, date of the consolidation of the operations.

2.3.1.10 Venezuela Exchange Rates and Consolidation

As further explained in Note 3.3 below, as of December 31, 2017, the exchange rate used to translate the financial statements of the Company's Venezuelan operations for reporting purposes into the consolidated financial statements, was 22,793 bolivars per US dollar.

As also explained in Note 3.3 below, effective December 31, 2017 the Company deconsolidated its operations in Venezuela due to the environment in that country and began accounting for its investment under the fair value method. Consequently beginning January 1, 2018, all changes in the fair value of the investment, including foreign currency translations differences will be recognized for Venezuela's operations in other comprehensive income.

2.4 Changes in accounting policies

The Company has applied the following amendments to the standards, which are effective for annual periods beginning on or after January 2018, their application has no significant effects:

2.4.1 IFRS 9 Financial Instruments

I. Classification and measurement of financial assets and liabilities and hedge accounting

The Company adopted IFRS 9, Financial Instruments issued in July 2014 at the date of initial application on January 1, 2018. The requirements under IFRS 9 represent a significant change from IAS 39 Financial Instruments: Classification and Measurement. The nature and key effects of the changes within the accounting policies of the Company as a result of the adoption of IFRS 9 are summarized below.

The classification of financial assets under IFRS 9 is based on the business model over which the financial asset is managed and the characteristic of the contractual cash flows of the financial assets. IFRS 9 contains three classification categories for financial assets: measured at amortized cost, fair value with changes in other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL"). IFRS 9 also allows equity instruments in non-listed companies to be designated as FVOCI, if they are intended to be held for the foreseeable future. The standard eliminates the categories of IAS 39: investments held to maturity, loans and accounts receivable and available for sale. According to IFRS 9, the derivatives implicit in contracts where the host contract is a financial asset under the scope of the standard will never be separated. In contrast, the hybrid financial instrument is evaluated as a whole for the evaluation of its classification. The adoption of IFRS 9 has not had a significant effect on the accounting policies of the Company in terms of classification and measurement of financial assets and related profit or loss accounts.

The Company chose to adopt the new hedge accounting model under IFRS 9. This implies that the Company confirms that hedge accounting relationships are aligned with its risk management, objectives and strategy and to apply a more qualitative and prospective approach to evaluate the effectiveness of hedges.

For an explanation of how the Company applies hedge accounting under IFRS 9 see Note 7.

Activities carried out in the adoption

The Company conducted a qualitative and quantitative evaluation for the adoption of IFRS 9. The activities carried out are the following:

- The determination of the business model within which the financial assets are held.
- Review and documentation of the business models for managing financial assets, accounting policies, processes and internal controls related to financial instruments.
- Update of documentation of the hedging relationships, as well as the policies for hedge accounting, and internal controls.
- All hedge relationships designated in accordance with the criteria of IAS 39 as of December 31, 2017 fulfilled the criteria and requirements to be designated as accounting hedges in accordance with IFRS 9 as of January 1, 2018 and, therefore, it was considered that they continue to be hedging relationships.

For classification, measurement and accounting of hedges, no significant changes were determined, except those related to the documentation of the adoption of the standard, which include the tests of holding for Only Payments of Principal and Interest ("SPPI"), and the update of the hedge files. Therefore, no significant adjustments from the adoption of IFRS 9 were recognized in the consolidated financial statements of the entity in relation to the classification, measurement and accounting of hedges.

II. Impairment of financial assets

IFRS 9 replaces the "loss incurred" model in IAS 39 with a forward-looking "expected loss" model. The new impairment model is applicable to financial assets (debt instruments) measured at amortized cost and investments measured at FVOCI and other contractual asset. Under IFRS 9, the provision for impairment loss is recognized earlier than under IAS 39.

An analysis was carried out to determine the impact of the new "expected loss" model of financial assets to calculate the provisions that should be registered. As of January 1, 2018, the effect of adopting the standard within the retained earnings was Ps. 87, equivalent to 1% of the total portfolio maintained at the date of adoption. The impact for the provisions of the financial assets under the new standard is not significant because the accounts receivable are characterized by recovering in the short term, which results in estimates of expected loss that approximates the previous provision for doubtful accounts under IAS 39.

2.4.2 IFRS 15, Revenue from contracts with customers

The Company adopted IFRS 15 Revenue from contracts with customers on its consolidated financial statements as of the effective date January 1st, 2018. IFRS 15 establishes a 5-step model approach to which the entity recognizes revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. According to the standard, a performance obligation may be satisfied over time (which better reflects the pattern of which the Company fulfills its performance obligations for the exchange of those good and services) or at a point in time that the control of good and services are totally transferred to the customers.

For the transition, the Company applied the modified retrospective method by determining the cumulative effect as of the date of the standard adoption on the consolidated financial information for the years ended December 31, 2017 and prior. The prior period financial statements were not restated and the impact of adoption is immaterial to the consolidated financial statements.

In contrast to the previous issued standard, the IFRS 15 preescribes the accounting treatment for the variable considerations that may result from incentives given to customers (rebates and promotional allowances), which are included (estimated) in the transaction price to the extent that is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Sale of goods

It includes the sales of goods by all the subsidiaries of the Company, mainly the sale of beverages of the leading brand of Coca-Cola in which the revenue is recognized in the point of time those products were sold to the customers. Applying IFRS 15 did not result in a change in the revenues recognition pattern for the sale of goods because the performance obligations of the all the activities of the Company were satisfied at the moment that the product is sold and the Company becomes entitled to the consideration in exchange for the arrangement; that is, the control of the products are transfers in a point of time.

Rendering of services

It includes the revenues of distribution services that the Company recognizes as revenues when performance obligation is satisfied, which generally occurs over time since the related benefits are consumed by the customers as control is transferred and the arrangements cover a short period of time (generally, three months or less). There are no variable considerations created from rendered services.

The adoption of IFRS 15 does not have any impact on the Company; however it modifies its accounting policies with the purpose to align those to the new 5-step model established by IFRS 15. Those changes did not result in additional impacts for the revenues recognition in contrast to the previous standard IAS 18.

2.4.3 Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Coca-Cola FEMSA's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, Coca-Cola FEMSA has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on Coca-Cola FEMSA's consolidated financial statements.

2.4.4 Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such as deferred taxes, investment in an associate and a joint venture (arising from the financial instruments held by these entities), income tax expense, non-controlling interests and retained earnings were adjusted as necessary.

IFRIC Interpretation 22- Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on Coca-Cola FEMSA's consolidated financial statements.

Note 3. Significant Accounting Policies

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2018. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements of income and comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities

3.1.1 Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore they are recognized entirely in equity without applying acquisition accounting. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are measured at carrying amount and reflected in shareholders' equity as part of additional paid-in capital.

3.2 Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Company. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquired. For each business combination, the Company elects whether to measure the non-controlling interests in the acquired at fair value or at the proportionate share of the acquired' s identifiable net assets.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired, and the fair value of the Company previously held equity interest in the acquired (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquired and the fair value of the Company's previously held interest in the acquired (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re- measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent considerations are recognized in consolidated net income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete, and discloses that its allocation is preliminary in nature. Those provisional amounts are adjusted during the measurement period (not greater than 12 months from the acquisition date), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Sometimes obtaining control of an acquired in which equity interest is held immediately before the acquisition date is considered as a business combination achieved in stages also referred to as a step acquisition. The Company re-measures its previously held equity interest in the acquired at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss. Also, the changes in the value of equity interest in the acquired recognized in other comprehensive income shall be recognized on the same basis as required if the Company had disposed directly of the previously held equity interest, see Note 3.11.2.

The Company sometimes obtains control of an acquired without transferring consideration. The acquisition method of accounting for a business combination applies to those combinations as follows:

i. The acquired repurchases a sufficient number of its own shares for the Company to obtain control.

ii. Minority veto rights lapse that previously kept the Company from controlling an acquired in which it held the majority voting rights.

iii. The Company and the acquired agree to combine their businesses by contract alone in which it transfers no consideration in exchange for control and no equity interest is held in the acquired, either on the acquisition date or previously.

3.3 Foreign currencies and consolidation of foreign subsidiaries, investments in associates and joint ventures

In preparing the financial statements of each individual subsidiary, associate and joint venture, transactions in currencies other than the individual entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-measured.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- The variations in the net investment in foreign subsidiaries generated by exchange rate fluctuation are included in other comprehensive income, which is recorded in equity as part of the cumulative exchange differences on translation of foreign subsidiaries and associates within the accumulated other comprehensive income.
- Intercompany financing balances with foreign subsidiaries that are considered as non-current investments, since there is no plan to pay such financing in the foreseeable future. Monetary position and exchange rate fluctuation regarding this financing is included in the exchange differences on translation of foreign subsidiaries and associates, which is recorded in equity as part of the accumulated other comprehensive income.
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Foreign exchange differences on monetary items are recognized in profit or loss. Their classification in the income statement depends on their nature. Differences arising from fluctuations related to operating activities are presented in the "other expenses" line (see Note 19) while fluctuations related to non-operating activities such as financing activities are presented as part of "foreign exchange gain (loss)" line in the income statement.

For incorporation into the Company's consolidated financial statements, each foreign subsidiary, associate or joint venture's individual financial statements are translated into Mexican pesos, as follows:

- For hyperinflationary economic environments, the inflation effects of the origin country are recognized pursuant IAS 29 Financial Reporting in Hyperinflationary Economies, and subsequently translated into Mexican pesos using the year-end exchange rate for the consolidated statements of financial position and consolidated income statement and comprehensive income; and
- For non-inflationary economic environments, assets and liabilities are translated into Mexican pesos using the year-end exchange rate, equity is translated into Mexican pesos using the historical exchange rate, and the income statement and comprehensive income is translated using the exchange rate at the date of each transaction. The Company uses the average exchange rate of each month only if the exchange rate does not fluctuate significantly.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of exchange differences on translation of foreign subsidiaries and associates are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint ventures that do not result in the Company losing significant influence or joint control), the proportionate share of the exchange differences on translation of foreign subsidiaries and associates is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Foreign exchange differences are recognized in equity as part of the exchange differences on translation of foreign subsidiaries and associates.

The translation of assets and liabilities denominated in foreign currencies into Mexican pesos is for consolidation purposes and does not indicate that the Company could realize or settle the reported value of those assets and liabilities in Mexican pesos. Additionally, this does not indicate that the Company could return or distribute the reported Mexican peso value in equity to its shareholders.

		Exchange Rates of Local Currencies Translated to Mexican Pesos [1]				
		Average Exchange Rate for			Exchange Rate as of December 31	
Country or Zone	Functional/coin	**2018**	2017	2016	**2018**	2017
Mexico	Mexican peso	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00
Guatemala	Quetzal	2.56	2.57	2.46	2.54	2.69
Costa Rica	Colon	0.03	0.03	0.03	0.03	0.03
Panamá	U.S Dollar	19.24	18.93	18.66	19.68	19.74
Colombia	Colombian peso	0.01	0.01	0.01	0.01	0.01
Nicaragua	Cordoba	0.62	0.63	0.65	0.61	0.64
Argentina	Argentine peso	0.73	1.15	1.26	0.52	1.06
Brazil	Reais	5.29	5.94	5.39	5.08	5.97
Philippines	Philippines peso	0.37	0.38	0.39	0.37	0.40
Uruguay	Uruguayan peso	0.63	0.66	0.71	0.61	0.69

(1) Exchange rates published by the central bank of each country

(a) Venezuela

Effective December 31, 2017, the Company determined that deteriorating conditions in Venezuela had led the Company to no longer meet the accounting criteria to consolidate its Venezuelan operations. Such deteriorating conditions had significantly impacted the Company's ability to manage its capital structure, its capacity to import and purchase raw materials and had imposed limitations on the portfolio dynamics. In addition, certain government controls over pricing of some products, labor law restrictions and ability to obtain US Dollars and imports, have affected the normal course of business. Therefore, and due to the fact that its Venezuelan operations will continue, as of December 31, 2017, the Company changed the method of accounting for its investment in Venezuela from consolidation to fair value method measured using a Level 3 concept and recognized as of December 31, 2017.

As a result of the deconsolidation, the Company recorded an extraordinary loss in other expenses line of Ps. 28,176 for the year ended in December 31, 2017. Such charge includes the reclassification of Ps. 26,123 (see Note 21) previously recorded in exchange differences on translation of foreign subsidiaries and associates in equity, to the income statement and impairment charges as follows, Ps. 745 of distribution rights, Ps. 1,098 of property plant and equipment and Ps 210 of re-measurement at fair-value of the Venezuelan's investment.

Prior to deconsolidation, during 2017, the Company's Venezuela operations contributed Ps. 4,005 to net sales and losses of Ps. (2,223) to net income. See also Note 26 for additional information about the Venezuelan operations.

Beginning on January 1, 2018, the Company recognized its investment in Venezuela under the fair value method upon adoption of the new IFRS 9 standard. Consequently, the Company no longer includes the results of the Venezuelan operations in its Consolidated Financial Statements as explained in the Note 2.3.1.10.

Exchange rate

Until December 31, 2017, the Company's recognition of its Venezuelan operations involved a two-step accounting process in order to translate into bolivars all transactions in a different currency than bolivars and then to translate the bolivar amounts to Mexican Pesos.

Step-one: Transactions were first recorded in the stand-alone accounts of the Venezuelan subsidiary in its functional currency, which are bolivars. Any non-bolivar denominated monetary assets or liabilities were translated into bolivars at each balance sheet date using the exchange rate at which the Company expects them to be settled, with the corresponding effect of such translation being recorded in the income statement.

Step-two: In order to integrate the results of the Venezuelan operations into the consolidated figures of the Company, such Venezuelan results were translated from Venezuelan bolivars into Mexican pesos.

On December 2017, the Company translated the Venezuela entity figures using an exchange rate of bolivars. 22,793 per USD, as such exchange rate better represents the economic conditions in Venezuela. The Company considers that this exchange rate provides more useful and relevant information related to the Venezuela´s financial position, financial performance and cash flows. On January 30, 2018, a new auction of the DICOM conducted by the Venezuela government resulted in an estimated exchange rate of Bolivars. 30,987 per Eu (equivalent to 25,000 per USD).

3.4 Recognition of the effects of inflation in countries with hyperinflationary economic environments

As of December 2017 and 2016 there were multiple inflation indices (including combination of indices in the case of CPI or certain months without official available information in the case of National Wholesale Price Index (WPI)) which provide different inflation indexes for Argentina, therefore, there was different judgments about the criteria in the application of hyperinflation for this country.

Beginning on July 1, 2018, Argentina became a hyperinflationary economy because, among some other economic factors, the last three years cumulative inflation in Argentina exceeded 100% according to the several economic indexes that exist in the country. For being considered hyperinflationary, the financial information for our Argentine subsidiary has been adjusted to recognize the inflationary effects since January 1, 2018 through:

- Using inflation factors to restate non-monetary assets, such as inventories, property, plant and equipment, net, intangible assets, net, including related costs and expenses when such assets are consumed or depreciated.
- Recognize the monetary position gain or loss in consolidated net income.

The Company restates the financial information of subsidiaries that operate in hyperinflationary economic environment using the consumer price index (CPI) of each country.

The FACPCE (Federacion Argentina de consejos profesionales de ciencias economicas) approved on September 29, 2018 and published on October 5, 2018, a resolution which defines, among other things, that the index price to determine the restatement coefficient (Based on a series that applies the NCPI from January with the IPIM until this date, and computing November and December 2015 using the CPI- of Ciudad del Gran Buenos Aires (CGBA) variation)

As showed in the note 3.3 as of December 31, 2017, the Company deconsolidated the Venezuela operation and in consequence the Company will no longer include the result for the Venezuela operation in the consolidated financial statements, even though the Venezuela entity will continue its normal operation. As of December 31, 2018, 2017, and 2016, the operations of the Company are classified as follows:

Country	Cumulative Inflation 2016 - **2018**	Type of Economy	Cumulative Inflation 2015 - 2017	Type of Economy	Cumulative Inflation 2014- 2016	Type of Economy
Mexico	15.7%	Non-hyperinflationary	12.7%	Non-hyperinflationary	9.9%	Non-hyperinflationary
Guatemala	12.2%	Non-hyperinflationary	13.5%	Non-hyperinflationary	10.6%	Non-hyperinflationary
Costa Rica	5.7%	Non-hyperinflationary	2.5%	Non-hyperinflationary	5.1%	Non-hyperinflationary
Panama	2.1%	Non-hyperinflationary	2.3%	Non-hyperinflationary	2.8%	Non-hyperinflationary
Colombia	13.4%	Non-hyperinflationary	17.5%	Non-hyperinflationary	17.0%	Non-hyperinflationary
Nicaragua	13.1%	Non-hyperinflationary	12.3%	Non-hyperinflationary	13.1%	Non-hyperinflationary
Argentina	158.4%	Hyperinflationary	101.5%	Non-hyperinflationary	99.7%	Non-hyperinflationary
Venezuela	NA	NA	30,690%	Hyperinflationary	2,263.0%	Hyperinflationary
Brazil	13.1%	Non-hyperinflationary	21.1%	Non-hyperinflationary	25.2%	Non-hyperinflationary
Uruguay	25.3%	Non-hyperinflationary	NA	Non-hyperinflationary	NA	Non-hyperinflationary
Philippines	11.9%	Non-hyperinflationary	7.5%	Non-hyperinflationary	5.7%	Non-hyperinflationary

3.5 Cash and cash equivalents

Cash consists of deposits in bank accounts which generate interest on the available balance. Cash equivalents are mainly represented by short-term bank deposits and fixed income investments (overnight), both with maturities of three months or less and their carrying values approximate fair value.

The Company also maintains restricted cash held as collateral to meet certain contractual obligations (see Note 9). Restricted cash is presented within other current financial assets given that the restrictions are short-term in nature.

3.6 Financial assets

Financial assets are classified within the following business models depending on the Administration's objective: (i) "hold to maturity to recover cash flows", (ii) "hold to maturity and sell financial assets" and (iii) "Others or hold to negotiate" or as derivatives assigned in hedging instruments with an effective hedge, as appropriate. The classification depends on the nature and purpose of the financial assets and will be determined at the time of initial recognition.

The Company performs a portfolio – level assessment of the business model objective in which a financial asset is held to reflect the best way in which the business manages the financial asset and the manner in which the information is provided to the management of the Company. The information that is considered within the evaluation includes:

- The policies and objectives of the Company in relation to the portfolio and the practical implementation of said policies;
- Performance and evaluation of the Company's portfolio including accounts receivable;
- Risks that affect the performance of the business model and how those risks are managed;
- Any compensation related to the performance of the portfolio; and
- Frequency, volume and timing of sales of financial assets in previous periods together with the reasons for said sales and expectations regarding future sales activities.

The Company's financial assets include cash, cash equivalents and restricted cash, investments with maturities of more than three months, loans and accounts receivable, derivative financial instruments and other financial assets.

For the initial recognition of a financial asset, the Company measures it at fair value plus the transaction costs that are directly attributable to the purchase thereof, in the event that said asset isn't measured at fair value through profit or loss. Accounts receivable that do not have a significant financing component are measured and recognized at the transaction price and when they are generated. The rest of the financial assets are recognized only when the Company is part of the contractual provisions of the instrument.

The fair value of an asset is measured using assumptions that would be used by market participants when valuing the asset, assuming that market participants act in the best economic interest.

During the initial recognition, the financial asset is also classified as measured at: amortized cost, fair value with changes in other comprehensive income – debt or equity investments – and fair value through profit or loss. The classification depends on the objective by which the financial asset is acquired.

Financial assets are not reclassified after their initial recognition unless Coca Cola FEMSA changes the business model to manage the financial assets; in which case, all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

3.6.1 Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets the following two conditions and isn't designated as FVTPL:

- It's managed within a business model whose objective is to maintain financial assets to recover the contractual cash flows; and
- The contractual terms are only payments at specified dates of the principal and interest on the amount of the outstanding principal ("SPPI").

The amortized cost of a financial asset is the amount of the initial recognition minus the principal payments, plus or minus the accumulated amortization using the effective interest rate method of any difference between the initial amount and the amount as of the maturity and, for financial assets, adjusted for loss of impairment. The financial product, exchange fluctuation and impairment are recognized in results. Any profit or loss is also recognized in the same way in results.

3.6.1.1 Effective interest rate method ("ERR")

The effective interest rate method is a method to calculate the amortized cost of loans, accounts receivables and other financial assets (designated as held-to-maturity) and to allocate interest income / expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that represents an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on the initial recognition.

3.6.2 Financial assets at fair value with changes in other comprehensive income ("OCI")

A financial asset is measured as FVOCI if it meets the following two conditions and isn't designated as FVTPL:

- Its administered within a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets; and
- The contractual terms are only payments at specified dates of the principal and interest on the amount of the outstanding principal.

These assets are subsequently measured at fair value. The financial product calculated using the IRR, the exchange rate fluctuation and the impairment are recognized in profit and loss. Other gains and losses, related to changes in fair value are recognized in OCI. In case of losses or dispositions, the accumulated gains and losses in OCI are reclassified to profit and loss.

In the initial recognition of an equity instrument that isn't held for trading, under the "other" business model, the Company may irrevocably choose to present changes in the fair value of the investment in OCI. This choice is made at the level of each investment. Equity instruments are subsequently measured at fair value. Dividends are recognized as profit in profit and loss unless the dividend clearly represents a recovery part of the investment cost. Other net gains and losses, related to changes in fair value, are recognized in OCI and considered as items that will not be reclassified to consolidated net income in subsequent periods.

3.6.3 Financial assets at fair value through profit and loss ("FVTPL")

Financial assets designated as fair value through profit and loss (FVTPL) includes financial assets held for trading and financial assets designated at initial recognition as fair value through profit and loss. Financial assets are classified as held for trading if they are acquired to be sold in the short term. Derivatives, including implicit derivate are also designated as held for trading unless they are designated as effective hedging instruments as defined in IFRS 9. Financial assets as fair value through profit and loss are registered in the balance sheet at fair value with the net changes in the fair value presented as financial expense (negative changes in fair value) or financial income (positive net changes in fair value) in profit and loss statement.

3.6.4 Evaluation that contractual cash flows are solely principal and interest payments ("SPPI")

In order to classify a financial asset within one of the three different categories, the Company determines whether the contractual cash flows of the asset are solely principal and interest payments. The Company considers the contractual terms of the financial instrument and whether the financial asset contains any contractual term that could change the timing or amount of the contractual cash flows in such a way that it would not meet the SPPI criteria. To make this evaluation, the Company considers the following criteria:

- Contingent events that would change the cash flows amount or timing;
- Terms that can adjust the contractual coupon rate, including variable interest rate characteristics;
- Payment and extension features; and
- Characteristics that limit the Company's right to obtain cash flows from certain assets.

A prepaid feature is consistent with the characteristics of solely principal and interest payments if the prepayment amount substantially represents the amounts of the principal and interest pending payment, which could include reasonable compensation for early termination of the contract. Additionally, a financial asset acquired or originated with a premium or discount to its contractual amount and in the initial recognition the fair value of the prepaid characteristic is insignificant, the asset will pass the test of the contractual characteristics of cash flow if the amount of prepaid represents substantially the contractual amount and accrued interest (but not paid); which may include additional compensation for the early contract termination.

3.6.5 Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that ae not quoted in an active market. Loans and receivable with a stated term (including trade and other receivable) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivable when the recognition of interest would be immaterial. For the years ended December 31, 2018, 2017 and 2016 the interest income on loans and receivables recognized in the interest income line item within the consolidated income statements is Ps. 5,Ps. 4 and Ps. 3, respectively.

3.6.6 Other financial asset

Other financial assets include long term accounts receivable and derivative financial instruments. Other financial assets with a stated term are measured at amortized cost using the effective interest method, less any impairment.

3.6.7 Financial assets impairment

The Company recognizes impairment due to expected credit loss (ECL) in:

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI;
- Other contractual assets

Impairment losses on accounts receivable, contractual assets and leasing receivables are always measured at an amount equal to the expected loss of credit for life, whether or not it has a significant component. The Company applies the criteria to all accounts receivable, contractual assets and leasing credits, but it can be applied separately accounts receivable and contractual assets of financial leases.

The Company measures impairment losses at an amount equal to ECL for life, except for the following:

- Debt instruments determined to be of low credit risk; and
- Other debt instruments and bank balances for which the credit risk (risk of non- recoverability over the expected life of the financial instrument) hasn't increased significantly since the initial recognition.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and estimating the ECL, the Company considers reasonable and sustainable information that is relevant and available without cost or disproportionate effort. This includes qualitative and quantitative information and analysis, based on historical experience and an informed credit assessment of the Company.

The impairment loss is a weighted estimate of the probability of expected loss. The amount of impairment loss is measured as the present value of any lack of liquidity (the difference between the contractual cash flows that correspond to the Company and the cash flows that management expects to receive). The expected credit loss is discounted using the original financial asset effective interest rate.

The Company annually evaluates the reasonableness to determine if there was objective evidence of impairment. Some objective evidence that financial assets were impaired includes:

- Non-payment or delinquency of a debtor;
- Restructuring of an amount corresponding to the Company under terms that the Company would not otherwise consider;
- Indicators that a debtor or client will incur into bankruptcy;
- Adverse changes in the status of debtor or client payments;
- The disappearance of an active market for an instrument due to financial difficulties; or
- Evident information indicating that there was a measurable decrease in the expected cash flows of a group of financial assets.

For an investment within a capital instrument, objective evidence of impairment includes a significant or prolonged decrease in its fair value lower than the carrying amount.

The impairment loss on financial assets measured at amortized cost is reduced from the carrying amount and for financial assets measured at FVTOCI, the impairment loss is recognized as profit or loss within OCI.

3.6.8 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows From the financial asset have expired; or
- The Company has transferred its rights to receive the asset cash flows or has assumed an obligation to pay the full received cash flows without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred or retained substantially all the asset risks and benefits, but has transferred control of the asset.

3.6.9 Offsetting of financial instruments

Financial assets are required to be offset against financial liabilities and the net amount reported in the consolidated statement of financial position if, and only if the Company:

- Currently has an enforceable legal right to offset the recognized amounts; and
- Intends to settle on a net basis, or to realize the assets and settle the liabilities simultaneously

3.7 Derivative financial instruments

The Company is exposed to different risks related to cash flows, liquidity, market and third party credit. As a result, the Company contracts different derivative financial instruments in order to reduce its exposure to the risk of exchange rate fluctuations between the Mexican peso and other currencies, and interest rate fluctuations associated with its borrowings denominated in foreign currencies and the exposure to the risk of fluctuation in the costs of certain raw materials.

The Company values and records all derivative financial instruments and hedging activities, in the consolidated statement of financial position as either an asset or liability measured at fair value, considering quoted prices in recognized markets. If such instruments are not traded in a formal market, fair value is determined by applying techniques based upon technical models supported by sufficient, reliable and verifiable market data, recognized in the financial sector. Changes in the fair value of derivative financial instruments are recorded each year in current earnings otherwise as a component of cumulative other comprehensive income based on the item being hedged and the effectiveness of the hedge.

3.7.1 Hedge accounting

The Company designates certain hedging instruments, which include derivatives to cover foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

3.7.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading valuation of the effective portion of derivative financial instruments. The gain or loss relating to the ineffective portion is recognized immediately in consolidated net income, and is included in the market value (gain) loss on financial instruments line item within the consolidated statements of income.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to consolidated net income in the periods when the hedged item is recognized in consolidated net income, in the same line of the consolidated statement of income as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in cumulative other comprehensive income in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in consolidated net income. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in consolidated net income.

3.7.3 Fair value hedges

For hedge items carried at fair value the change in the fair value of a hedging derivative is recognized in the statement of profit or loss as foreign exchange gain or loss, as they relate to foreign currency risk. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of profit or loss as foreign exchange gain or loss.

For fair value hedges relating to items carried at amortized cost, change in the fair value of the effective portion of the hedge is recognized first as an adjustment to the carrying value of the hedged item and then any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit and loss.

3.7.4 Hedge of net investment in a foreign business

The Company designates certain debt securities as a hedge of its net investment in foreign subsidiaries and applies hedge accounting to foreign currency differences arising between the functional currency of its investments abroad and the functional currency of the holding company (Mexican peso), regardless of whether the net investment is held directly or through a sub-holding. Differences in foreign currency that arise in the conversion of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income in the exchange differences on the translation of foreign operations and associates caption , to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognized as market value gain or loss on financial instruments within the consolidated income statements. When part of the hedge of a net investment is disposed, the corresponding accumulated foreign currency translation effect is recognized as part of the gain or loss on disposal within the consolidated income statement.

3.8 Fair value measurement

The Company measures financial instruments, such as, derivatives, and certain non-financial assets such as trusts assets of labor obligations at fair value at each balance sheet date. Also, fair values of bank loans and notes payable carried at amortized cost are disclosed in Note 18.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring fair value measurement, such as those described in Note 20 and unquoted liabilities such as debt described in Note 18.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.9 Inventories and cost of goods sold

Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Inventories represent the acquisition or production cost which is incurred when purchasing or producing a product, and are based on the weighted average cost formula.

Cost of goods sold is based on weighted average cost of the inventories at the time of sale. Cost of goods sold includes expenses related to the purchase of raw materials used in the production process, as well as labor costs (wages and other benefits), depreciation of production facilities, equipment and other costs, including fuel, electricity, equipment maintenance and inspection.

3.10 Held for sale long lived assets and discontinued operations

The Company classifies the long lived assets as held for sell when:

a) It is expected to be recovered principally through the sale, instead of being recovered through its operational continuous use.

b) The assets are maintained as held for its immediately sale and;

c) The assets sale is considered as highly possible in its actual condition.

For considering a sale as highly possible:

- Management should be engaged with a sales plan.
- It must be started an active plan to locate a buyer and complete this plan.
- The asset must be actively valued to its sale in a reasonable price related to its fair value.
- The sale is expected to be completed in less than one year term beginning on the date classification.

The non-current assets held for sale are measured at the lower value between the carrying value and the fair value less the disposal cost.

The discontinued operations are the cash flows and operations that can be clearly distinguished from the rest of the entity operations that have been disposed or classified has held for sale, and:

- Represents a business part or geographic area
- Are part of a coordinated plan to dispose of a business part or a geographic part of its operation
- It is a subsidiary acquired exclusively with selling proposes.

The discontinued operations excludes the continuing operations results and they are presented separately in the profit and loss statement after taxes in a line denominated "Discontinued operations"

Regarding Philippines disposal additional disclosure is provided in Note 5. All of the financial statements includes amounts for discontinued operations unless it is indicated explicitly otherwise.

3.11 Other current assets

Other current assets, which will be realized within a period of less than one year from the reporting date, are comprised of prepaid assets, product promotion and agreements with customers.

Prepaid assets principally consist of advances to suppliers of raw materials, advertising, promotional, leasing and insurance costs, and are recognized as other current assets at the time of the cash disbursement, and are unrecognized in the consolidated statement of financial position and recognized in the appropriate consolidated income statement caption when the risks and rewards of the related goods have been transferred to the Company or services have been received, respectively.

The Company has prepaid advertising costs which consist of television and radio advertising airtime paid in advance. These expenses are generally amortized over the period based on the transmission of the television and radio spots. The related production costs are recognized in consolidated income statement as incurred.

The Company has agreements with customers for the right to sell and promote the Company's products over a certain period. The majority of these agreements have terms of more than one year, and the related costs are amortized using the straight-line method over the term of the contract. During the years ended December 31, 2018, 2017 and 2016, such amortization aggregated to Ps. 277, Ps. 759 and Ps. 582, respectively.

3.12 Investments in other entities

3.12.1 Investments in associates

Associates are those entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value.

Investments in associates are accounted for using the equity method and initially recognized at cost, which comprises the investment's purchase price and any directly attributable expenditure necessary to acquire it. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. The financial statements of the associates are prepared for the same reporting period as the Company.

When the Company's share of losses exceeds the carrying amount of the associate, including any advances, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has a legal or constructive obligation or has made payments on behalf of the associate.

Goodwill identified at the acquisition date is presented as part of the investment in shares of the associate in the consolidated statement of financial position. Any goodwill arising on the acquisition of the Company's interest in an associate is measured in accordance with the Company's accounting policy for goodwill arising in a business combination, see Note 3.2.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on its investment in its associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the share of the profit or loss of associates accounted for using the equity method in the consolidated statements of income.

3.12.2 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Company classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Company's rights to the assets and obligations for the liabilities of the arrangements.

Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Company recognizes its interest in the joint ventures as an investment and accounts for that investment using the equity method.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. As of December 31, 2018 and 2017 the Company does not have an interest in joint operations.

Upon loss of joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value.

3.12.3 Investment in Venezuela

As disclosed in Note 3.3, on December 31, 2017 the Company changed the method of accounting for its investment in Venezuela from consolidation to fair value method through OCI using a Level 3 concept and recognized as of December 31, 2018 a fair value loss on the investment Ps. 1,039 and Ps. 210, respectively. Gains and losses on the investment since January 1, 2018 are recognized in OCI.

3.13 Property, plant and equipment

Property, plant and equipment are initially recorded at their cost of acquisition and/or construction and are presented net of accumulated depreciation and accumulated impairment losses if any. The borrowing costs related to the acquisition or construction of qualifying asset is capitalized as part of the cost of that asset.

Major maintenance costs are capitalized as part of total acquisition cost. Routine maintenance and repair costs are expensed as incurred.

Investments in progress consist of long-lived assets not yet in service, in other words, that are not yet ready for the purpose that they were bought, built or developed. The Company expects to complete those investments during the following 12 months.

Depreciation is computed using the straight-line method over acquisition cost. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted and depreciated for as separate items (major components) of property, plant and equipment. The Company estimates depreciation rates, considering the estimated useful lives of the assets.

The estimated useful lives of the Company’s principal assets are as follows:

	Years
Buildings	40 – 50
Machinery and equipment	10 – 20
Distribution equipment	7 – 15
Refrigeration equipment	5 – 7
Returnable bottles	1.5 – 4
Other equipment	3 – 10

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds (if any) and the carrying amount of the asset and is recognized in consolidated income statement.

Returnable and non-returnable bottles:

The Company has two types of bottles: returnable and non-returnable.

- Non-returnable: Are recorded in consolidated income statement at the time of the sale of the product.
- Returnable: Are classified as long-lived assets as a component of property, plant and equipment. Returnable bottles are recorded at acquisition cost and for countries with hyperinflationary economies, restated according to IAS 29. Depreciation of returnable bottles is computed using the straight-line method considering their estimated useful lives.

There are two types of returnable bottles:

- Those that are in the Company’s control within its facilities, plants and distribution centers; and
- Those that have been placed in the hands of customers and still belong to the Company.

Returnable bottles that have been placed in the hands of customers are subject to an agreement with a retailer pursuant to which the Company retains ownership. These bottles are monitored by sales personnel during periodic visits to retailers and the Company has the right to charge any breakage identified to the retailer. Bottles that are not subject to such agreements are expensed when placed in the hands of retailers.

The Company’s returnable bottles are depreciated according to their estimated useful lives (3 years for glass bottles and 1.5 years for PET bottles). Deposits received from customers are amortized over the same useful estimated lives of the bottles.

3.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs may include:

- interest expense; and
- exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in consolidated income statement in the period in which they are incurred.

3.15 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance and represent payments whose benefits will be received in future years. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition (see Note 3.2). Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite, in accordance with the period over which the Company expects to receive the benefits.

Intangible assets with finite useful lives are amortized and mainly consist of information technology and management system costs incurred during the development stage which are currently in use. Such amounts are capitalized and then amortized using the straight-line method over their expected useful lives. Expenditures that do not fulfill the requirements for capitalization are expensed as incurred.

Amortized intangible assets, such as finite lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable through its expected future cash flows.

Intangible assets with an indefinite life are not amortized and are subject to impairment tests on an annual basis as well as whenever certain circumstances indicate that the carrying amount of those intangible assets exceeds their recoverable value.

The Company's intangible assets with an indefinite life mainly consist of rights to produce and distribute Coca-Cola trademark products in the Company's territories. These rights are contained in agreements that are standard contracts that The Coca-Cola Company has with its bottlers.

As of December 31, 2018, and regarding to a joint restructure with The Coca-Cola Company for the Mexico's bottling contracts, the Company had four bottler agreements in Mexico: (i) the agreements for the Valley of Mexico territory, which are up for renewal in June 2023, (ii) the agreement for the Southeast territory, which is up for renewal in June 2023, (iii) one agreement for the Bajio territory, which are up for renewal in May 2025 and (iv) the agreement for the Golfo territory, which is up for renewal in May 2025. As of December 31, 2018, and regarding to a joint restructure with The Coca-Cola Company for the bottling contracts, the Company had two bottler agreements in Brazil which are up for renewal in October 2027; As of December 31, 2018, the Company had three bottler contracts in Guatemala, which are up for renewal in March 2025 and April 2028 (two contracts).

In addition The Company had one bottler agreement in each country which are up for renewal as follows; Argentina, which is up for renewal in September 2024; Colombia, which is up for renewal in June 2024; Panama, which is up for renewal in November 2024; Venezuela, which is up for renewal in August 2026; Costa Rica, which is up for renewal in September 2027; Nicaragua, which is up for renewal in May 2026, and Uruguay, which is up for renewal in June 2028.

The bottler agreements are automatically renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew a specific agreement. In addition, these agreements generally may be terminated in the case of material breach. Termination would prevent the Company from selling Coca-Cola trademark beverages in the affected territory and would have an adverse effect on the Company´s business, financial conditions, results from operations and prospects.

3.16 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.17 Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest CGUs for which a reasonable and consistent allocation basis can be identified.

For goodwill and other indefinite lived intangible assets, the Company tests for impairment on an annual basis and whenever certain circumstances indicate that the carrying amount of the related CGU might exceed its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted, as discussed in Note 2.3.1.1.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated net income.

Where the conditions leading to an impairment loss no longer exist, it is subsequently reversed, that is the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in consolidated net income. Impairment losses related to goodwill are not reversible. As of December 31,2018 there was no impairment recognized.

As of December, 31 2017 the Company recognized an impairment loss in long-lived assets used in the operation in Venezuela relating to property, plant and equipment for Ps.1,098 and distribution rights for Ps.745. See Note 11 and 12, respectively.

3.18 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Leasehold improvements, on operating leases are amortized using the straight-line method over the shorter of either the useful life of the assets or the related lease term.

3.19 Financial liabilities and equity instruments

3.19.1 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.19.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.19.3 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at amortized cost, except for derivatives instruments designated as hedging instruments in an effective hedge, financial liabilities arising from transfer of a financial asset that does not qualify for de-recognition, financial guarantee contracts and contingent consideration obligation in a business combination, as appropriate, which are recognized at FVTPL. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value less, in the case of loans and borrowings, directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments, see Note 3.7.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

3.19.4 Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest method. The effective interest method amortization is included in interest expense in the consolidated statements of income.

De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

3.20 Provisions

Provisions are recognized when the Company has a present obligation (contractual or implied) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Company recognizes a provision for a loss contingency when it is probable (i.e. the probability that the event will occur is greater than the probability that it will not) that certain effects related to past events, would materialize and can be reasonably quantified. These events and their financial impact are also disclosed as loss contingencies in the consolidated financial statements when the risk of loss is deemed to be other than remote. The Company does not recognize an asset for a gain contingency until the gain is realized, see Note 25.

Restructuring provisions are recognized only when the recognition criteria for provisions are fulfilled. The Company has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected must have been notified of the plans main features.

3.21 Post-employment and other non-current employee benefits

Post-employment and other non-current employee benefits, which are considered to be monetary items, include obligations for pension and post-employment plans and seniority premiums, all based on actuarial calculations, using the projected unit credit method.

In Mexico, the economic benefits and retirement pensions are granted to employees with 10 years of service and minimum age of 60. In accordance with Mexican Labor Law, the Company provides seniority premium benefits to its employees under certain circumstances. These benefits consist of a one-time payment equivalent to 12 days wages for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit.

For defined benefit retirement plans and other non-current employee benefits, such as the Company's sponsored pension and retirement plans and seniority premiums, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. All re-measurements effects of the Company's defined benefit obligation such as actuarial gains and losses and return on plan assets minus the discount rate are recognized directly in other comprehensive income ("OCI"). The Company presents service costs within cost of goods sold, administrative and selling expenses in the consolidated statements of income. The Company presents net interest cost within interest expense in the consolidated statements of income. The projected benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation as of the end of each reporting period. Certain subsidiaries of the Company have established plan assets for the payment of pension benefits and seniority premiums through irrevocable trusts of which the employees are named as beneficiaries, which serve to decrease the funded status of such plans' related obligations.

Costs related to compensated absences, such as vacations and vacation premiums, are recognized on an accrual basis.

The Company recognizes a liability and expense for termination benefits at the earlier of the following dates:

a. When it can no longer withdraw the offer of those benefits; and

b. When it recognizes costs for a restructuring that is within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and involves the payment of termination benefits.

The Company is demonstrably committed to a termination when, and only when, the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

A settlement occurs when an employer enters into a transaction that eliminates all further legal of constructive obligations or part or all of the benefits provided under a defined benefit plan. A curtailment arises from an isolated event such as closing of a plant, discontinuance of an operation or termination or suspension of a plan. Gains or losses on the settlement or curtailment of a defined benefit plan are recognized when the settlement or curtailment occurs.

3.22 Revenue recognition

The Company recognizes revenue when it has transferred to the client control over the good sold or the service rendered. Control refers to the ability of the client to direct and obtain substantially all the transferred product benefits. Also, it implies that the customer has the ability to prevent a third-party from directing the use and obtaining substantially all the benefits of the transferred product. Coca-Cola FEMSA's management applies the following considerations to analyze the moment in which the control of the good sold or the service is transferred to the client

- Identify the contract (written, spoken or according to the conventional business practices)
- Evaluate the goods and services engaged in the client's contract and identify the related performance obligations.
- Consider the contract terms and the commonly accepted practices in the business to determine the transaction price. The transaction price is the consideration that the Company expects to be entitled for transferring the goods and services engaged with the client, excluding the collected amount for third parties, such as taxes directly related to the sales. The consideration engaged in a customer's contract may include fixed amount, variable amounts or both of them.
- Allocate the transaction price to each performance obligation (to each good or services different) for an amount that represents the part of the benefit that the Company expects to receive in exchange for the right of transferring the goods or services engaged with the client.
- Recognize revenue when (or while) it satisfied the performance obligation through the transfer of the goods or services engaged.

All of the conditions mentioned above are accomplished normally when the goods are delivered and services are provided to the customer and this moment is considered a point in time. The net sales reflect the units delivered at list price, net of promotions and discounts.

The Company generates revenues for the following principal activities:

Sale of goods.
It includes the sales of goods by all the subsidiaries of the Company, mainly the sale of beverages of the leading brand of Coca-Cola in which the revenue is recognized in the point of time those products were sold to the customers

Rendering of services.
It includes the revenues of distribution services that the Company recognizes as revenues as the related performance obligation is satisfied. The Company recognizes revenues for rendering of services during the time period in which the performance obligation is satisfied according with the following conditions:

- The customer receives and consume simultaneously the benefits, as the Company satisfies the performance obligation;
- The customer controls related assets, even if the Company improve them;
- The revenues can be measured reliably; and
- The Company has the right to payment for the performance completed to date.

Sources of revenue	For the year ended December 31, **2018**		For the year ended December 31, 2017		For the year ended December 31, 2016	
Revenue sale of products	Ps.	181,823	Ps.	182,850	Ps.	177,082
Services rendered		330		262		189
Other operating revenues		189		144		447
Revenue from contracts with customers	Ps.	182,342	Ps.	183,256	Ps.	177,718

Variable allowances granted to customers

The Company adjusts the transaction price based on the estimations of the promotions, discounts or any other variable allowances that may be grantable to the customers. These estimations are based on the commercial agreements celebrated with the customers and in the historical performance predicted for the customer.

Contracts costs.

The incremental costs for obtaining a customer contracts are recognized as an asset if the Company expects to recover the costs associated to them. The incremental costs are those in which you incur to obtain a contract and that wouldn't be generated if the contract hadn't been obtained. The Company recognizes these costs as an expense in the profit and loss statement when the associated income is realized in a period equal or less than one year. For any other cost related with the customer contract fulfillment, but not part of the own income recognition, is considered as an assets including all the incurred costs only if those costs are directly related with a contract or with an expected contract that the Company can specifically identify, and also that these costs generate or improve the resources that the Company will use to satisfy or continuing satisfying ; the future performance obligations and if it is expected to recover these associated costs. The recognized assets, as previously indicated, is amortized in a systematic way as goods and services are transferred to the client in such way that the asset will be recognized in the profit and loss statement through its amortization in the same period that revenue is accountably recognized.

3.23 Administrative and selling expenses

Administrative expenses include labor costs (salaries and other benefits, including employee profit sharing "PTU" of employees not directly involved in the sale of the Company's products, as well as professional service fees, the depreciation of office facilities, amortization of capitalized information technology system implementation costs and any other similar costs.

Selling expenses include:

- Distribution: labor costs (salaries and other related benefits), outbound freight costs, warehousing costs of finished products, depreciation of returnable bottles in the distribution process, depreciation and maintenance of trucks and other distribution facilities and equipment. For the years ended December 31, 2018, 2017 and 2016, these distribution costs amounted to Ps. 23,421, Ps. 25,041 and Ps. 20,250, respectively;
- Sales: labor costs (salaries and other benefits including PTU) and sales commissions paid to sales personnel;
- Marketing: promotional expenses and advertising costs.

PTU is paid by the Company's Mexican subsidiaries to its eligible employees. In Mexico, employee profit sharing is computed at the rate of 10% of the individual company taxable income. PTU in Mexico is calculated from the same taxable income for income tax, except for the following: a) neither tax losses from prior years nor the PTU paid during the year are being decreased; and b) payments exempt from taxes for the employees are fully deductible in the PTU computation.

3.24 Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. Income taxes are charged to consolidated income statements as they are incurred, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

3.24.1 Current income taxes

Income taxes are recorded in the results of the year they are incurred.

3.24.2 Deferred income taxes

Deferred tax are recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, including tax loss carryforwards and certain tax credits, to the extent that it is probable that future taxable profits, reversal of existing taxable temporary differences and future tax planning strategies will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In the case of Brazil, where certain goodwill amounts are at times deductible for tax purposes, the Company recognizes in connection with the acquisition accounting a deferred tax asset for the tax effect of the excess of the tax basis over the related carrying value.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred income taxes are classified as a non-current asset or liability, regardless of when the temporary differences are expected to reverse.

Deferred tax relating to items recognized in the other comprehensive income is recognized in correlation to the underlying transaction in OCI.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

In Mexico, the income tax rate is 30% for 2018, 2017 and 2016. As a result of the Mexican Tax Reform mentioned below, for the year 2019 the country will continue with a tax rate of 30%.

3.25 Share-based payments transactions

Senior executives of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments. The equity instruments are granted and then held by a trust controlled by FEMSA. They are accounted for as equity settled transactions. The award of equity instruments is granted for a fixed monetary value.

Share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the share-based payments is expensed and recognized based on the graded vesting method over the vesting period.

3.26 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its shares. As described in Note 23, the Company has potentially dilutive shares and therefore presents its basic and diluted earnings per share. Basic EPS is calculated by dividing the net income attributable to controlling interest by the weighted average number of shares outstanding during the period adjusted for the weighted average of own shares purchased in the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

3.27 Issuance of common shares

The Company recognizes the issuance of own common shares as an equity transaction. The difference between the book value of the shares issued and the amount contributed by the non-controlling interest holder or third party is recorded as additional paid-in capital.

Note 4. Mergers and Acquisitions

4.1 Mergers and Acquisitions

The Company has consummated certain business mergers and acquisitions during 2018, 2017 and 2016 that were recorded using the acquisition method of accounting. The results of the acquired operations have been included in the consolidated financial statements since the date on which the Company obtained control of the respective business, as disclosed below. Therefore, the consolidated statements of income and the consolidated statements of financial position in the year of such acquisitions are not comparable with previous periods. The consolidated statements of cash flows for the years ended December 31, 2018, 2017 and 2016 show the merged and acquired operations net of the cash acquired in those mergers and acquisitions.

While all of the acquired companies disclosed below are bottlers of Coca-Cola trademarked beverages, such acquired entities were not under common ownership or control prior to the acquisition.

4.1.1 Other acquisitions

During 2018 the Company had some acquisitions that together amounted to Ps. 5,692. These acquisitions were principally: (1) Acquisition of 100% of the Guatemalan Company Alimentos y Bebidas del Atlántico, S.A. ("ABASA") that was a bottler of Cola Cola Company products which operated in the north and orient zone of Guatemala, which is included in the Company results since May, 2018; (2) Acquisition of 100% of Comercializadora y Distribuidora Los Volcanes S.A ("Los Volcanes") which was a bottler of Cola- Cola Company products which operated in the south and occident zone of Guatemala and which is included in the Company's consolidated results beginning in May, 2018; and (3) Acquisition of 100% of Montevideo Refrescos S.R.L. ("MONRESA") founded in 1943 and is responsible for the production and distribution for the Coca Cola Company brands portafolio in Uruguay, reaching a market of 3.4 millions of consumers through 26 thousand points of sale, which isincluded in the consolidated financial results beginning on July 2018.

The Company is in the process of finalizing the allocation of the purchase price to the fair values of the identifiable assets acquired and liabilities assumed. This process is expected to be completed for each acquisition within12 months of the acquisition date.

The preliminary allocation of the purchase prices to the fair value of the net assets acquired is as follows.

Total acurrent assets, including cash aquired de Ps. 860	Ps.	1,846
Total non current assets		3,795
Distribution rights		4,602
Total assets		10,243
Total liabilities		(3,691)
Net assets aquired		6,552
Total consideration transferred		6,552
Cash aquired		(860)
Net cash paid	**Ps.**	**5,692**

The Company expects to recover the registered amount through the synergies related to the available production capacity.

The information for the profit and loss statements of these acquisitions for the period between the acquisition date and December 31, 2018 is as follows:

Profit and loss statements		**2018**
Total income	Ps.	4,628
Income before taxes		496
Net income		413

Unaudited Pro Forma Financial Data.

The following unaudited 2018 consolidated pro forma financial data represent the Company's historical financial statements, adjusted to give effect to other acquisitions in the period, as if the acquisition had occurred on January 1, 2018; and certain accounting adjustments mainly related to the pro forma depreciation of fixed assets of the acquired group of companies.

		Unaudited Pro Forma Financial Information for the year ended December 31, **2018**
Total revenues	Ps.	185,737
Income before taxes		17,763
Net income		15,500

4.1.2 Acquisition of Vonpar

On December 6, 2016, the Company through its Brazilian subsidiary Spal Industria Brasileira de Bebidas, S.A. completed the acquisition of 100% of Vonpar S.A. (herein "Vonpar") for a consideration transferred of Ps. 20,992. Vonpar was a bottler of Coca-Cola trademark products which operated mainly in Rio Grande do Sul and Santa Catarina, Brazil. This acquisition was made to reinforce the Company's leadership position in Brazil.

Of the purchase price of approximately Ps. 20,992 (R$3,508); Spal paid an amount of approximately Ps. 10,370 (R$1,730) in cash on December 6, 2016.

On the same date Spal additionally paid Ps. 4,124 (R$688) in cash, of which in a subsequent and separate transaction the sellers committed to capitalize for an amount of Ps. 4,082 into Coca-Cola FEMSA in exchange for approximately 27.9 million KOF series L shares at an implicit value of Ps. 146.27. In May 4, 2017, the Company merger with POA Eagle, S.A. de C.V., a Mexican company 100% owned by the sellers of Vonpar in Brazil, as per the announcement made on September 23, 2016. As a result of this merger, POA Eagle, S.A. de C.V. shareholders received 27.9 million newly issued KOF series L shares in exchange for cash accounts of POA Eagle,S.A. de C.V. for an amount of $4,082 million Mexican pesos.

At Closing, Spal issued and delivered a three-year promissory note to the sellers, for the remaining balance of 1,090 million Brazilian reais (approximately Ps.6,534 million as of December 6, 2016). 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. The holders of the promissory note have an option, that may be exercised prior to the scheduled maturity of the promissory note, to capitalize the Mexican peso amount equivalent to the amount payable under the promissory note into a recently incorporated Mexican company which would then be merged into the Company in exchange for Series L shares at a strike price of Ps.178.5 per share. Such capitalization and issuance of new Series L shares is subject to the Company having a sufficient number of Series L shares available for issuance.

As of December 6, 2016, the fair value of KOF series L (KL) shares was Ps. 128.88 per share, in addition the KL shares have not been issued, and consequently as a result of this subsequent transaction an embedded financial instrument was originated and recorded into equity for an amount of Ps. 485. In accordance with IAS 32, in the consolidated financial statements the purchase price was also adjusted to recognize the fair value of the embedded derivative arising from the difference between the implicit value of KL shares and the fair value at acquisition date.

Transaction related costs of Ps. 35 were expensed by Spal as incurred, and recorded as a component of administrative expenses in the accompanying consolidated income statements. Results of operation of Vonpar have been included in the Company's consolidated operating results from the acquisition date.

The fair value of Vonpar's net assets acquired is as follows:

		Final
Total current assets, including cash acquired of Ps. 1,287	Ps.	4,390
Total non-current assets		11,344
Distribution rights		14,793
Total assets		30,527
Total liabilities		11,708
Net assets acquired		18,819
Goodwill		2,173
Total consideration transferred	Ps.	20,992
Amount to be paid through Promissory Notes		(6,992)
Cash acquired of Vonpar		(1,287)
Amount recognized as embedded financial instrument		485
Net cash paid	Ps.	13,198

[1] As a result of the purchase price allocation which was finalized in 2017, additional fair value adjustments from those recognized in 2016 have been recognized as follow: Total non-current assets amounted of Ps. 490, distribution rights of Ps. 5,192 and goodwill of Ps. (5,681).

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to the Company´s cash generating unit in Brazil. The goodwill recognized and expected to be deductible for income tax purposes according to Brazil tax law, is Ps. 1,667.

Selected income statement information of Vonpar for the period from the acquisition date through to December 31, 2016 is as follows:

Income statement		2016
Total revenues	Ps.	1,628
Income before taxes		380
Net income		252

Unaudited Pro Forma Financial Data.

The following unaudited 2016 consolidated pro forma financial data represent the Company's historical financial statements, adjusted to give effect to (i) the acquisition of Vonpar, as if the acquisition had occurred on January 1, 2016; and (ii) certain accounting adjustments mainly related to the pro forma depreciation of fixed assets of the acquired group of companies.

		Unaudited Pro Forma Financial Information for the year ended December 31, 2016
Total revenues	Ps.	187,139
Income before taxes		15,819
Net income		11,539
Earnings per share		4.86

4.1.3 Acquisition of Philippines

In January 2013, the Company acquired a 51.0% non-controlling majority stake in CCFPI from The Coca-Cola Company. As mentioned in Note 19.6, the Company has a Call Option to acquire the remaining 49.0% stake in CCFPI at any time during the seven years following the closing date. The Company also has a Put Option to sell its ownership in CCFPI to The Coca-Cola Company commencing on the fifth anniversary of the closing date and ending on the sixth anniversary of the closing date. Pursuant to the Company's shareholders' agreement with The Coca-Cola Company, during a four-year period that ended on January 25, 2017, all decisions relating to CCFPI were approved jointly with The Coca-Cola Company. Since January 25, 2017, the Company controls CCFPI's as all decisions relating to the day-to-day operation and management of CCFPI'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. The Coca-Cola Company has the right to appoint (and may remove) CCFPI's chief financial officer. The Company has the right to appoint (and may remove) the chief executive officer and all other officers of CCFPI. Commencing on February 1, 2017, the Company started consolidating CCFPI's financial results in its financial statements.

The Company fair value of CCFPI net assets acquired to the date of acquisition (February 2017) is as follows:

Total current assets, including cash acquired of Ps. 4,038	Ps.	9,645
Total non-current assets		18,909
Distribution rights		4,144
Total assets		32,698
Total liabilities		(10,101)
Net assets acquired		22,597
Net assets acquired attributable to the parent company (51%)		11,524
Non-controlling interest (49%)		(11,073)
Fair value of the equity of CCFPI at the acquisition date		22,110
Carrying value of CCFPI investment derecognized		11,690
Loss as a result of premeasuring to fair value the equity interest		(166)
Gain on recycling of other comprehensive income –translation effects		2,996
Total net effect in P&L	Ps.	2,830

As a result of taking control over CCFPI, during 2017, the accumulated effect corresponding to translation adjustments recorded in the other comprehensive income for an amount of Ps. 2,996 were recognized in the income statement.

Unaudited Pro Forma Financial Data.

The following unaudited 2017 consolidated pro forma financial data represent the Company's historical financial statements, adjusted to give effect to (i) the consolidation of Philippines, as if the consolidation had occurred on January 1, 2017; and (ii) certain accounting adjustments mainly related to the pro forma depreciation of fixed assets of the acquired group of companies.

		Unaudited Pro Forma Financial Information for the year ended December 31, 2017
Total revenues	Ps.	205,436
Loss before taxes		(7,109)
Net loss		(11,559)

Selected income statement information of Philippines for the period from the acquisition date through to December 31, 2017 is as follows:

Income statement		2017
Total revenues	Ps.	20,524
Income before taxes		1,265
Net income		896

Note 5. Discontinued operations

On August 16, 2018, Coca- Cola FEMSA announced its decision to exercise the Put Option to sell its 51% of the Coca- Cola FEMSA Philippines, Inc. (CCFPI) to The Coca- Cola Company. Such decision was approved by the Company's board on August 6, 2018. Consequently, beginning August 31, 2018, CCFPI had been classified as an asset held for sale and its operations as a discontinued operation in the financial statements for December 31, 2017 and 2018. Previously CCFPI represented the Asia division and was considered an independent segment until December 31, 2017. Since its designation as discontinued operation, the Asia segment is no longer a separate segment in Note 26. The sale was completed on December 13, 2018, with the following results.

a) Discontinued operations results.

A summary of the discontinued operation results for the years ended December 31, 2018 and 2017 is shown below:

		2018		2017
Total revenues	Ps.	24,167	Ps.	20,524
Cost of goods sold		17,360		12,346
Gross profit		6,807		8,178
Operating expenses		5,750		6,865
Other expenses, net		7		134
Financial income, net		(185)		(64)
Foreing exchange gain, net		(73)		(22)
Income before taxes from discontinued operations		1,308		1,265
Income taxes		**466**		**370**
Net income from discontinued operations		842		895
Less- amount attributable to non-controlling interest		**391**		**469**
Net income from operations attributable to equity holders of the parent.		451		426
Accumulated currency translation effect		(811)		2,830
Gain on sale of subsidiary		**3,335**		**–**
Net income attributable to the equity holders of the parent from discontinued opeartions	**Ps.**	**2,975**	**Ps.**	**3,256**

[1] Cash and cash equivalent balances of Philippines operations on the date of sale were Ps. 6,898.

Note 6. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash item includes cash on hand and in banks and cash equivalents, which are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, with a maturity date of three months or less at their acquisition date. Cash and cash equivalents at the end of the reporting period consist of the following:

		2018		2017
Cash and bank balances	Ps.	7,778	Ps.	9,497
Cash equivalents (see Note 3.5)		15,949		9,270
	Ps.	**23,727**	**Ps.**	**18,767**

As explained in Note 3.3, as of December 31, 2017. Venezuela's operation was deconsolidated. . Cash and cash equivalent balances of the Venezuela's operations were Ps.170.

Note 7. Trade Receivable, Net

		2018		2017
Trade receivables	Ps.	11,726	Ps.	13,131
The Coca-Cola Company (related party) (Note 14)		1,173		2,054
Loans to employees		77		96
FEMSA and subsidiaries (related parties) (Note 14)		783		402
Other related parties (Note 14)		575		317
Shareholders Vonpar (Note 14) [1]		–		1,219
Other		1,108		825
Allowance for expected credit losses		(595)		(468)
	Ps.	14,847	Ps.	17,576

[1] Balance compensated vs promissory note according to Share Purchase Agreement.

7.1 Trade receivables

Trade receivable representing rights arising from sales and loans to employees or any other similar concept, are presented net of discounts and the allowance for expected credit losses.

Coca-Cola FEMSA has accounts receivable from The Coca-Cola Company primarily arising from the latter's participation in advertising and promotional programs.

During 2017, the Company took advantage of a Brazilian tax amnesty program. The settlement of certain outstanding matters under that amnesty program generated a benefit of Ps. 1,874 such benefit has been offset against the corresponding indemnifiable assets.

Because less than the 2.2% of the trade receivables is unrecoverable, the Company does not have any customers classified as "high risk" which would be eligible to have special management conditions for the credit risk. As of December 31, 2018, the Company does not have a representative group of customers directly related to the expected loss.

The allowance for credit losses is calculated with an expected losses model that recognizes the impairment losses through all the contract life. For this particular event, because generally are short-term accounts receivable, the company defined a model with a simplified expected loses focus thorough a parametric model. The parameters used in the model are:

- Breach probability;
- Losses severity;
- Financing rate;
- Special recovery rate; and
- Breach exposure.

The carrying value of accounts receivable approximates its fair value as of December 31, 2018 and 2017.

Aging for trade receivables past due but not impaired		2018		2017
0 days	Ps.	12,578	Ps.	15,314
1-30 days		1,045		1,550
31-60 days		193		129
61-90 days		310		45
91-120 days		17		23
121 + days		704		515
Total	Ps.	14,847	Ps.	17,576

7.2 Changes in the allowance for expected credit losses

		2018		2017		2016
Balance at the beginning of the year	Ps.	468	Ps.	451	Ps.	283
Effect of adoption of IFRS 9		87		–		–
Allowance for the year		153		40		6
Charges and write-offs of uncollectible accounts		23		(62)		(3)
Added in business combinations		1		86		94
Effects of changes in foreign exchange rates		(55)		(45)		71
Effect of Venezuela (See Note 3.3)		–		(2)		–
Effect of Philippines (Note 5)		(82)		–		–
Balance at the end of the year	**Ps.**	**595**	**Ps.**	**468**	**Ps.**	**451**

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

7.3 Payments from The Coca-Cola Company:

The Coca-Cola Company participates in certain advertising and promotional programs as well as in the Company's refrigeration equipment and returnable bottles investment program. Contributions received by the Company for advertising and promotional incentives are recognized as a reduction in selling expenses and contributions received for the refrigeration equipment and returnable bottles investment program are recorded as a reduction in the carrying amount of refrigeration equipment and returnable bottles items. For the years ended December 31, 2018, 2017 and 2016 contributions due were Ps. 3,542, Ps. 4,023 and Ps. 4,518, respectively.

Note 8. Inventories

		2018		2017
Finished products	Ps.	3,956	Ps.	3,691
Raw materials		3,074		4,092
Non-strategic spare parts		1,155		1,838
Inventories in transit		1,311		1,208
Packing materials		239		490
Other		316		45
	Ps.	**10,051**	**Ps.**	**11,364**

For the years ended as of December 31, 2018, 2017 and 2016, the Company recognized write-downs of its inventories for Ps. 122, Ps. 185 and Ps. 301, respectively to net realizable value.

For the years ended as of December 31, 2018, 2017 and 2016, changes in inventories are comprised as follows and included in the consolidated income statement under the cost of goods sold caption:

		2018		2017		2016
Changes in inventories of finished goods and work in progress	Ps.	21,457	Ps.	21,412	Ps.	18,154
Raw materials and consumables used		75,078		80,318		62,534
Total	**Ps.**	**96,535**	**Ps.**	**101,730**	**Ps.**	**80,688**

Note 9. Other Current Assets and Other Current Financial Assets

9.1 Other Current Assets:

		2018		2017
Prepaid expenses	Ps.	1,876	Ps.	1,849
Agreements with customers		146		192
	Ps.	**2,022**	**Ps.**	**2,041**

Prepaid expenses as of December 31, 2018 and 2017 are as follows:

		2018		2017
Advances for inventories	Ps.	1,311	Ps.	1,243
Advertising and promotional expenses paid in advance		509		367
Advances to service suppliers		1		142
Prepaid insurance		24		39
Others		31		58
	Ps.	**1,876**	**Ps.**	**1,849**

Advertising and promotional expenses was recorded in the consolidated income statements for the years ended December 31, 2018, 2017 and 2016 amounted to Ps. 5,813, Ps. 4,504 and Ps. 5,030 respectively.

9.2 Other Current Financial Assets:

		2018		2017
Restricted cash	Ps.	98	Ps.	504
Derivative financial instruments (See Note 20)		707		233
	Ps.	**805**	**Ps.**	**737**

As of December 31, 2018 and 2017, restricted cash were in the following currencies:

		2018		2017
Brazilian reais	Ps.	98	Ps.	65
Colombian pesos		–		439
Total restricted cash	**Ps.**	**98**	**Ps.**	**504**

Restricted cash in Brazil relates to short term deposits in order to fulfill the collateral requirements for accounts payable.

As of December 21, 2017 due to a jurisdictional order with the municipal sewage system services, the Colombian authorities withheld all the cash that Company has in some specific bank account, such amount was reclassified as restricted cash according with Company's accounting policy pending resolution of the order. As of December 31, 2018 this restricted cash has been entirely released.

Note 10. Investments in Other Entities

As of December 31, 2018 and 2017 the investment in other entities is integrated as follows:

		2018		2017
Investment in Associates and Joint Ventures	Ps.	10,518	Ps.	11,501
Investment in Venezuelan opeartions		–		1,039
Total	**Ps.**	**10,518**	**Ps.**	**12,540**

As disclosed in Note 3.3, on December 31, 2017 the Company changed the method of accounting for its investment in Venezuela from consolidation to the fair value method using a Level 3 concept and recognized a fair value loss on its investment of Ps.1,039 during 2018 in OCI.

Effective December 31, 2017, the Company determined that deteriorating conditions in Venezuela had led the Company no longer control to continue consolidating its Venezuelan operation, the impacts of such deconsolidation are discussed on Note 3.3 above.

Details of the investment in associates and joint ventures are accounted for under the equity method at the end of the reporting period as follows:

			Ownership Percentage		Carrying Amount	
Investee	Principal Activity	Place of Incorporation	**2018**	2017	**2018**	2017
Joint ventures:						
Compañía Panameña de Bebidas, S.A.P.I. de C.V.	Beverages	Mexico	50.0%	50.0%	Ps. 1,550	Ps. 2,036
Dispensadoras de Café, S.A.P.I. de C.V.	Services	Mexico	50.0%	50.0%	162	153
Fountain Agua Mineral, LTDA	Beverages	Brazil	50.0%	50.0%	826	784
Associates:						
Promotora Industrial Azucarera, S.A. de C.V. ("PIASA") [1]	Sugar production	Mexico	36.4%	36.4%	3,120	2,933
Jugos del Valle, S.A.P.I. de C.V. [1]	Beverages	Mexico	26.3%	26.3%	1,571	1,560
Leao Alimentos e Bebidas, LTDA [1]	Beverages	Brazil	24.7%	24.4%	2,084	3,001
UBI 3 Participacoes, LTDA[1]	Beverages	Brazil	26.0%	26.0%	7	391
Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA") [1]	Caned bottling	Mexico	26.5%	26.5%	179	177
Industria Mexicana de Reciclaje, S.A. de C.V. ("IMER") [1]	Recycling	Mexico	35.0%	35.0%	129	121
KSP Participacoes, LTDA [1]	Beverages	Brazil	31.4%	38.7%	104	117
Other	Various	Various	Various	Various	786	228
					Ps. 10,518	Ps. 11,501

Accounting method:

[1] The Company has significant influence due to the fact that it has power to participate in the financial and operating policy decisions of the investee.

During 2018 the Company received dividends from Industria envasadora de Queretaro, S.A. de C.V. for the amount of Ps. 8. During 2017 the Company received dividends from Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA") and Promotora Mexicana de Embotelladores, S.A. de C.V. in the amount of Ps. 16 and Ps. 17.

During 2018 the Company made capital contributions to Jugos del Valle, S.A.P.I. de C.V. and Promotora Industrial Azucarera, S.A. de C.V. in the amounts of Ps. 73 and Ps. 146, respectively, there were no changes in the ownership percentage as a result of capital contributions made by the other shareholders. During 2018 there was a spin-off for our investment in UBI 3 resulted in Ps. (333) capitalized.

As of December 31, 2018, the Company recognize an impairment on its investment in Compañía Panameña de Bebibas,S.A.P.I. de C.V., for an amount of Ps.432 million, which was included in other expenses line. The Company will continue to monitor the results of this investment in conjunction with its partner The Coca Cola Company, looking for alternatives to improve the business's profitability in the near future.

During 2017 the Company made capital contributions to Compañía Panameña de Bebidas, S.A.P.I. de C.V. and Promotora Industrial Azucarera, S.A. de C.V. in the amounts of Ps. 349 and Ps. 182, respectively, there were no changes in the ownership percentage as a result of capital contributions made by the other shareholders. On June 25, 2017, the Company through its Brazilian subsidiary Spal Industria Brasileira de Bebidas, S.A. sold 3.05% of their participation in Leao Alimentos e Bebidas, LTDA for an amount of Ps. 198.

On March 28, 2017 as part of AdeS acquisition the Company acquired an indirect participation in equity method investees in Brazil and Argentina for an aggregate amount of Ps.587. During 2017, Itabirito merged with Spal this transaction did not generate any cash flow.

For the years ended December 31, 2018, 2017 and 2016 the equity earnings recognized for associates was Ps. 44, Ps. 235 and Ps. 31, respectively.

For the years ended December 31, 2018, 2017 and 2016 the equity (loss) earnings recognized for joint ventures was Ps.(270), Ps. (175) and Ps. 116, respectively.

Note 11. Property, plant & equipment.

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progresss	Leasehold Improvements	Other	Total
Cost as of January 1, 2016	Ps. 4,707	Ps. 14,145	Ps. 30,688	Ps. 14,576	Ps. 11,651	Ps. 3,812	Ps. 596	Ps. 915	Ps. 81,090
Additions	7	204	1,415	337	2,236	5,737	4	367	10,307
Additions from business combinations	–	517	864	105	23	–	4	–	1,513
Transfer of completed projects in progress	46	1,031	2,403	1,978	779	(6,265)	28	–	
Disposals	(43)	(17)	(1,647)	(574)	(139)	–	(43)	(18)	(2,481)
Effects of changes in foreign exchange rates	252	2,575	4,719	1,953	1,271	546	56	(132)	11,240
Changes in value on the recognition of inflation effects	853	1,470	2,710	851	122	415	–	942	7,363
Capitalization of borrowing costs	–	–	61	–	–	(37)	–	–	24
Cost as of December 31, 2016	Ps. 5,822	Ps. 19,925	Ps. 41,213	Ps. 19,226	Ps. 15,943	Ps. 4,208	Ps. 645	Ps. 2,074	Ps. 109,056

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progresss	Leasehold Improvements	Other	Total
Cost as of January 1, 2017	Ps. 5,822	Ps. 19,925	Ps. 41,213	Ps. 19,226	Ps. 15,943	Ps. 4,208	Ps. 645	Ps. 2,074	Ps. 109,056
Additions	110	775	275	758	3,202	5,762	11	176	11,069
Additions from business combinations	5,115	1,691	5,905	482	3,323	820	146	–	17,482
Transfer of completed projects in progress	5	653	2,964	1,968	558	(6,174)	28	(2)	
Disposals	(115)	(527)	(1,227)	(800)	(193)	–	(3)	(11)	(2,876)
Effects of changes in foreign exchange rates	(1,046)	(1,993)	(2,740)	(1,523)	(1,216)	(747)	(52)	(1,233)	(10,550)
Changes in value on the recognition of inflation effects	518	1,022	2,043	689	(2)	226	–	638	5,134
Capitalization of borrowing costs	–	–	13	–	–	–	–	–	13
Effects Venezuela (Note 3.3)	(544)	(817)	(1,300)	(717)	(83)	(221)	–	(646)	(4,328)
Cost as of December 31, 2017	Ps. 9,865	Ps. 20,729	Ps. 47,146	Ps. 20,083	Ps. 21,532	Ps. 3,874	Ps. 775	Ps. 996	Ps. 125,000

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progresss	Leasehold Improvements	Other	Total
Cost as of January 1, 2018	Ps. 9,865	Ps. 20,729	Ps. 47,146	Ps. 20,083	Ps. 21,532	Ps. 3,874	Ps. 775	Ps. 996	Ps. 125,000
Additions	31	8	1,356	961	2,888	4,578	–	95	9,917
Additions from business combinations	25	451	1,500	537	393	145	2	41	3,094
Transfer of completed projects in progress	504	304	1,160	1,711	3	(3,722)	20	20	
Disposals	(50)	(71)	(555)	(615)	(312)	–	(1)	(8)	(1,612)
Disposal of Philippines	(4,654)	(2,371)	(11,621)	(2,415)	(10,116)	(489)	(236)	–	(31,902)
Effects of changes in foreign exchange rates	(388)	(1,089)	(3,072)	(765)	(251)	(321)	(81)	(292)	(6,259)
Changes in value on the recognition of inflation effects	242	814	2,551	466	612	66	–	9	4,760
Cost as of December 31, 2018	5,575	18,775	38,465	19,963	14,749	4,131	479	861	102,998

Accumulated Depreciation	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progresss	Leasehold Improvements	Other	Total
Accumulated depreciation as of January 1, 2016	Ps. –	Ps. (2,704)	Ps. (12,788)	Ps. (7,152)	Ps. (7,378)	Ps. –	Ps. (135)	Ps. (401)	Ps. (30,558)
Depreciation for the year	–	(455)	(2,638)	(2,008)	(2,235)	–	(43)	(200)	(7,579)
Disposals	–	11	1,210	672	227	–	8	9	2,137
Effects of changes in foreign exchange rates	–	(595)	(2,615)	(1,148)	(845)	–	(65)	39	(5,229)
Changes in value on the recognition of inflation effects	–	(592)	(1,087)	(521)	(33)	–	–	(306)	(2,539)
Accumulated depreciation as of December 31, 2016	**Ps. –**	**Ps. (4,335)**	**Ps. (17,918)**	**Ps. (10,157)**	**Ps. (10,264)**	**Ps. –**	**Ps. (235)**	**Ps. (859)**	**Ps. (43,768)**

Accumulated Depreciation	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progresss	Leasehold Improvements	Other	Total
Accumulated depreciation as of January 1, 2017	Ps. –	Ps (4,335)	Ps. (17,918)	Ps. (10,157)	Ps. (10,264)	Ps. –	Ps. (235)	Ps. (859)	Ps. (43,768)
Depreciation for the year	–	(626)	(3,007)	(2,490)	(3,365)	–	(43)	(685)	(10,216)
Disposals	–	12	1,555	729	103	–	2	5	2,406
Effects of changes in foreign exchange rates	–	548	447	1,157	94	–	(54)	940	3,132
Changes in value on the recognition of inflation effects	–	(439)	(1,042)	(553)	(46)	–	–	(233)	(2,313)
Effect Venezuela	–	481	1,186	626	56	–	–	335	2,684
Impairment Venezuela	–	(257)	(841)	–	–	–	–	–	(1,098)
Accumulated depreciation as of December 31, 2017	**Ps. –**	**Ps. (4,616)**	**Ps. (19,620)**	**Ps. (10,688)**	**Ps. (13,422)**	**Ps. –**	**Ps. (330)**	**Ps. (497)**	**Ps. (49,173)**

Accumulated Depreciation	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progresss	Leasehold Improvements	Other	Total
Accumulated depreciation as of January 1, 2018	–	Ps. (4,616)	Ps. (19,620)	Ps. (10,688)	Ps. (13,422)	Ps. –	Ps. (330)	Ps. (497)	Ps. (49,173)
Depreciation for the year	–	(445)	(2,880)	(2,086)	(2,827)	–	(35)	(131)	(8,404)
Disposals	–	15	497	579	204	–	1	–	1,296
Philippines disposal	–	700	6,125	2,083	7,225	–	77	–	16,210
Effects of changes in foreign exchange rates	–	154	312	244	631	–	11	143	1,495
Changes in value on the recognition of inflation effects	–	(222)	(1,403)	(338)	(517)	–	–	–	(2,480)
Accumulated depreciation as of December 31, 2018	**Ps. –**	**Ps. (4,414)**	**Ps. (16,969)**	**Ps. (10,206)**	**Ps. (8,706)**	**Ps. –**	**Ps. (276)**	**Ps. (485)**	**Ps. (41,056)**

Carrying Amount	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progresss	Leasehold Improvements	Other	Total
As of December31, 2016	Ps. 5,822	Ps. 15,590	Ps. 23,295	Ps. 9,069	Ps. 5,679	Ps. 4,208	Ps. 410	Ps. 1,215	Ps. 65,288
As of December31, 2017	Ps. 9,865	Ps. 16,113	Ps. 27,526	Ps. 9,395	Ps. 8,110	Ps. 3,874	Ps. 445	Ps. 499	Ps. 75,827
As of December31, 2018	**Ps. 5,575**	**Ps. 14,361**	**Ps. 21,496**	**Ps. 9,757**	**Ps. 6,043**	**Ps. 4,131**	**Ps. 203**	**Ps. 376**	**Ps. 61,942**

During the year ended December 31, 2017 because the economic and operational conditions worsened in Venezuela, the Company has recognized impairment in the property plant and equipment for an amount of Ps 1,098, such charge has been recorded in other expenses line in the consolidated income statement

Note 12. Intangible Assets

	Rights to produce and distribute Coca-Cola trademark products	Goodwilll	Other indefinite lived intangible assets	Technology sosts and management systems	Development systems	Other amortizables	Total
Balance as of January 1, 2016	Ps. 66,392	Ps. 21,037	Ps. 120	Ps. 3,850	Ps. 683	Ps. 330	Ps. 92,412
Purchases	–	–	–	127	609	2	738
Acquisition from business combinations	9,602	7,856	1,067	247	3	109	18,884
Transfer of completed development systems	–	–	–	304	(304)	–	–
Disposals	–	–	–	(323)	–	(2)	(325)
Effect of movements in exchange rates	8,124	4,689	61	363	(193)	36	13,080
Changes in value on the recognition of inflation effects	1,220	–	–	–	–	–	1,220
Capitalization of borrowing cost	–	–	–	11	–	–	11
Cost as of December 31, 2016	Ps. 85,338	Ps. 33,582	Ps. 1,248	Ps. 4,579	Ps. 798	Ps. 475	Ps. 126,020
Balance as of January 1, 2017	Ps. 85,338	Ps. 33,582	Ps. 1,248	Ps. 4,579	Ps. 798	Ps. 475	Ps. 126,020
Purchases	1,288	–	7	179	920	446	2,840
Acquisition from business combinations	9,066	(6,168)	–	6	–	64	2,968
Transfer of completed development systems	–	–	–	412	(412)	–	–
Disposals	–	–	–	–	–	–	–
Effect of movements in exchange rates	(2,318)	(1,186)	101	(86)	(15)	(52)	(3,556)
Changes in value on the recognition of inflation effects	(727)	–	–	–	–	175	(552)
Effect Venezuela (Note 3.3)	–	–	–	–	–	(139)	(139)
Capitalization of borrowing cost	–	–	–	–	–	–	–
Cost as of December 31, 2017	Ps. 92,647	Ps. 26,228	Ps. 1,356	Ps. 5,090	Ps. 1,291	Ps. 969	Ps. 127,581
Balance as of January 1, 2018	Ps. 92,647	Ps. 26,228	Ps. 1,356	Ps. 5,090	Ps. 1,291	Ps. 969	Ps. 127,581
Purchases	–	–	50	226	371	28	675
Acquisition from business combinations	4,602	–	–	26	57	291	4,976
Systems Development	–	–	–	–	–	41	41
Transfer of completed development systems	–	–	–	904	(904)	–	–
Disposals	–	–	–	(5)	–	(93)	(98)
Philippines disposal (Note 5)	(3,882)	–	–	–	–	(596)	(4,478)
Effect of movements in exchange rates	(5, 005)	(2,499)	(352)	(218)	(38)	(31)	(8,143)
Changes in value on the recognition of inflation effects	–	–	–	–	–	57	57
Capitalization of borrowing cost	–	–	–	–	–	–	–
Cost as of December 31, 2018	Ps. 88,362	Ps. 23,729	Ps. 1,054	Ps. 6,023	Ps. 777	Ps. 666	Ps. 120,611
Accumulated amortization							
Balances as of January 1, 2016	–	–	–	(1,438)	–	(220)	(1,658)
Amortization expense	–	–	–	(427)	–	(35)	(462)
Disposals	–	–	–	249	–	–	249
Effect of movements in exchange rate	–	–	–	(148)	–	(37)	(185)
Balances as of December 31, 2016	–	–	–	(1,764)	–	(292)	(2,056)
Amortization expense	–	–	–	(605)	–	(42)	(647)
Effect of movements in exchange rate	–	–	–	46	–	184	230
Effect Venezuela (Note 3.3)	–	–	–	–	–	(120)	(120)
Impairment Venezuela	(745)	–	–	–	–	–	(745)
Balances as of December 31, 2018	Ps. (745)	Ps. –	Ps. –	Ps. (2,323)	Ps. –	Ps. (270)	Ps. (3,338)
Amortization expense	–	–	–	(797)	–	(201)	(998)
Disposals	–	–	–	5	–	93	98
Philippines disposal (Note 5)	–	–	–	–	–	375	375
Effect of movements in exchange rate	–	–	–	141	–	(33)	108
Changes in value on the recognition of inflation effects	–	–	–	(51)	–	(1)	(52)
Cost as of December 31, 2018	Ps. (745)	Ps. –	Ps. –	Ps. (3,025)	Ps. –	Ps. (37)	Ps. (3,807)
Balance as of December 31, 2016	Ps. 85,338	Ps. 33,582	Ps. 1,248	Ps. 2,815	Ps. 798	Ps. 183	Ps. 123,964
Balance as of December 31, 2017	Ps. 91,902	Ps. 26,228	Ps. 1,356	Ps. 2,767	Ps. 1,291	Ps. 699	Ps. 124,243
Balance as of December 31, 2018	Ps. 87,617	Ps. 23,729	Ps. 1,054	Ps. 2,998	Ps. 777	Ps. 629	Ps. 116,804

For the year ended December 31, 2018, the amortization of intangible assets is recognized in cost of goods sold, selling expenses and administrative expenses and amounted to Ps. 32, Ps. 236 and Ps. 730, respectively.

On March 28, 2017 the Company acquired distribution rights and other intangibles of AdeS soy-based beverages in its territories in Mexico and Colombia for an aggregate amount of Ps. 1,664. This acquisition was made to reinforce the Company's leadership position

For the year ended December 31, 2017, the amortization of intangible assets is recognized in cost of goods sold, selling expenses and administrative expenses and amounted to Ps. 22, Ps. 83 and Ps. 544, respectively.

For the year ended December 31, 2016, the amortization of intangible assets is recognized in cost of goods sold, selling expenses and administrative expenses and amounted to Ps. 8, Ps. 106 and Ps. 358, respectively.

The Company's intangible assets such as technology costs and management systems are subject to amortization with a range in useful lives from 3 to 10 years.

Impairment Tests for Cash-Generating Units Containing Goodwill and Distribution Rights

For the purpose of impairment testing, goodwill and distribution rights are allocated and monitored on an individual country basis, which is considered to be the CGU.

The aggregate carrying amounts of goodwill and distribution rights allocated to each CGU are as follows:

In millions of Ps.	2018	2017
Mexico	Ps. 56,352	Ps. 56,352
Guatemala	1,853	488
Nicaragua	460	484
Costa Rica	1,417	1,520
Panamá	1,182	1,185
Colombia	4,600	5,824
Uruguay	3,003	
Brazil	42,153	48,345
Argentina	327	50
Philippines	–	3,882
Total	Ps. 111,347	Ps. 118,130

Goodwill and distribution rights are tested for impairments annually. The recoverable amounts of the CGUs are based on value-in-use calculations. Value in use was determined by discounting the future cash flows generated from the continuing use of the CGU.

The foregoing forecasts could differ from the results obtained over time; however, the Company prepares its estimates based on the current situation of each of the CGUs.

The recoverable amounts are based on value in use. The value in use of CGUs is determined based on the method of discounted cash flows. The key assumptions used in projecting cash flows are: volume, expected annual long-term inflation, and the weighted average cost of capital ("WACC") used to discount the projected flows.

To determine the discount rate, the Company uses the WACC as determined for each of the cash generating units in real terms and as described in following paragraphs.

The estimated discount rates to perform, impairment test for each CGU consider market participants' assumptions. Market participants were selected considering the size, operations and characteristics of the business that are similar to those of the Company.

The discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the opportunity cost to a market participant, considering the specific circumstances of the Company and its operating segments and is derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by Company's investors. The cost of debt is based on the interest bearing borrowings the Company is obliged to service, which is equivalent to the cost of debt based on the conditions that a creditor would assess in the market. Segment-specific risk is incorporated by applying beta factors which are evaluated annually based on publicly available market data.

Market participant assumptions are important because, not only do they include industry data for growth rates, management also assesses how the CGU's position, relative to its competitors, might change over the forecasted period.

The key assumptions used for the value-in-use calculations are as follows:

- Cash flows were projected based on actual operating results and the five-year business plan. Cash flows for a further five-year were forecasted maintaining the same stable growth and margins per country of the last year base. The Company believes that this forecasted period is justified due to the non-current nature of the business and past experiences.
- Cash flows after the first ten-year period were extrapolated using a perpetual growth rate equal to the expected annual population growth, in order to calculate the terminal recoverable amount.
- A per CGU-specific Weighted Average Cost of Capital ("WACC") was applied as a hurdle rate to discount cash flows to get the recoverable amount of the units; the calculation assumes, size premium adjustment.

The key assumptions by CGU for impairment test as of December 31, 2018 were as follows:

CGU	Pre-tax WACC	Post –tax WACC	Expected Annual Long-Term Inflation 2019-2028	Expected Volume Growth Rates 2019-2028
Mexico	7.4%	5.3%	4.0%	1.4%
Guatemala	9.4%	7.5%	3.2%	7.3%
Nicaragua	21.2%	11.0%	6.2%	3.8%
Costa Rica	13.9%	9.2%	4.0%	1.6%
Panamá	9.2%	7.0%	2.4%	3.0%
Colombia	7.8%	5.2%	3.1%	4.0%
Brazil	10.7%	6.6%	3.8%	1.7%
Argentina	19.6%	11.3%	21.9%	2.7%

The key assumptions by CGU for impairment test as of December 31, 2017 were as follows:

CGU	Pre-tax WACC	Post –tax WACC	Expected Annual Long-Term Inflation 2018-2027	Expected Volume Growth Rates 2018-2027
Mexico	7.3%	5.3%	3.7%	2.2%
Guatemala	13.9%	10.7%	4.7%	7.1%
Nicaragua	16.6%	10.6%	5.0%	4.9%
Costa Rica	11.5%	7.8%	3.3%	2.7%
Panama	8.3%	6.5%	2.3%	3.4%
Colombia	9.1%	6.6%	3.1%	3.2%
Brazil	9.7%	6.2%	4.1%	1.3%
Argentina	11.0%	7.3%	10.7%	3.1%
Philippines	9.7%	5.9%	3.6%	3.4%

Sensitivity to Changes in Assumptions

As of December 31, 2018, the Company performed an additional impairment sensitivity calculation, taking into account an adverse change in post-tax WACC, according to the country risk premium, using for each country the relative standard deviation between equity and sovereign bonds and an additional sensitivity to the volume of a 100 basis points and concluded that no impairment would be recorded except for Nicaragua. However, upon further review, the Company also concluded that no impairment would be recorded for Nicaragua.

CGU	Change in WACC	Change in Volume Growth CAGR[1]	Effect on Valuation
Mexico	+0.3%	-1.0%	Passes by 5.0x
Guatemala	+0.7%	-1.0%	Passes by 18.4x
Nicaragua	+0.3%	-0.3%	Passes by 1.0x
Costa Rica	+1.7%	-1.0%	Passes by 1.9x
Panama	+0.3%	-1.0%	Passes by 6.9x
Colombia	+0.6%	-1.0%	Passes by 3.9x
Brazil	+1.1%	-1.0%	Passes by 1.3x
Argentina	+6.1%	-1.0%	Passes by 8.9x

[1] Compound Annual Growth Rate (CAGR)

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data). The Company consistently applied its methodology to determine CGU specific WACC's to perform its annual impairment testing.

During the year ended December 31, 2017 and because the economic and operational conditions worsened in Venezuela, the Company has recognized an impairment of the distribution rights in such country for an amount of Ps 745, such charge has been recorded in other expenses line in the consolidated income statement

Note 13. Other non-current assets and other non-current financial assets

13.1 Other Non-Current Assets:

		2018		2017
Non-current prepaid advertising expenses	Ps.	388	Ps.	376
Guarantee deposits (1)		1,647		1,835
Prepaid bonuses		247		195
Advances to acquire property, plant and equipment		233		266
Shared based payment		160		151
Indemnifiable contingencies from business combinations [2]		3,336		4,510
Recoverable tax added in business combinations		395		459
Other		66		329
	Ps.	**6,472**	**Ps.**	**8,121**

[1] As it is customary in Brazil, the Company is required to guarantee tax, legal and labor contingencies by guarantee deposits.

[2] Corresponds to indemnification assets that are warranted by former Vonpar owners as per the share purchase agreement.

13.2 Other Non-Current Financial Assets:

		2018		2017
Other non-current financial assets	Ps.	226	Ps.	322
Derivative financial instruments (See Note 20)		1,897		955
	Ps.	**2,123**	**Ps.**	**1,277**

Non-current accounts receivable to be held to maturity and the investment in other entities as well as financial derivative instruments are classified as FVOCI financial assets.

Note 14. Balances and Transactions with Related Parties and Affiliated Companies

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

The consolidated statements of financial position and consolidated statements of income include the following balances and transactions with related parties and affiliated companies:

		2018		2017
Balances:				
Assets (current included in accounts receivable)				
Due from FEMSA and Subsidiaries (see Note 7) [1] [3]	Ps.	783	Ps.	402
Due from The Coca-Cola Company (see Note 7) [1] [3]		1,173		2,054
Due from Heineken Group [1]		243		290
Other receivables [1]		332		27
Shareholders Vonpar (see Note 7)		–		1,219
	Ps.	**2,531**	**Ps.**	**3,992**

		2018		2017
Liabilities (current included in suppliers and other liabilities and loans)				
Due to FEMSA and Subsidiaries [2] [3]	Ps.	1,371	Ps.	1,038
Due to The Coca-Cola Company [2] [3]		3,893		3,731
Due to Heineken Group [2]		1,446		1,348
Other payables [2]		820		330
	Ps.	**7,530**	**Ps.**	**6,447**

[1] Presented within accounts receivable.

[2] Recorded within accounts payable and suppliers

[3] Parent

Balances due from related parties are considered to be recoverable. Accordingly, for the years ended December 31, 2018 and 2017, there was no expense resulting from the un- collectability of balances due from related parties.

Details of transactions between the Company and other related parties are disclosed as follows:

Transactions		2018		2017		2016
Income:						
Sales to affiliated parties	Ps.	5,200	Ps.	4,761	Ps.	4,274
Ades		592		–		–
Heineken		4		–		–
Interest income received from Compañía Panameña de Bebidas, S.A.P.I. de C.V.		–		–		1
Interest income received from BBVA Bancomer, S.A. de C.V.		180		138		17
Expenses:						
Purchases and other expenses of FEMSA		8,878		7,773		8,328
Purchases of concentrate from The Coca-Cola Company		32,379		33,898		38,146
Purchases of raw material, beer and operating expenses from Heineken		14,959		13,608		8,823
Advertisement expense paid to The Coca-Cola Company		2,193		1,392		2,354
Purchases from Jugos del Valle		2,872		2,604		2,428
Purchase of sugar to Promotora Industrial Azucarera, S.A. de C.V.		2,604		1,885		1,765
Purchase of sugar from Beta San Miguel		651		1,827		1,349
Purchase of sugar, cans and aluminum lids to Promotora Mexicana de Embotelladores, S.A. de C.V.		–		839		759
Purchase of canned products to Industria Envasadora de Queretaro, S.A. de C.V..		596		804		798
Purchase of inventories to Leao Alimentos e Bebidas, LTDA		2,654		4,010		3,448
Purchase of resin from Industria Mexicana de Reciclaje, S.A. de C.V.		298		267		265
Donations to Instituto Tecnologico y de Estudios Superiores de Monterrey, A.C. [1] [2]		127		47		1
Donations to Fundación Femsa, A.C.		179		2		92
Interest expense paid to The Coca-Cola Company		–		11		
Insurance premiums for policies with Grupo Nacional Provincial, S.A.B. [1]		–		–		1
Interest and fees paid to Bancomer		168		–		
Other expenses with related parties		79		202		185

[1] One or more members of the Board of Directors or senior management of the Company are also members of the Board of Directors or senior management of the counterparties to these transactions.

[2] In 2018 and 2017, there were donations to ITESM made through Fundacion FEMSA as intermediary for Ps. 127 and Ps. 47 respectively

The benefits and aggregate compensation paid to executive officers and senior management of the Company, recognized as an expense during the reporting period were as follows:

		2018		2017		2016
Current employee benefits	Ps.	705	Ps.	621	Ps.	652
Termination benefits		57		27		154
Shared based payments		157		316		258

Note 15. Balances and Transactions in Foreign Currencies

Assets, liabilities and transactions denominated in foreign currencies are those realized in a currency different from the functional currency of the Company. As of December 31, 2018 and 2017, assets and liabilities denominated in foreign currencies, expressed in mexican pesos (contractual amounts) are as follows:

	Assets		Liabilities	
Balances	Current	Non-current	Current	Non-current
As of December 31, 2018				
U.S. dollars	14,572	–	2,985	43,411
Euros	–	–	93	–
As of December 31, 2017				
U.S. dollars	5,852	–	2,783	53,093
Euros	–	–	1,547	–

As of year ended December 31, 2018, 2017 and 2016 transactions denominated in foreign currencies, expressed in mexican pesos (contractual amounts) are as follows:

Transactions	Revenues	Purchases of Raw Materials	Interest Expense	Other
Year ended December 31, 2018 U.S. dollars	**1,481**	**18,129**	**2,223**	**2,161**
Year ended December 31, 2018 Euros	–	–	–	–
Year ended December 31, 2017 U.S. dollars	653	13,381	2,454	1,544
Year ended December 31, 2017 Euros	–	18	–	–
Year ended December 31, 2016 U.S. dollars	736	13,242	2,235	1,796

Note 16. Post-Employment and Other Non-current Employee Benefits

The Company has various labor liabilities for employee benefits in connection with pension and retirement plans, seniority premiums and post-employment benefits. Benefits vary depending upon the country where the individual employees are located. Presented below is a discussion of the Company's labor liabilities in Mexico, which comprise the substantial majority of those, recorded in the consolidated financial statements.

16.1 Assumptions

The Company annually evaluates the reasonableness of the assumptions used in its labor liability for post-employment and other non-current employee benefits computations. In Mexico, actuarial calculations for pension and retirement plans and seniority premiums, as well as the associated cost for the period, were determined using the following long-term assumptions:

Mexico	**2018**	2017	2016
Financial:			
Discount rate used to calculate the defined benefit obligation	9.4%	7.60%	7.00%
Salary increase	4.6%	4.60%	4.50%
Future pension increases	3.6%	3.50%	3.50%
Biometric:			
Mortality	EMSSA 2009 [1]	EMSSA 2009 [1]	EMSSA 2009 [1]
Disability	IMSS-97 [2]	IMSS-97 [2]	IMSS-97 [2]
Normal retirement age	60 years	60 years	60 years
Rest of employee turnover	BMAR2007 [3]	BMAR2007 [3]	BMAR2007 [3]

[1] EMSSA. Mexican Experience of Social Security (for its initials in Spanish)

[2] IMSS. Mexican Experience of Instituto Mexicano del Seguro Social (for its initials in Spanish)

[3] BMAR. Actuary experience

In Mexico the methodology used to determine the discount rate was the yield or Internal Rate of Return ("IRR") which involves a yield curve. In this case, the expected rates of each period were taken from a yield curve of the Mexican Federal Government Treasury Bond (known as CETES in Mexico) because there is no deep market in high quality corporate obligations in Mexico.

In Mexico upon retirement, the Company purchases an annuity for senior executives, which will be paid according to the option chosen by the employee.

Based on these assumptions, the amounts of benefits expected to be paid out in the following years are as follows:

	Pension and Retirement Plans	Seniority Pre miums
2019	314	39
2020	230	30
2021	203	28
2022	182	27
2023	260	26
2024 to 2028	1,562	139

16.2 Balances of the liabilities for post-employment and other non-current employee benefits

		2018		2017
Pension and Retirement Plans:				
Vested benefit obligation	Ps.	480	Ps.	389
Non-vested benefit obligation		1,210		1,398
Accumulated benefit obligation		1,690		1,787
Excess of projected defined benefit obligation over accumulated benefit obligation		1,695		2,582
Defined benefit obligation		3,385		4,369
Pension plan funds at fair value		(1,031)		(1,692)
Net defined benefit liability	Ps.	2,354	Ps.	2,677
Seniority Premiums:				
Vested benefit obligation	Ps.	40	Ps.	36
Non-vested benefit obligation		204		267
Accumulated benefit obligation		244		303
Excess of projected defined benefit obligation over accumulated benefit obligation		165		158
Defined benefit obligation		409		461
Seniority premium plan funds at fair value		(111)		(109)
Net defined benefit liability	Ps.	298	Ps.	352
Total post-employment and other non-current employee benefits	**Ps.**	**2,652**	**Ps.**	**3,029**

16.3 Trust assets

Trust assets consist of fixed and variable return financial instruments recorded at market value, which are invested as follows:

Type of instrument	2018	2017
Fixed return:		
Traded securities	25%	14%
Life annuities	20%	12%
Bank instruments	4%	6%
Federal government instruments	32%	50%
Variable return:		
Publicly traded shares	19%	18%
	100%	100%

In Mexico, the regulatory framework for pension plans is established in the Income Tax Law and its Regulations, the Federal Labor Law and the Mexican Social Security Institute Law. None of these laws establish minimum funding levels or a minimum required level of contributions.

In Mexico, the Income Tax Law requires that, in the case of private plans, certain notifications must be submitted to the authorities and a certain level of instruments must be invested in the Federal Government, among others.

The Company's various pension plans have a technical committee that is responsible for verifying the correct operation of the plan with regard to the payment of benefits, actuarial valuations of the plan, and the monitoring and supervision of the trust beneficiary. The committee is responsible for determining the investment portfolio and the types of instruments the fund will be invested in. This technical committee is also responsible for reviewing the correct operation of the plan in all of the countries in which the Company has these benefits.

The risks related to the Company's employee benefit plans are primarily attributable to the plan assets. The Company's plan assets are invested in a diversified portfolio, which considers the term of the plan so as to invest in assets whose expected return coincides with the estimated future payments.

Since the Mexican Tax Law limits the plan asset investment to 10% for related parties, this risk is not considered to be significant for purposes of the Company's Mexican subsidiaries.

In Mexico, the Company's policy is to invest at least 30% of the fund assets in Mexican Federal Government instruments. Guidelines for the target portfolio have been established for the remaining percentage and investment decisions are made to comply with these guidelines insofar as the market conditions and available funds allow.

In Mexico, the amounts and types of securities of the Company in related parties included in portfolio fund are as follows:

		2018		2017
Mexico				
Portfolio:				
Debt:				
Grupo Televisa, S.A.B. de C.V.	Ps.	17	Ps.	17
Grupo Industrial Bimbo, S.A.B. de C. V.		23		24
Grupo Financiero Banorte, S.A.B. de C.V.		8		7
Banco Compartamos Banco.		4		
Gentera, S.A.B. de C.V.		–		8
Capital:				
Walmart de Mexico S.A de C.V..		6		
Fomento Económico Mexicano, S.A.B de C.V.		5		8
El Puerto de Liverpool, S.A.B. de C.V.		3		5
Grupo aeropuerto del sureste		2		
Grupo Televisa, S.A.B. de C.V.		1		
Gruma, S.A.B. de C.V.		–		3
Gentera, S.A.B. de C.V.		–		4

During the years ended December 31, 2018, 2017 and 2016, the Company did not make significant contributions to the plan assets and does not expect to make material contributions to the plan assets during the following fiscal year.

16.4 Amounts recognized in the consolidated income statements and the consolidated statements of comprehensive income

	Income statement				OCI
2018	Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest on the Net Defined Benefit Liabillity	Remeasurements of the Net Defined Benefit Liability net of taxes
Pension and retirement plans	Ps. 195	Ps. –	Ps. (5)	Ps. 265	Ps. 370
Seniority premiums	42	–	–	34	(26)
Total	Ps. 237	Ps. –	Ps. (5)	Ps. 299	Ps. 344

	Income statement				OCI
2017	Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest on the Net Defined Benefit Liabillity	Remeasurements of the Net Defined Benefit Liability net of taxes
Pension and retirement plans	Ps. 145	Ps. 10	Ps. –	Ps. 140	Ps. 539
Seniority premiums	44	–	–	23	28
Total	Ps. 189	Ps. 10	Ps. –	Ps. 163	Ps. 567

	Income statement				OCI
2016	Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest on the Net Defined Benefit Liabillity	Remeasurements of the Net Defined Benefit Liability net of taxes
Pension and retirement plans	Ps. 145	Ps. 43	Ps. (61)	Ps. 134	Ps. 558
Seniority premiums	45	–	–	20	27
Total	Ps. 190	Ps. 43	Ps. (61)	Ps. 154	Ps. 585

Remeasurements of the net defined benefit liability recognized in other comprehensive income are as follows (amounts are net of tax):

	2018	2017	2016
Amount accumulated in other comprehensive income as of the beginning of the periods	Ps. 567	Ps. 585	Ps. 462
Recognized during the year (obligation liability and plan assets)	100	(169)	75
Actuarial gains and losses arising from changes in financial assumptions	(357)	165	(29)
Acquisitions	(83)	–	–
Foreign exchange rate valuation (gain)	(66)	(14)	77
Philippines disposal	183	–	–
Amount accumulated in other comprehensive income as of the end of the period, net of tax	**Ps. 344**	**Ps. 567**	**Ps. 585**

Remeasurements of the net defined benefit liability include the following:

- The return on plan assets, excluding amounts included in net interest expense.
- Actuarial gains and losses arising from changes in demographic assumptions.
- Actuarial gains and losses arising from changes in financial assumptions.

16.5 Changes in the balance of the defined benefit obligation for post-employment and other non-current employee benefits

		2018		2017		2016
Pension and Retirement Plans:						
Initial balance	Ps.	4,369	Ps.	2,915	Ps.	2,687
Current service cost		195		241		145
Effect on curtailment		(5)		–		(61)
Interest expense		265		258		194
Actuarial gains or losses		(391)		190		(7)
Foreign exchange loss		(86)		(69)		141
Benefits paid		(265)		(385)		(192)
Acquisitions		417		1,209		–
Philippines disposal		(1,111)		–		–
Past service cost		–		10		8
	Ps.	3,388	Ps.	4,369	Ps.	2,915
Seniority Premiums:						
Initial balance	Ps.	461	Ps.	416	Ps.	404
Current service cost		42		44		45
Effect on curtailment		–		–		–
Interest expense		34		29		27
Actuarial losses		(84)		12		(22)
Benefits paid		(42)		(40)		(38)
	Ps.	411	Ps.	461	Ps.	416
Post-employment:						
Initial balance	Ps.	–	Ps.	–	Ps.	135
Current service cost		–		–		–
Certain liability cost		–		–		–
Interest expense		–		–		–
Reclassification to certain liability cost		–		–		(135)
Actuarial losses		–		–		–
Foreign exchange gain		–		–		–
Benefits paid		–		–		–
Liabilities directly associated with assets held for sale		–		–		–
	Ps.	–	Ps.	–	Ps.	–

16.6 Changes in the balance of trust assets

		2018		2017		2016
Pension and retirement plans:						
Balance at beginning of year	Ps.	1,692	Ps.	910	Ps.	864
Actual return on trust assets		30		113		15
Foreign exchange gain		(2)		86		4
Life annuities		16		21		28
Benefits paid		(1)		(136)		(1)
Acquisitions		–		698		–
Philippines diposal		(704)		–		–
Balance at end of year	Ps.	1,031	Ps.	1,692	Ps.	910
Seniority premiums						
Balance at beginning of year	Ps.	109	Ps.	102	Ps.	101
Actual return on trust assets		2		7		1
Balance at end of year	Ps.	111	Ps.	109	Ps.	102

As a result of the Company's investments in life annuities plan, management does not expect the Company will need to make material contributions to the trust assets in order to meet its future obligations.

16.7 Variation in assumptions

The Company decided that the relevant actuarial assumptions that are subject to sensitivity and valuated through the projected unit credit method, are the discount rate and the salary increase rate. The reasons for choosing these assumptions are as follows:

- Discount rate: The rate that determines the value of the obligations over time.
- Salary increase rate: The rate that considers the salary increase which implies an increase in the benefit payable.

The following table presents the impact in absolute terms of a variation of 0.5% in the assumptions on the net defined benefit liability associated with the Company's defined benefit plans. The sensibility of this 0.5% on the significant actuarial assumptions is based on projected long-term discount rates to Mexico and a yield curve projections of long-term sovereign bonds:

+0.5%:	Income Statement				OCI
Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability (asset)	Current Service Cost	Past Service Cost	Gain or Loss on Settlement or curtailment	Net Interest on the Net Defined Benefit Liability	Remeasurements of the Net Defined Benefit Liability
Pension and retirement plans	Ps. 167	Ps. –	Ps. (5)	Ps. 181	Ps. 130
Seniority premiums	41	–	–	28	(39)
Total	**Ps. 208**	**Ps. –**	**Ps. (5)**	**Ps. 209**	**Ps. 91**

Expected salary increase	Current Service Cost	Past Service Cost	Gain or Loss on Settlement or curtailment	Net Interest on the Net Defined Benefit Liability	Remeasurements of the Net Defined Benefit Liability
Pension and retirement plans	Ps. 183	Ps. –	Ps. (5)	Ps. 186	Ps. 266
Seniority premiums	44	–	–	28	(37)
Total	**Ps. 227**	**Ps. –**	**Ps. (5)**	**Ps. 214**	**Ps. 229**

16.8 Employee benefits expense

For the years ended December 31, 2018, 2017 and 2016, employee benefits expenses recognized in the consolidated income statements are as follows:

	2018	2017	2016
Included in cost of goods sold:			
Wages and salaries	Ps. 4,295	Ps. 4,323	Ps. 4,827
Social security costs	1,320	1,449	1,234
Employee profit sharing	74	75	142
Pension and seniority premium costs (Note 16.4)	26	22	57
Share-based payment expense (Note 17.2)	3	6	11
Included in selling and distribution expenses:			
Wages and salaries	16,590	12,001	13,526
Social security costs	4,651	4,417	4,571
Employee profit sharing	496	484	485
Pension and seniority premium costs (Note 16.4)	158	125	65
Share-based payment expense (Note 17.2)	11	7	18
Included in administrative expenses:			
Wages and salaries	2,771	2,453	2,839
Social security costs	557	585	472
Employee profit sharing	31	31	56
Pension and seniority premium costs (Note 16.4)	46	42	66
Post-employment benefits other (Note 16.4)	2	10	5
Share-based payment expense (Note 17.2)	143	161	177
Total employee benefits expense	**Ps. 31,174**	**Ps. 26,193**	**Ps. 28,551**

Note 17. Bonus Programs

17.1 Quantitative and qualitative objectives

The bonus program for executives is based on achieving certain goals established annually by management, which include quantitative and qualitative objectives and special projects.

The quantitative objectives represent approximately 50% of the bonus, and are based on the Economic Value Added ("EVA") methodology. The objective established for the executives at each entity is based on a combination of the EVA generated per entity and by our Company and the EVA generated by our parent Company FEMSA. The qualitative objectives and special projects represent the remaining 50% of the annual bonus and are based on the critical success factors established at the beginning of the year for each executive.

The bonus amount is determined based on each eligible participant's level of responsibility and based on the EVA generated by the applicable business unit the employee works for. This formula is established by considering the level of responsibility within the organization, the employees' evaluation and competitive compensation in the market.

The incentive plan target is expressed in months of salary, and the final amount payable is computed based on a percentage of achievement of the goals established every year. The bonuses are recorded as a part of the income statement and are paid in cash the following year. During the years ended December 31, 2018, 2017 and 2016 the bonus expense recorded amounted to Ps. 659, Ps. 701 and Ps. 706, respectively.

17.2 Share-based payment bonus plan

The Company has a stock incentive plan for the benefit of its senior executives. This plan uses as its main evaluation metric the EVA. Under the EVA stock incentive plan, eligible employees are entitled to receive a special annual bonus (fixed amount), to purchase FEMSA and Coca-Cola FEMSA shares or options, based on the executive's responsibility in the organization, their business' EVA result achieved, and their individual performance. The acquired shares or options are deposited in a trust, and the executives may access them one year after they are vested at 33% per year. The 50% of Coca-Cola FEMSA's annual executive bonus is to be used to purchase FEMSA shares or options and the remaining 50% to purchase Coca-Cola FEMSA shares or options. For the years ended December 31, 2018, 2017 and 2016, no stock options have been granted to employees. Until 2015 the shares were vested ratably over a five year period. Beginning with January 1, 2016 onwards they will ratably vest over a three year period.

The special bonus is granted to the eligible employee on an annual basis and after withholding applicable taxes. The Company contributes the individual employee's special bonus (after taxes) in cash to the Administrative Trust (which is controlled and consolidated by FEMSA), which then uses the funds to purchase FEMSA and Coca-Cola FEMSA shares (as instructed by the Corporate Practices Committee), which are then allocated to such employee.

Coca-Cola FEMSA accounts for its share-based payment bonus plan as an equity-settled share based payment transaction, since it is its parent company, FEMSA, who ultimately grants and settles with shares these obligations due to executives.

At December 31, the shares granted under the Company's executive incentive plans are as follows:

	Number of shares		
Incentive Plan	FEMSA	KOF	Vesting period
2014	489,345	331,165	2015-2017
2015	457,925	415,375	2016-2018
2016	567,671	719,132	2017-2019
2017	326,561	369,791	2018-2020
2018	211,290	256,281	2019-2021
Total	**2,052,792**	**2,091,744**	

For the years ended December 31, 2018, 2017 and 2016, the total expense recognized for the period arising from share-based payment transactions, using the grant date model, was of Ps. 157, Ps. 174 and Ps. 206, respectively.

As of December 31, 2018 and 2017, the asset recorded by Coca-Cola FEMSA in its consolidated statements of financial position amounted to Ps. 160 and Ps. 151, respectively, see Note 13.

Note 18. Bank Loans and Notes Payables

(In millions of Mexican pesos)	2019	2020	2021	2022	2023	2024 and following years	Carrying Value as December 31, **2018**	Fair Value as of December 31, **2018**	Carrying Value as of December 31, 2017
Short- term debt:									
Fixed rate debt:									
Argentine pesos									
Bank loans	Ps. 157	Ps. –	Ps. –	Ps. –	Ps. –	Ps. –	Ps. 157	Ps. 141	Ps. 106
Interest rate	36.75	–	–	–	–	–	36.75%	–	22.40%
Uruguayan pesos									
Bank loans	771	–	–	–	–	–	771	772	–
Interest rate	9.96%	–	–	–	–	–	9.96%	–	–
Subtotal	**928**	**–**	**–**	**–**	**–**	**–**	**928**	**913**	**106**
Variable rate debt:									
Colombian pesos									
Bank loans	454	–	–	–	–	–	454	454	1,951
Interest rate	5.58%	–	–	–	–	–	5.58%	–	7.28%
Subtotal	**454**	**–**	**–**	**–**	**–**	**–**	**454**	**454**	**1,951**
Short- term debt	**1,382**	**–**	**–**	**–**	**–**	**–**	**1,382**	**1,367**	**2,057**
Long term debt:									
Fixed rate debt:									
U.S. Dollar									
Yankee bond	–	9,829	–	–	17,557	11,818	39,204	40,716	48,043
Interest rate	–	4.63%	–	–	3.88%	5.25%	4.48%	–	4.09%
Colombian pesos									
Bank loans	–	–	–	–	–	–	–	–	728
Interest rate	–	–	–	–	–	–	–	–	9.63%
Brazilian reais									
Notes payable	4,653	–	–	–	–	–	4,653	4,516	6,707
Interest rate	0.38%	–	–	–	–	–	0.38%	–	0.38%
Bank loans	186	129	78	67	38	24	522	508	934
Interest rate	5.95%	5.95%	5.95%	5.95%	5.95%	5.95%	5.95%	–	5.78%
Mexican pesos									
Senior notes	–	–	2,498	–	7,495	8,488	18,481	17,218	18,479
Interest rate	–	–	8.27%	–	5.46%	7.87%	6.95%	–	6.95%
Uruguayan pesos									
Bank loans	–	573	–	–	–	–	573	573	–
Interest rate	–	10.15%	–	–	–	–	10.15%	–	–
U.S. Dollar									
Financial leasings.	10	–	–	–	–	–	10	–	–
Interest rate	**3.28%**	**–**	**–**	**–**	**–**	**–**	**3.28%**	**–**	**–**
Subtotal	**4,849**	**10,531**	**2,576**	**67**	**25,090**	**20,330**	**63,443**	**63,531**	**74,981**
Variable rate debt:									
Mexican pesos									
Senior notes	–	–	–	1,497	–	–	1,497	1,276	1,496
Interest rate	–	–	–	8.61%	–	–	8.61%	–	7.70%
Bank loans	4,700	–	5,400	–	–	–	10,100	10,100	–
Interest rate	8.48%	–	8.62%	–	–	–	8.56%	–	–
U. S. Dollar									
Bank loans	–	–	4,025	–	–	–	4,025	4,062	4,032
Interest rate	–	–	3.34%	–	–	–	3.34%	–	2.12%
Colombian pesos									
Bank loans	424	424	–	–	–	–	848	848	–
Interest rate	5.61%	5.73%	–	–	–	–	5.67%	–	–
Brazilian reais									
Bank loans	244	198	57	6	–	–	505	527	869
Interest rate	9.53%	9.53%	9.53%	9.53%	–	–	9.53%	–	8.50%
Notes payable	5	–	–	–	–	–	5	5	15
Interest rate	0.40%	–	–	–	–	–	0.40%	–	0.44%
Subtotal	5,373	622	9,482	1,503	–	–	16,980	16,818	6,412
Long term debt	**10,222**	**11,153**	**12,058**	**1,570**	**25,090**	**20,330**	**80,423**	**80,349**	**81,303**
Current portion of long term debt	**10,222**	**–**	**–**	**–**	**–**	**–**	**10,222**	**–**	**10,114**
Long- term debt	**–**	**11,153**	**12,058**	**1,570**	**25,090**	**20,330**	**70,201**	**80,349**	**71,189**

[1] All interest rates shown in this table are weighted average contractual annual rates.

[2] Promissory note denominated and payable in Brazilian reais; however, it is linked to the performance of the exchange rate between the Brazilian real and the U.S. dollar. As a result, the principal amount under the promissory note may be increased or reduced based on the depreciation or appreciation of the Brazilian real relative to the U.S. dollar.

For the years ended December 31, 2018, 2017 and 2016, the interest expense related to the bank loans and notes payable is comprised as follows and included in the consolidated income statement under the interest expense caption:

	2018	2017	2016
Interest on debts and borrowings	Ps. 4,786	Ps. 4,337	Ps. 4,099
Capitalized interest	–	–	(32)
Finance charges for employee benefits	202	182	154
Derivative instruments	2,370	4,161	3,082
Finance operating charges	210	97	168
	Ps. 7,568	Ps. 8,777	Ps. 7,471

Coca-Cola FEMSA has the following debt bonds: a) registered with the Mexican stock exchange: i) Ps. 2,500 (nominal amount) with a maturity date in 2021 and fixed interest rate of 8.27% and ii) Ps. 7,500 (nominal amount) with a maturity date in 2023 and fixed interest rate of 5.46% iii) Ps. 1,500 (nominal amount) with a maturity date in 2022 and floating interest rate of TIIE + 0.25% iv) Ps. 8,500 (nominal amount) with a maturity date in 2027 and fixed interest rate of 7.87% and b) registered with the SEC : i) Senior notes of US. $ 500 with interest at a fixed rate of 4.63% and maturity date on February 15, 2020, ii) Senior notes of US. $900 with interest at a fixed rate of 3.88% and maturity date on November 26, 2023 and iii) Senior notes of US. $ 600 with interest at a fixed rate of 5.25% and maturity date on November 26, 2043 all of which are guaranteed by our subsidiaries: Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Distribuidora y Manufacturera del Valle de Mexico, S. de R.L. de C.V (as successor guarantor of Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V.) and Yoli de Acapulco, S. de R.L. de C.V. ("Guarantors"). In Note 27 we present supplemental guarantors consolidating financial information.

During 2018 Coca-Cola FEMSA celebrated credit contracts in Mexican and Uruguayan peso with some banks for Ps. 10,100 and Ps. 1,344, respectively. On November 26, 2018, the Company paid the total balance of the bond maturing in 2018for USD 445 million.

The Company has financing from different financial institutions under agreements that stipulate different restrictions and covenants, which mainly consist of maximum levels of leverage and capitalization as well as minimum consolidated net worth and debt and interest coverage ratios. As of the date of these consolidated financial statements, the Company was in compliance with all restrictions and covenants contained in its financing agreements.

18.1 Reconciliation of liabilities arising from financing activities.

		Cash flows		Non-cash flows			
	Carrying Value at December 31, 2017	Repayments	Proceeds	Liability offset	Foreign Exchange movement	Translation Effect	Carrying Value at December 31, 2018
Short-term bank loans	Ps. 2,057	Ps. (5,188)	Ps. 4,138	Ps. –	Ps. –	Ps. 375	Ps. 1,382
Short-term notes payable	–	–	–	–	–	–	–
Total short-term from financing activities	Ps. 2,057	Ps. (5,188)	Ps. 4,138	Ps. –	Ps. –	Ps. 375	Ps. 1,382
Long-term bank loans	6,563	(1,702)	11,278	–	–	433	16,572
Long-term notes payable	74,740	(9,067)	–	(2,036)	1,157	(953)	63,841
Long-term lease liabilities	–	–	10	–	–	–	10
Total long-term from financing activities	Ps. 81,303	Ps. (10,769)	Ps. 11,288	Ps. (2,036)	Ps. 1,157	Ps. (520)	Ps. 80,423
Current portion of long-term debt [(1)]	Ps. 10,114	Ps. –	Ps. –	Ps. –	Ps. –	Ps. 108	Ps. 10,222
Total from financing activities	Ps. 83,360	Ps. (15,957)	Ps. 15,426	Ps. (2,036)	Ps. 1,157	Ps. (145)	Ps. 81,805

		Cash flows		Non-cash flows		
	Carrying Value at December 31, 2016	Repayments	Proceeds	Exchange movement	Foreign Translation Effect	Carrying Value at December 31, 2017
Short-term bank loans	Ps. 1,573	Ps. (1,013)	Ps. 489	Ps. –	Ps. 1,008	Ps. 2,057
Short-term notes payable	–	–	–	–	–	–
Total short-term from financing activities	Ps. 1,573	Ps. (1,013)	Ps. 489	Ps. –	Ps. 1,008	Ps. 2,057
Long-term bank loans	8,594	(2,264)	1,999	190	(1,956)	6,563
Long-term notes payable	78,742	(9,832)	10,000	4,015	(8,185)	74,740
Total long-term from financing activities	Ps. 87,336	Ps. (12,096)	Ps. 11,999	Ps. 4,205	Ps.(10,141)	Ps. 81,303
Current portion of long-term debt [(2)]	Ps. 1,479	–	–	–	–	Ps. 10,114
Total from financing activities	Ps. 88,909	Ps. (13,109)	Ps. 12,488	Ps. 4,205	Ps. (9,133)	Ps.83,360

[1] The current portion for the long term debt as of December 31, 2018 is composed by notes payable in Brazilian reais for Ps. 4,653, bank loans in Brazil for Ps. 430 and a note payable for Ps. 5 in Brazilian reais, a financial leasing in Uruguay for Ps. 10, bank loans for Ps. 424 in Colombia and a bank loan in México for and amount of Ps. 4,700.

[2] Current portion of long term debt at December 31, 2017 includes: a) bank loans denominated in brazilian reais for an equivalent amount in Ps. 602, b) senior notes denominated in US dollars for an equivalent amount in Ps. 8,774, c) notes payable denominated in Brazilian reais for an equivalent amount in Ps. 10 and d) bank loans denominated in Colombian pesos for an equivalent amount in Ps. 728.

Note 19. Other Income and Expenses

		2018		2017		2016
Other income:						
Gain on sale of long-lived assets	Ps.	399	Ps.	323	Ps.	324
Cancellation of contingencies		162		268		329
Tax Recovery from previous year		–		597		603
Other		8		354		25
	Ps.	569	Ps.	1,542	Ps.	1,281
Other expenses:						
Provisions for contingencies	Ps.	818	Ps.	943	Ps.	819
Loss on the retirement of long-lived assets		103		174		321
Loss on sale of long-lived assets		221		368		358
Impairment		432		–		–
Non-income taxes from Colombia		–		–		48
Severance payments		224		180		13
Donations		332		83		54
Foreign exchange losses related to operating activities		(25)		2,646		2,799
Venezuela impact (Note 3.3)		–		28,176		–
Other		345		329		681
	Ps.	2,450	Ps.	32,899	Ps.	5,093

Note 20. Financial Instruments

Fair Value of Financial Instruments

The Company uses a three-level fair value hierarchy to prioritize the inputs used to measure the fair value of its financial instruments. The three input levels are described as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company measures the fair value of its financial assets and liabilities classified as level 1 and 2, applying the income approach method, which estimates the fair value based on expected cash flows discounted to net present value. The following table summarizes the Company's financial assets and liabilities measured at fair value, as of December 31, 2018 and 2017:

		2018				2017		
		Level 1		Level 2		Level 1		Level 2
Derivative financial instruments asset	Ps.	–	Ps.	2,605	Ps.	22	Ps.	1,183
Derivative financial instruments liability		236		881		26		4,468
Trust assets of labor obligations		1,142		–		1,801		–

20.1 Total debt

The fair value of bank loans is calculated based on the discounted value of contractual cash flows whereby the discount rate is estimated using rates currently offered for debt of similar amounts and maturities, which is considered to be level 2 in the fair value hierarchy. The fair value of the Company's publicly traded debt is based on quoted market prices as of December 31, 2018 and 2017, which is considered to be level 1 in the fair value hierarchy (See Note 18).

20.2 Forward agreements to purchase foreign currency

The Company has entered into forward agreements to reduce its exposure to the risk of exchange rate fluctuations among the Mexican peso and other currencies.

These instruments have been designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value which is determined based on prevailing market exchange rates to terminate the contracts at the end of the period. Changes in the fair value of these forwards are recorded as part of "cumulative other comprehensive income". Net gain/loss on expired contracts is recognized as part of foreign exchange or cost of goods sold, depending on the nature of the hedge in the consolidated income statements.

Net changes in the fair value of forward agreements that do not meet hedging criteria for hedge accounting are recorded in the consolidated income statements under the caption "market value gain on financial instruments".

At December 31, 2018, the Company has the following outstanding forward agreements to purchase foreign currency:

		Fair Value	
	Notional	(Liability)	Asset
Maturity Date	Amount	Dec.31, **2018**	
2019	Ps. 4,768	Ps. (66)	Ps. 109

At December 31, 2017, the Company had the following outstanding forward agreements to purchase foreign currency:

		Fair Value	
	Notional	(Liability)	Asset
Maturity Date	Amount	Dec.31, 2017	
2018	Ps. 6,882	Ps. (22)	Ps. 190

20.3 Options to purchase foreign currency

The Company has executed call option and collar strategies to reduce its exposure to the risk of exchange rate fluctuations. A call option is an instrument that limits the loss in case of foreign currency depreciation. A collar is a strategy that combines call and put options, limiting the exposure to the risk of exchange rate fluctuations in a similar way as a forward agreement.

These instruments have been designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value which is determined based on prevailing market exchange rates to terminate the contracts at the end of the period. Changes in the fair value of these options, corresponding to the intrinsic value, are initially recorded as part of "cumulative other comprehensive income". Changes in the fair value, corresponding to the extrinsic value, are recorded in the consolidated income statements under the caption "market value gain on financial instruments," as part of the consolidated net income. Net gain/(loss) on expired contracts including the net premium paid, is recognized as part of cost of goods sold when the hedged item is recorded in the consolidated income statements.

At December 31, 2018, the Company paid a net premium of Ps. 43 million for the following outstanding collar options to purchase foreign currency:

		Fair Value	
	Notional	(Liability)	Asset
Maturity Date	Amount	Dec.31, **2018**	
2019	Ps. 1,734	Ps. (33)	Ps. 57

As of December 31, 2017, the Company paid a net premium of Ps. 7 million for the following outstanding collar options to purchase foreign currency:

		Fair Value	
	Notional	(Liability)	Asset
Maturity Date	Amount	Dec.31, 2017	
2018	Ps. 266	Ps. (5)	Ps. 17

20.4 Cross-currency swaps

The Company has contracts denominated as interest cross-currency rate swaps in order to reduce the risk emanated from interest rate and exchange rate fluctuation in the contracted credits denominated in USD, hedging the total contracted loans as of December 2018. Exchange rate swaps are designated as hedge instruments where the Company changes de debt profile to the functional currency to reduce the exchange rate fluctuation risk.

The fair value is estimated using market prices that would apply to terminate the contracts at the end of the period. For accounting purposes, the cross currency swaps are recorded as both, Cash Flow Hedges in regards to the foreign exchange risk, and Fair Value Hedges in regards to the interest rate risk and foreign exchange risk. The fair value changes related to exchange rate fluctuations of the notional of those cross currency swaps and the accrued interest are recorded in the consolidated income statements. The remaining portion of the fair value changes, when designated as Cash Flow Hedges, are recorded in the consolidated balance sheet in "cumulative other comprehensive income". If they are designated as Fair Value Hedges the changes in this remaining portion are recorded in the income statements as "market value (gain) loss on financial instruments".

At December 31, 2018, the Company had the following outstanding cross currency swap agreements:

				Fair value		
		Notional		(Liability)		Asset
Maturity date		ammount		As of December 31, **2018**		
2019	Ps.	4,652	Ps.	–	Ps.	498
2020		14,400		(79)		969
2021		4,035		–		586
2023		11,219		(390)		135
2027		6,889		(42)		202

At December 31, 2017, the Company had the following outstanding cross currency swap agreements:

				Fair value		
		Notional		(Liability)		Asset
Maturity date		ammount		As of December 31, 2017		
2018	Ps.	24,354	Ps.	(3,863)	Ps.	–
2019		6,263		(205)		–
2020		14,439		(163)		605
2021		4,046		–		24
2023		1,776		–		139
2027		6,907		(129)		179

20.5 Interest Rate swaps

The Company has contracted a number of interest rate swaps to reduce its exposure to interest rate fluctuations associated with its debt denominated in BRL. These interest rate swaps, for accounting purposes are recorded as Fair Value Hedges and the interest rate variation is recorded in the consolidated income statement as "market value (gain) loss on financial instruments".

At December 31, 2018, the Company had the following outstanding interest rate swap agreements:

				Fair value		
		Notional		(Liability)		Asset
Maturity date		ammount		As of December 31, **2018**		
2019	Ps.	4,013	Ps.	(49)	Ps.	–
2020		4,559		(112)		–
2021		4,035		(110)		–

At December 31, 2017, the Company had the following outstanding interest rate swap agreements:

				Fair value		
		Notional		(Liability)		Asset
Maturity date		ammount		As of December 31, 2017		
2019	Ps.	4,024	Ps.	(32)	Ps.	–
2020		3,669		(16)		–
2021		3,059		(33)		–

20.6 Commodity price contracts

The Company has entered into various commodity price contracts to reduce its exposure to the risk of fluctuation in the costs of certain raw material. The fair value is estimated based on the market valuations to terminate the contracts at the end of the period. These instruments are designated as Cash Flow Hedges and the changes in their fair value are recorded as part of "cumulative other comprehensive income".

The fair value of expired or sold commodity contracts are recorded in cost of goods sold with the hedged items.

As of December 31, 2018, the Company had the following sugar price contracts:

				Fair value		
		Notional		(Liability)		Asset
Maturity date		ammount		As of December 31, **2018**		
2019	Ps.	1,223	Ps.	(88)	Ps.	_

As of December 31, 2018, the Company has the following aluminum price contracts:

				Fair value		
		Notional		(Liability)		Asset
Maturity date		ammount		As of December 31, **2018**		
2019	Ps.	265	Ps.	(17)	Ps.	_

As of December 31, 2018, the Company has the following PX + MEG price contracts

				Fair value		
		Notional		(Liability)		Asset
Maturity date		ammount		As of December 31, **2018**		
2019	Ps.	1,303	Ps.	(131)	Ps.	_

As of December 31, 2017, the Company had the following sugar price contracts:

				Fair value		
		Notional		(Liability)		Asset
Maturity date		ammount		As of December 31, 2017		
2018	Ps.	986	Ps.	(26)	Ps.	19
2019		150		–		3

20.7 Option embedded in the Promissory Note to fund the Vonpar's acquisition

As disclosed in Note 4.1.2, on December 6, 2016, as part of the purchase price paid for the Company's acquisition of Vonpar, Spal issued and delivered a three-year promissory note to the sellers, for a total amount of 1,166 million Brazilian reais. On November 14, 2018 Spal prepaid an amount for US$ 103 million (393 million of Brazilian real) (and the amount left as of December 31, 2018 is 916 million of Brazilian real (approximately Ps. 4,652) The promissory note bears interest at an annual rate of 0.375%, and is denominated and payable in Brazilian Reai. 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. The holders of the promissory note have an option, that may be exercised prior to the scheduled maturity of the promissory note, to capitalize the Mexican peso amount equivalent to the amount payable under the promissory note into a recently incorporated Mexican company which would then be merged into the Company in exchange for Series L shares at a strike price of Ps.178.5 per share. Such capitalization and issuance of new Series L shares is subject to the Company having a sufficient number of Series L shares available for issuance.

The Company uses Black & Scholes valuation technique to measure call the option at fair value. The Black & Scholes valuation method was chosen because it is a method commonly used to value this type of financial instruments. The call option had an estimated fair value of Ps. 343 million at inception of the option and Ps. 14 and Ps. 242 million as of December 31, 2018 and 2017, respectively. The option is as part of the Promissory Note disclosed in Note 18.

The Company estimates that the call option is "out of the money" as of December 31, 2018 and 2017 by approximately 49.8% and 30.4% or US$ 111 million and US$ 82 million, respectively, relative to the strike price.

20.8 Net effects of expired contracts that met hedging criteria

Deivative	Impact in Consolidated Income Statement		2018		2017		2016
Cross currency swaps [(1)]	Interest expense	Ps.	157	Ps.	2,102	Ps.	–
Cross currency swaps [(1)]	Foreign exchange		642		–		–
Interest rate swaps	Interest expense		-		–		–
Option to purchase foreign currency	Cost of good sold		(8)		–		–
Forward agreements to purchase foreign currency	Cost of good sold		240		89		(45)
Commodity Price contracts	Cost of good sold		(258)		(6)		(241)

[(1)] The 2018 ammount belong to the Brazilian swaps maturity and the amount for 2017 belong to the maturity of the Mexico swaps portafolio. Both amounts are disclosed as part of the financial activities in each year.

20.9 Net effect of changes in fair value of derivative financial instruments that did not meet the hedging criteria for accounting

Derivative	Impact in profit and loss		2018		2017		2016
Forward agreements to purchase foreign currency	Market value gain (loss) on financial statements	Ps.	(12)	Ps.	12	Ps.	(56)
Cross currency swaps	Market value (loss) gain on financial statements		(116)		337		236

20.10 Net effect of expired contracts that did not meet the hedging criteria for accounting purposes

Derivative	Impact in Consolidated Income Statement		2018		2017		2016
Cross-currency swaps	Market value (loss) gain on financial instruments	Ps.	(186)	Ps.	(104)	Ps.	(129)
Embedded derivatives	Market value gain on financial instruments		–		1		–

20.11 Risk management

The Company has exposure to the following financial risks:

- Market risk;
- Interest rate risk;
- Liquidity risk; and
- Credit risk

The Company determines the existence of an economic relationship between the hedging instruments and the hedged item based on the currency, amount and timing of their respective cash flows. The Company evaluates whether the derivative designated in each hedging relationship is expected to be effective and that it has been effective to offset changes in the cash flows of the hedged item using the hypothetical derivative method.

In these hedging relationships, the main sources of inefficiency are:

- The effect of the credit risk of the counterparty and the Company on the fair value of foreign currency forward contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to change in the types of change; and
- Changes in the periodicity of covered.

20.11.1 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices. The Company enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk, interest rates risk and commodity prices risk including:

- Forward Agreements to Purchase Foreign Currency in order to reduce its exposure to the risk of exchange rate fluctuations.
- Options to purchase foreign currency in order to reduce its exposure to the risk of exchange rate fluctuations.
- Cross-Currency Swaps in order to reduce its exposure to the risk of exchange rate fluctuations and interest rate changes.
- Commodity price contracts in order to reduce its exposure to the risk of fluctuation in the costs of certain raw materials.

The Company tracks the fair value (mark to market) of its derivative financial instruments and its possible changes using scenario analyses. The following disclosures provide a sensitivity analysis of the market risks, which the Company is exposed to as it relates to foreign exchange rates, interests rates and commodity prices, which it considers in its existing hedging strategy:

Forward agreement to purchase U.S. Dollar (MXN/USD)	Change in U.S.$ rate		Effect on equity		Profit and loss effect
2018	(13%)	Ps.	(365)	Ps.	–
2017	(12%)		(602)		–
2016	(17%)		(916)		–

Forward agreement to purchase U.S. Dollar (BRL/USD)	Change in U.S.$ rate		Effect on equity		Profit and loss effect
2018	(16%)	Ps.	(413)	Ps.	–
2017	(14%)		(234)		–
2016	(18%)		(203)		–

Forward agreement to purchase U.S. Dollar (COP/USD)	Change in U.S.$ rate		Effect on equity		Profit and loss effect
2018	(12%)	Ps.	(2)	Ps.	–
2017	(9%)		(73)		–
2016	(18%)		(255)		–

Forward agreement to purchase U.S. Dollar (ARS/USD)	Change in U.S.$ rate		Effect on equity		Profit and loss effect
2018	(27%)	Ps.	(522)	Ps.	–
2017	(10%)		(29)		–

Forward agreement to purchase U.S. Dollar (UYU/USD)	Change in U.S.$ rate		Effect on equity		Profit and loss effect
2018	(8%)	Ps.	(46)	Ps.	–

Cross currency swaps (USD to MXN)	Change in U.S.$ rate		Effect on equity		Profit and loss effect
2018	(13%)	Ps.	(3,130)	Ps.	–
2017	(12%)		(3,540)		–
2016	(17%)		(3,687)		(1,790)

Cross currency swaps (USD en BRL)	Change in U.S.$ rate		Effect on equity		Profit and loss effect
2018	(16%)	Ps.	(9,068)	Ps.	–
2017	(14%)		(7,483)		–
2016	(18%)		(9,559)		–

Interest rate swaps (floating to fixed rates)	Change in U.S.$ rate		Effect on equity		Profit and loss effect
2018	(100 bps)	Ps.	(1,976)	Ps.	–
2017	(100 bps)	Ps.	(234)	Ps.	–

Sugar price contracts	Change in U.S.$ rate		Effect on equity		Profit and loss effect
2018	(30%)	Ps.	(341)	Ps.	–
2017	(30%)		(32)		–
2016	(33%)		(310)		–

Alluminum price contracts	Change in U.S.$ rate		Effect on equity		Profit and loss effect
2018	(22%)	Ps.	(55)	Ps.	–
2016	(16%)		(13)		–

Options to purchase foreign currency (MXN en USD)	Change in U.S.$ rate		Effect on equity		Profit and loss effect
2018	(13%)	Ps.	(303)	Ps.	–
2017	(12%)	Ps.	(24)	Ps.	–

20.11.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk because it and its subsidiaries borrow funds at both fixed and variable interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and variable rate borrowings, and by the use of the different derivative financial instruments. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The following disclosures provide a sensitivity analysis of the interest rate risks, management considered to be reasonably possible at the end of the reporting period, which the Company is exposed to as it relates to its fixed and floating rate borrowings, which considers its existing hedging strategy:

Interest Rate Risk	Change in U.S.$ Rate		Effect on (Profit) or Loss
2018	+100 bps	Ps.	(134)
2017	+100 bps		(251)
2016	+100 bps		(211)

20.11.3 Liquidity risk

The Company's principal source of liquidity has generally been cash generated from its operations. A significant majority of the Company's sales are on a short-term credit basis. The Company has traditionally been able to rely on cash generated from operations to fund its capital requirements and its capital expenditures. The Company's working capital benefits from the fact that most of its sales are made on a cash basis, while it's generally pays its suppliers on credit. In recent periods, the Company has mainly used cash generated from operations to fund acquisitions. The Company has also used a combination of borrowings from Mexican and international banks and issuances in the Mexican and international capital markets to fund acquisitions.

Ultimate responsibility for liquidity risk management rests with the Company's board of directors, which has established an appropriate liquidity risk management framework for the evaluation of the Company's short-, medium- and long-term funding and liquidity requirements. The Company manages liquidity risk by maintaining adequate reserves, and continuously monitoring forecasted and actual cash flows and by maintaining a conservative debt maturity profile.

The Company has access to credit from national and international banking institutions in order to face treasury needs; besides, the Company has the highest rating for Mexican companies (AAA) given by independent rating agencies, allowing the Company to evaluate capital markets in case it needs resources.

As part of the Company's financing policy, management expects to continue financing its liquidity needs with cash from operations. Nonetheless, as a result of regulations in certain countries in which the Company operates, it may not be beneficial or, practicable to remit cash generated in local operations to fund cash requirements in other countries. In the event that cash from operations in these countries is not sufficient to fund future working capital requirements and capital expenditures, management may decide, or be required, to fund cash requirements in these countries through local borrowings rather than remitting funds from another country. In the future management may finance our working capital and capital expenditure needs with short-term or other borrowings.

The Company's management continuously evaluates opportunities to pursue acquisitions or engage in strategic transactions. The Company would expect to finance any significant future transactions with a combination of cash from operations, long-term indebtedness and capital stock.

See Note 18 for a disclosure of the Company's maturity dates associated with its non-current financial liabilities as of December 31, 2018.

The following table reflects all contractually fixed and variable pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. It includes expected gross cash outflows from derivative financial liabilities that are in place as of December 31, 2018.

Such expected net cash outflows are determined based on each particular settlement date of an instrument. The amounts disclosed are undiscounted net cash outflows for the respective upcoming fiscal years, based on the earliest date on which the Company could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on economic conditions (like interest rates and foreign exchange rates) existing at December 31, 2018.

(In millions of Ps)	2019	2020	2021	2022	2023	2024 and thereafter
Non-derivative financial liabilities:						
Notes and bonds	Ps. 4,657	Ps. 9,829	Ps. 2,498	Ps. 1,497	Ps. 25,052	Ps. 20,306
Loans from banks	6,936	1,324	9,560	73	38	24
Derivatives financial liabilities (assets)	450	777	477	–	(255)	160
Financial leasing	10	–	–	–	–	–

The Company generally makes payments associated with its financial liabilities with cash generated from its operations.

20.11.4 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions is spread amongst approved counterparties.

The Company has a high receivable turnover; hence management believes credit risk is minimal due to the nature of its businesses, which have a large portion of their sales settled in cash. The Company's maximum exposure to credit risk for the components of the statement of financial position at December 31, 2018 and 2017 is the carrying amounts (see Note 7).

The credit risk for liquid funds and derivative financial instruments is limited because the parts are credit high-graded banks designated by international credit rating agencies

The Company manages the credit risk related to its derivative portfolio by only entering into transactions with reputable and credit-worthy counterparties as well as by maintaining a Credit Support Annex (CSA) that establishes margin requirements. As of December 31, 2018 the Company concluded that the maximum exposure to credit risk related with derivative financial instruments is not significant given the high credit rating of its counterparties.

20.12 Cash Flow hedges

As of December 31, 2018, the Company's financial instruments used to hedge its exposure to foreign exchange rates, interest rates and commodity risks were as follows:

	Maturity		
	1-6 months	6-12 months	More than 12
Foreign exchange currency risk			
Foreign exchange currency forward contracts			
Net exposure (in millions of pesos)	3,484	683	–
Average exchange rate MXN/USD	20.19	20.75	–
Net exposure (in millions of pesos)	805	337	–
Average exchange rate BRL/USD	3.75	3.83	–
Net exposure (in millions of pesos)	429	63	–
Average exchange rate COP/USD	2,851	2,976	–
Net exposure (in millions of pesos)	339	–	–
Average exchange rate ARS/USD	43.31	–	–
Net exposure (in millions of pesos)	196	159	–
Average exchange rate UYU/USD	32.9	33.97	–
Foreign exchange currency swap contracts			
Net exposure (in millions of pesos)	–	$0	18,502
Average exchange rate MXN/USD	–	$0	19.72
Net exposure (in millions of pesos)	–	4,652	18,042
Average exchange rate BRL/USD	–	3.36	3.59
Interest rate risk			
Interest rate swaps			
Net exposure (in millions of pesos)	–	4,013	8,594
Average interest rate	–	6.29%	8.15%
Commodities risk			
Aluminum	189	75	–
Average price (USD/Ton)	1,975	1,986	–
Sugar	725	498	–
Average price (USD cent/Lb)	12.86	13.11	–
PX+MEG	739	565	–
Average price (USD /Ton)	1,077	1,040	–

As of December 31, 2017, the Company's financial instruments used to hedge its exposure to foreign exchange rates, interest rates and commodity risks were as follows:

	Maturity		
	1-6 months	6-12 months	More than 12
Foreign exchange currency risk			
Foreign exchange currency forward contracts			
Net exposure (in millions of pesos)	3,391	978	–
Average exchange rate MXN/USD	19.62	19.42	–
Net exposure (in millions of pesos)	1,332	136	–
Average exchange rate BRL/USD	3.22	3.25	–
Net exposure (in millions of pesos)	647	116	–
Average exchange rate COP/USD	3,017	3,014	–
Net exposure (in millions of pesos)	280	–	–
Average exchange rate ARS/USD	18.56	–	–
Foreign exchange currency swap contracts			
Net exposure (in millions of pesos)	–	–	18,552
Average exchange rate MXN/USD	–	–	19.72
Net exposure (in millions of pesos)	6,414	17,939	14,880
Average exchange rate BRL/USD	3.82	3.83	3.37
Interest rate risk			
Interest rate swaps			
Net exposure (in millions of pesos)	–	–	10,752
Average interest rate	–	–	7.58%
Commodities risk			
Sugar	710	428	–
Average price (USD cent/Lb)	14.79	15.23	–

As of December 31, 2018, the Company includes the following cash flows hedge exposures:

In millions of pesos	Cash flow hedge reserve	Cash flow hedge costs	Remained balances of cash flow hedge reserve from which hedge accounting is not applied
Foreign exchange currency risk			
Net sales, trade account receivables and borrowings	–	–	–
Purchase of stock	1	22	–
Interest rate risk			
Interest rate instruments	–	–	–

As of December 31, 2017, the Company includes the following cash flows hedge exposures:

In millions of pesos	Cash flow hedge reserve	Cash flow hedge costs	Remained balances of cash flow hedge reserve from which hedge accounting is not applied
Foreign exchange currency risk			
Net sales, trade account receivables and borrowings	–	–	–
Purchase of stock	–	11	–
Interest rate risk			
Interest rate instruments	–	–	–

As of December 31, 2018, cash flow financial instruments amounts and its related non-effective portion were as follows:

In millions of pesos	Notional	Assets	Liabilities	Financial position category in which the cash flow hedge is included
Foreign exchange currency risk				
Forward contracts: Net sales, trade accounts receivables and borrowings	–	–	–	Other investments including financial derivatives (assets), trade accounts payable (liabilities)
Purcahse of stock	4,768	109	(66)	
Exchange rate swaps	41,195	2,390	(511)	
Interest rate risk				
Swap interest rate	12,607	–	(271)	Other investments including financial derivatives (assets), trade accounts payable (liabilities)
Commodities risk				
Aluminum	265	–	(17)	
Suggar	1,223	–	(88)	
PX+MEG	1,303	–	(131)	

Note 21. Non-Controlling Interest in Consolidated Subsidiaries

An analysis of Coca-Cola FEMSA's non-controlling interest in its consolidated subsidiaries for the years ended December 31, 2018, 2017 and 2016 is as follows:

	2018	2017	2016
Mexico	Ps. 5,700	Ps. 5,994	Ps. 5,879
Colombia	21	23	22
Brazil	1,085	1,224	1,195
Philippines	–	10,900	–
	Ps. 6,806	Ps. 18,141	Ps. 7,096

Non-controlling interests in Mexico primarily represent the individual results of a Mexican holding company Kristine Oversease, S.A.P.I. de C.V. This entity also has non-controlling stakes in certain Brazilian subsidiaries.

As disclosed in Note 4.1.3, commencing on February 1, 2017, the Company started consolidating CCFPI's financial results in its financial statements.

As disclosed in Note 5, since its designation as discontinued operation, the Asia segment is no longer reported as a separate segment in Note 26. The sale was completed on December 13, 2018 and the related non- controlling interest was eliminated.

The changes in the Coca-Cola FEMSA's non-controlling interest were as follows:

	2018	2017	2016
Balance at beginning of the period	Ps. 18,141	Ps. 7,096	Ps. 3,986
Effects of business combination	–	11,072	–
Net income of non-controlling interest	1,159	1,148	457
Exchange differences on translation of foreign operations	(1,338)	(1,138)	1,845
Re-measurements of the net defined employee benefit liability	37	38	–
Valuation of the effective portion of derivative financial instruments, net of taxes	(41)	(74)	51
Increase in shares of non-controlling interest	–	–	826
Dividends paid	–	(1)	(69)
Accounting standard adoption effects (see Note 2.4)	(12)	–	–
Philippines deconsolidation	(11,140)	–	–
Balance at end of the period	Ps. 6,806	Ps. 18,141	Ps. 7,096

Note 22. Equity

22.1 Equity accounts

As of December 31, 2018, the common stock of Coca-Cola FEMSA is represented by 2,100,832,262 common shares, with no par value. Fixed capital stock is Ps. 934 (nominal value) and variable capital is unlimited.

The characteristics of the common shares are as follows:

- Series "A" and series "D" shares are ordinary, have all voting rights and are subject to transfer restrictions;
- Series "A" shares may only be acquired by Mexican individuals and may not represent less than 51% of the ordinary shares.
- Series "D" shares have no foreign ownership restrictions and may not represent more than 49% of the ordinary shares.
- Series "L" shares have no foreign ownership restrictions and have limited voting rights.

As of December 31, 2018, 2017 and 2016, the number of each share series representing Coca-Cola FEMSA's common stock is comprised as follows:

	Thousands of Shares		
Series of shares	**2018**	2017	2016
"A"	992,078	992,078	992,078
"D"	583,546	583,546	583,546
"L"	525,208	525,208	497,298
	2,100,832	**2,100,832**	**2,072,922**

The changes in the share are as follows:

	Thousands of Shares		
Series of shares	**2018**	2017	2016
Initial shares	2,100,832	2,072,922	2,072,922
Shares issuance (Note 4.1.1)	–	27,910	–
Final shares	**2,100,832**	**2,100,832**	**2,072,922**

The net income of the Company is subject to the legal requirement that 5% thereof be transferred to a legal reserve until such reserve amounts to 20% of common stock at nominal value. This reserve may not be distributed to shareholders during the existence of the Company. As of December 31, 2018, 2017 and 2016, this reserve was Ps. 164 included in retain earnings .

Retained earnings and other reserves distributed as dividends, as well as the effects derived from capital reductions, are subject to income tax at the rate in effect at the date of distribution, except for restated shareholder contributions and distributions made from net consolidated taxable income, denominated "Cuenta de Utilidad Fiscal Neta" ("CUFIN").

Dividends paid in excess of CUFIN are subject to income tax at a grossed-up rate based on the current statutory rate. Since 2003, this tax may be credited against the income tax of the year in which the dividends are paid, and in the following two years against the income tax and estimated tax payments. The Company's balances of CUFIN amounted to Ps. 8,918 not subject to withholding tax.

For the years ended December 31, 2018, 2017 and 2016 the dividends declared and paid per share by the Company are as follows:

Series of shares		**2018** [(1)]		2017		2016
"A"	Ps.	3,323	Ps.	3,323	Ps.	3,323
"D"		1,955		1,955		1,955
"L"		1,760		1,713		1,667
	Ps.	**7,038**	Ps.	**6,991**	Ps.	**6,945**

[(1)] At an ordinary shareholders' meeting of Coca-Cola FEMSA held on March 09, 2018, the shareholders declared a dividend of Ps. 7,038 that was paid in May 3, 2018 and November 1, 2018. Represents a dividend of Ps. 3.35 per each ordinary share.

22.2 Capital management

The Company manages its capital to ensure that its subsidiaries will be able to continue as going concerns while maximizing the return to shareholders through the optimization of its debt and equity balance in order to obtain the lowest cost of capital available. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2018 and 2017.

The Company is not subject to any externally imposed capital requirements, other than the legal reserve and debt covenants (see Note 18 and Note 22.1).

The Company's finance committee reviews the capital structure of the Company on a quarterly basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. In conjunction with this objective, the Company seeks to maintain the highest credit rating both national and international, currently rated AAA and A-/A2/A- respectively, which requires us to comply, among others, to the financial metrics that each rating agency considers. For example, some rating agencies maintain a debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio lower than 2.0x. As a result, prior to entering into new business ventures, acquisitions or divestures, management evaluates the impact that these transactions can have in its credit rating.

Note 23. Earnings per Share

Basic earnings per share amounts are calculated by dividing consolidated net income for the year attributable to controlling interest by the weighted average number of shares outstanding during the period adjusted for the weighted average of own shares purchased in the period.

Diluted earnings per share amounts are calculated by dividing consolidated net income for the year attributable to equity holders of the parent by the weighted average number of shares outstanding during the period plus the weighted average number of shares for the effects of dilutive potential shares (originated by the Company's commitment to capitalize 27.9 million KOF series L shares described in Note 4.1.2). During the years ended December 31, 2018 and 2017, the Company had no dilutive securities.

Basic and diluted earnings per share amounts are as follows:

	2018		
	Per Series "A" Shares	"D" Shares Per Series	Per Series "L" Shares
Consolidated net income	Ps. 7,116	Ps. 4,186	Ps. 3,768
Consolidated net income attributable to equity holders of the parent- continuing operations	5,164	3,038	2,734
Consolidated net income attributable to equity holders of the parent- discontinued operation	1,405	826	744
Weighted average number of shares for basic earnings per share (millions of shares)	992	584	525

	2017		
	Per Series "A" Shares	"D" Shares Per Series	Per Series "L" Shares
Consolidated net loss	Ps. (5,503)	Ps. (3,237)	Ps. (2,914)
Consolidated net loss attributable to equity holders of the parent- continuing operations	(7,583)	(4,460)	(4,015)
Consolidated net income attributable to equity holders of the parent- discontinued operation	1,538	904	814
Weighted average number of shares for basic earnings per share (millions of shares)	992	584	515

	2016		
	Per Series "A" Shares	"D" Shares Per Series	Per Series "L" Shares
Consolidated net income	Ps. 5,038	Ps. 2,963	Ps. 2,526
Consolidated net income attributable to equity holders of the parent	4,819	2,835	2,416
Weighted average number of shares for basic earnings per share (millions of shares)	992	584	497
Effect of dilution associated with commitment to deliver 27.9 million KOF L shares	–	–	2
Weighted average number of shares adjusted for the effect of dilution (Shares outstanding)	992	584	499

Note 24. Income Taxes

24.1 Income Tax

The major components of income tax expense for the years ended December 31, 2018, 2017 and 2016 are:

		2018		2017		2016
Current tax expense:						
Current year	Ps.	4,763	Ps.	6,108	Ps.	8,574
Deferred tax expense:						
Origination and reversal of temporary differences		1,579		(1,859)		(2,812)
(Benefit) utilization of tax losses recognized		(1,082)		(65)		(1,834)
Total deferred tax expense		497		(1,924)		(4,646)
Total income tax expense in consolidated net income	**Ps.**	**5,260**	**Ps.**	**4,184**	**Ps.**	**3,928**

2018		Mexico		Foreign		Total
Current tax expense:						
Current year	Ps.	3,545	Ps.	1,218	Ps.	4,763
Deferred tax expense:						
Origination and reversal of temporary differences		(283)		1,862		1,579
Benefit (utilization) of tax losses recognized		(679)		(403)		(1,082)
Total deferred tax (benefit)		(962)		1,459		497
Total income tax expense in consolidated net income	**Ps.**	**2,583**	**Ps.**	**2,677**	**Ps.**	**5,260**

2017		Mexico		Foreign		Total
Current tax expense:						
Current year	Ps.	3,874	Ps.	2,234	Ps.	6,108
Deferred tax expense:						
Origination and reversal of temporary differences		(1,798)		(61)		(1,859)
Benefit (utilization) of tax losses recognized		179		(244)		(65)
Total deferred tax (benefit)		(1,619)		(305)		(1,924)
Total income tax expense in consolidated net income	**Ps.**	**2,255**	**Ps.**	**1,929**	**Ps.**	**4,184**

2016		Mexico		Foreign		Total
Current tax expense:						
Current year	Ps.	4,035	Ps.	4,539	Ps.	8,574
Deferred tax expense:						
Origination and reversal of temporary differences		(1,117)		(1,695)		(2,812)
Benefit of tax losses recognized		(1,285)		(549)		(1,834)
Total deferred tax (benefit)		(2,402)		(2,244)		(4,646)
Total income tax expense in consolidated net income	**Ps.**	**1,633**	**Ps.**	**2,295**	**Ps.**	**3,928**

Recognized in Consolidated Statement of Other Comprehensive Income (OCI)

Income tax related to items charged or recognized directly in OCI during the year:		2018		2017		2016
Unrealized (gain) loss on cash flow hedges	Ps.	(208)	Ps.	(160)	Ps.	324
Remeasurements of the net defined benefit liability		152		(61)		12
Total income tax recognized in OCI	**Ps.**	**(56)**	**Ps.**	**(221)**	**Ps.**	**336**

Balance of income tax included in Accumulated Other Comprehensive Income (AOCI) as of:

Income tax related to items charged or recognized directly in OCI as of year-end:		2018		2017		2016
Unrealized loss (gain) on derivative financial instruments	Ps.	(128)	Ps.	59	Ps.	227
Comprehensive income to be reclassified to profit or loss in subsequent periods		(128)		59		227
Re-measurements of the net defined benefit liability		(56)		(199)		(143)
Balance of income tax in AOCI	Ps.	(184)	Ps.	(140)	Ps.	84

A reconciliation between tax expense and income (loss) before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method multiplied by the Mexican domestic tax rate for the years ended December 31, 2018, 2017 and 2016 is as follows:

	2018	2017	2016
Mexican statutory income tax rate	30%	30%	30%
Income tax from prior years	(0.50)	3.16	1.33
Income (loss) on monetary position for subsidiaries in hyperinflationary economies	(0.96)	4.26	(2.20)
Annual inflation tax adjustment	(0.32)	(3.65)	0.15
Non-deductible expenses	2.43	(5.54)	2.38
Non-taxable income	(0.78)	1.17	(0.90)
Income taxed at a rate other than the Mexican statutory rate	1.69	(2.54)	2.06
Effect of restatement of tax values	(3.38)	5.53	(2.29)
Effect of change in statutory rate	(0.38)	0.20	–
Effect of changes in Venezuelan Tax Law	–	–	7.74
Income tax credits	(0.13)	9.68	(7.84)
Effect Venezuela (Note 3.3)	–	(75.56)	–
Tax Loss	1.04	(6.00)	–
Other	1.89	2.12	(2.98)
	30.60%	(37.17)%	27.45%

In 2017, the Venezuela deconsolidation and Philippines consolidation impacted significantly the effective tax rate. Had this two effects not occurred, the effective tax rate would have been 28.12%

Deferred income tax

An analysis of the temporary differences giving rise to deferred income tax liabilities (assets) is as follows:

	Consolidated Statement of Financial Position as of		Consolidated Income Statement		
Consolidated Statement of Financial Position	2018	2017	2018	2017	2016
Allowance for doubtful accounts	Ps. (33)	Ps. (119)	Ps. 76	Ps. 16	Ps. (8)
Inventories	(32)	(4)	(33)	(60)	(163)
Prepaid expenses	3	17	(19)	5	(71)
Property, plant and equipment, net [(1)]	(1,051)	(244)	(392)	(1,783)	1,439
Other assets	38	(569)	74	(166)	167
Finite useful lived intangible assets	225	820	182	761	(289)
Indefinite lived intangible assets	1,081	2,143	31	743	5,280
Post-employment and other non-current employee benefits	(457)	(474)	(114)	(56)	(1)
Derivative financial instruments	3	42	(39)	(44)	62
Contingencies	(2,209)	(2,629)	1,146	(886)	(96)
Employee profit sharing payable	(184)	(159)	–	6	(14)
Tax loss carryforwards	(8,358)	(8,088)	(1,082)	(13)	(1,834)
Tax credits to recover [(2)]	(1,855)	(2,308)	(109)	(1,159)	(1,150)
Cumulative other comprehensive income	(184)	(141)	(54)	(224)	–
Liabilities of amortization of goodwill of business acquisition	7,299	5,527	1,125	(554)	(1,876)
Other liabilities	132	(112)	(295)	1,490	(6,092)
Deferred tax (income)			**Ps. 497**	**Ps. (1,924)**	**Ps. (4,646)**
Deferred tax, asset	Ps. (8,438)	Ps. (8,012)			
Deferred tax, liability	2,856	1,714			
Deferred income taxes, net	**Ps. (5,582)**	**Ps. (6,298)**			

[(1)] As a result of the change of Venezuelan tax regulations, on December 31, 2016 the Company recognized a deferred tax liability for an amount of Ps. 1,107 with their corresponding impact on the income tax of the year. Such amount was derecognized during 2017 as a result of the deconsolidation of Venezuela.

[(2)] Correspond to income tax credits arising from dividends received from foreign subsidiaries to be recovered within the next ten years accordingly to the Mexican Income Tax law as well as effects of the exchange of foreign currencies with Related and Non-Related Parties.

The changes in the balance of the net deferred income tax liability are as follows:

		2018		2017		2016
Balance at beginning of the period	Ps.	(6,298)	Ps.	(4,776)	Ps.	(2,975)
Deferred tax provision for the period		497		(1,763)		(4,381)
Change in the statutory rate		63		–		–
Acquisition of subsidiaries, see Note 4		(413)		(563)		150
Venezuela effect		–		261		–
Effects in equity:						
Unrealized loss (gain) on derivative financial instruments		(21)		(160)		324
Cumulative translation adjustment		31		221		1,766
Remeasurements of the net defined benefit liability		152		(61)		12
Inflation adjustment		20		543		328
Philippines disposal		387		–		–
Balance at end of the period	**Ps.**	**(5,582)**	**Ps.**	**(6,298)**	**Ps.**	**(4,776)**

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same tax authority.

The Company has determined that undistributed profits of its subsidiaries, will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, associates and joint ventures, for which deferred tax liabilities that have not been recognized, aggregate to December 31, 2018: Ps. 9,237, December 31, 2017: Ps. 5,847 and, December 31, 2016: Ps. 5,136.

Tax Loss Carryforwards

Some subsidiaries in Mexico, Colombia and Brazil have tax loss carryforwards. Unused tax loss carryforwards, for which a deferred income tax asset has been recognized, may be recovered provided certain requirements are fulfilled. The tax losses carryforwards for which deferred tax asset has been recorded and their corresponding years of expiration are as follows:

		Tax Loss Carryforwards
2022	Ps.	–
2023		–
2024		631
2025		3,707
2026		4,448
2027 and thereafter		2,227
No expiration (Brazil)		14,866
	Ps.	**25,879**

During 2013, the Company completed certain acquisitions in Brazil. In connection with the acquisitions in Brazil the Company recorded certain goodwill balances that are deductible for Brazilian income tax reporting purposes. The deduction of such goodwill amortization has resulted in the creation of Net Operating Losses (NOLs) in Brazil. NOLs in Brazil have no expiration, but their usage is limited to 30% of Brazilian taxable income in any given year. As of December 31, 2018 and 2017 the Company believes that it is more likely than not that it will ultimately recover such NOLs through the reversal of temporary differences and future taxable income. Accordingly, the related deferred tax assets have been fully recognized.

Additionlly as of December 31, 2018 and 2017, the Company has unused tax losses in Colombia for an amount of Ps. 2 and Ps. 2, respectively.

The changes in the balance of tax loss carryforwards are as follows:

		2018		2017		2016
Balance at beginning of the period	Ps.	24,817	Ps.	24,791	Ps.	14,900
Increase (see sources above)		3,398		3,334		5,616
Usage of tax losses		(352)		(2,723)		(4)
Effect of foreign currency exchange rates		(1,984)		(585)		4,279
Balance at end of the period	**Ps.**	**25,879**	**Ps.**	**24,817**	**Ps.**	**24,791**

There were no withholding taxes associated with the payment of dividends in 2018, 2017 and 2016 by the Company to its shareholders.

24.2 Recoverable taxes

Recoverable taxes are mainly integrated by higher provisional payments of income tax during 2017 in comparison to prior year, which will be compensated in future years.

The operations in Guatemala, Panama, Philippines and Colombia are subject to a minimum tax, which is based primary on a percentage of assets and gross margin, except in the case of Panama. Any payments are recoverable in future years, under certain conditions.

24.3 Tax Reform

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 and 2018. 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 2018 the federal production and sales taxes together resulted in an average of 16.5% tax over net sales.

In addition, the excise tax on concentrate in Brazil was reduced from 20.0% to 4.0% from September 1, 2018 to December 31, 2018. Temporarily the excise tax rate on concentrate increased from 4.0% to 12.0% from January 1, 2019 to June 30, 2019, then it will be reduced to 8.0% from July 1, 2019 to January 1, 2020. On January 1, 2020 the excise tax rate will be reduced back to 4.0%.

On January 1, 2017, a general tax reform in Colombia reduced the income tax rate from 35.0% to 34.0% for 2017 and then to 33.0% for the following years. In addition, for entities located outside the free trade zone, this reform imposed an extra income tax rate of 6.0% for 2017 and 4.0% for 2018.

For taxpayers located in the free trade zone, the special income tax rate increased from 15.0% to 20.0% for 2017. Additionally, the reform eliminated the temporary tax on net equity, the supplementary income tax at a rate of 9.0% as contributions to social programs and the temporary contribution to social programs at a rate of 5.0%, 6.0%, 8.0% and 9.0% for the years 2015, 2016, 2017 and 2018, respectively. 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, 2019, the Mexican government eliminated the right to offset any tax credit against any payable tax (general offset or *compensación universal*). As of such date, the right to offset any tax credit will be against taxes of the same nature and payable by the same person (not being able to offset tax credits against taxes payable by third parties). Additionally, by Executive Decree, certain tax benefits related to the value-added tax and income tax were provided to businesses located in the northern border of Mexico. Due to the territories where we operate, this last provision is not applicable to our business.

On January 1, 2019, a new tax reform became effective in Colombia. This reform reduced the income tax rate from 33.0% to 32.0% for 2020, to 31.0% for 2021 and to 30.0% for 2022. The minimum assumed income tax (*renta presuntiva sobre el patrimonio*) was also reduced from 3.5% to 1.5% for 2019 and 2020, and to 0% for 2021. In addition, the thin capitalization ratio was adjusted from 3:1 to 2:1 for operations with related parties only. As mentioned above, as of January 1, 2019, the value-added tax will be calculated at each sale instead of applied only to the first sale (being able to transfer the value-added tax throughout the entire supply chain). For the companies located in the free trade zone, the value-added tax will be calculated based on the cost of production instead of the cost of the imported raw materials (therefore, we will be able to credit the value added-tax on goods and services against the value added-tax on the sales price of our products). The municipality sales tax will be 50.0% credited against payable income tax for 2019 and 100.0% credited for 2020. Finally, the value-added tax paid on acquired fixed assets will be credited against income tax or the minimum assumed income tax.

The Tax Reform increases the dividend tax on distributions to foreign nonresident's entities and individuals from 5% to 7.5%. in addition, the tax reform establishes a 7.5% dividend tax on distributions between Colombian companies. The tax will be charged only on the first distribution of dividends between Colombian entities, and may be credited against the dividend tax due once the ultimate Colombian company makes a distribution to its shareholders nonresident shareholders (individuals or entities) or to Colombian individual residents.

On January 1, 2019 a tax reform became effective in Costa Rica. This reform will allow that the tax on sales not only be applied to the first sale, but to be applied and transferred at each sale; therefore, the tax credits on tax on sales will be recorded not only on goods related to production and on administrative services, but on a greater number of goods and services. Value-added tax on services provided within Costa Rica will be charged at a rate of 13.0% if provided by local suppliers, or withheld at the same rate if provided by foreigner suppliers. Although a territorial principle is still applicable in Costa Rica for operations abroad, a tax rate of 15.0% has been imposed on capital gains from the sale of assets located in Costa Rica. New income tax withholding rates were imposed on salaries and compensations of employees, at the rates of 25.0% and 20.0% (which will be applicable depending on the employee's salary). Finally, the thin capitalization rules were adjusted to provide that the interest expenses (generated with non-members of the financial system) that exceed 20.0% of the company's EBITDA will not be deductible for tax purposes.

Note 25. Other Liabilities, Provisions and Commitments

25.1 Other current financial liabilities

		2018		2017
Sundry creditors	Ps.	182	Ps.	593
Derivative financial instruments		384		3,916
Total	**Ps.**	**566**	**Ps.**	**4,509**

25.2 Provisions and other non-current liabilities

		2018		2017
Provisions	Ps.	8,298	Ps.	11,067
Taxes payable		371		355
Other		759		850
Total	**s.**	**9,428**	**Ps.**	**12,272**

25.3 Other non-current financial liabilities

		2018		2017
Derivative financial instruments	Ps.	733	Ps.	578
Security deposits		643		591
Total	**Ps.**	**1,376**	**Ps.**	**1,169**

25.4 Provisions recorded in the consolidated statement of financial position

The Company has various loss contingencies, and has recorded reserves as other liabilities for those legal proceedings for which it believes an unfavorable resolution is probable. The following table presents the nature and amount of the loss contingencies recorded as of December 31, 2018 and 2017:

		2018		2017
Taxes	Ps.	5,038	Ps.	6,717
Labor		2,340		2,365
Legal		920		1,985
Total	**Ps.**	**8,298**	**Ps.**	**11,067**

25.5. Changes in the balance of provisions recorded

25.5.1 Taxes

		2018		2017		2016
Balance at beginning of the period	Ps.	6,717	Ps.	10,223	Ps.	1,658
Penalties and other charges		7		148		173
New contingencies		178		4		3
Cancellation and expiration		(44)		(98)		(106)
Contingencies added in business combinations (1)		104		861		7,840
Payments		(110)		(944)		(6)
Brazil tax amnesty		–		(3,069)		
Effect of foreign currency exchange rates		(951)		(408)		661
Philippines Disposal		(863)		–		
Balance at end of the period	**Ps.**	**5,038**	**Ps.**	**6,717**	**Ps.**	**10,223**

25.5.2 Labor

		2018		2017		2016
Balance at beginning of the period	Ps.	2,365	Ps.	2,356	Ps.	1,340
Penalties and other charges		279		56		203
New contingencies		205		115		211
Cancellation and expiration		(109)		(33)		(177)
Contingencies added in business combinations		289		–		500
Payments		(20)		(76)		(336)
Effects of foreign currency exchange rates		(669)		(52)		615
Effect Venezuela (Note 3.3)		–		(1)		–
Balance at end of the period	**Ps.**	**2,340**	**Ps.**	**2,365**	**Ps.**	**2,356**

25.5.3 Legal

		2018		2017		2016
Balance at beginning of the period	Ps.	1,985	Ps.	1,049	Ps.	319
Penalties and other charges		86		121		33
New contingencies		61		170		196
Cancellation and expiration		(9)		(16)		(46)
Contingencies added in business combinations		67		783		496
Payments		(251)		(80)		(81)
Brazil tax amnesty		–		7		–
Effects of foreign currency exchange rates		(135)		(47)		132
Effects Venezuela		–		(2)		–
Philippines Disposal		(884)		–		–
Balance at end of the period	**Ps.**	**920**	**Ps.**	**1,985**	**Ps.**	**1,049**

[1] At December 31, 2016, an amount of Ps. 7,840 corresponds to tax claims with local Brazil IRS (including a contingency of Ps. 5,321 related to the deductibility of a tax goodwill balance). The remaining contingencies relates to multiple claims with loss expectations assessed by management and supported by the analysis of legal counsels as possible, the total amount of contingencies guaranteed agreements amounts to Ps. 8,081. During 2017, the Company took advantage of a Brazilian tax amnesty program. The settlement of certain outstanding matters under that amnesty program generated a benefit of Ps. 1,874 such benefit has been offset against the corresponding indemnifiable assets.

While provision for all claims has already been made, the actual outcome of the disputes and the timing of the resolution cannot be estimated by the Company at this time.

25.6 Unsettled lawsuits

The Company has entered into several proceedings with its labor unions, tax authorities and other parties that primarily involve Coca-Cola FEMSA and its subsidiaries. These proceedings have resulted in the ordinary course of business and are common to the industry in which the Company operates. Such contingencies were classified by the Company as less than probable but not remote, the estimated amount as of December 31, 2018 of these lawsuits is Ps. 53,333, however, the Company believes that the ultimate resolution of such proceedings will not have a material effect on its consolidated financial position or result of operations.

The Company has tax contingencies, most of which are related to its Brazilian operations, amounting to approximately Ps. 51,070 with loss expectations assessed by management and supported by the analysis of legal counsel consider as possible. Among these possible contingencies, is Ps. 9,288 in various tax disputes related primarily to credits for ICMS (VAT) and Ps. 34,875 related to tax credits of IPI over raw materials acquired from Free Trade Zone Manaus. Possible claims also include Ps. 3,620 related to compensation of federal taxes not approved by the IRS (Tax authorities), and Ps. 3,287 related to the requirement by the Tax Authorities of State of São Paulo for ICMS (VAT), interest and penalty due to the alleged underpayment of tax arrears for the period 1994-1996. The Company is defending its position in these matters and final decision is pending in court.

In recent years in its Mexican and Brazilian territories, Coca-Cola FEMSA has been requested to present certain information regarding possible monopolistic practices. These requests are commonly generated in the ordinary course of business in the soft drink industry where this subsidiary operates. The Company does not expect any material liability to arise from these contingencies.

25.7 Collateralized contingencies

As is customary in Brazil, the Company has been required by the tax authorities there to collateralize tax contingencies currently in litigation amounting to Ps. 7,739, Ps. 9,433 and Ps. 8,093 as of December 31, 2018, 2017 and 2016, respectively, by pledging fixed assets and entering into available lines of credit covering the contingencies.

25.8 Commitments

As of December 31, 2018, the Company has contractual commitments for operating leases for the rental of production machinery and equipment, distribution and computer equipment.

The contractual maturities of the operating leases commitments by currency, expressed in mexican pesos as of December 31, 2018, are as follows:

	Mexican pesos	U.S. dollars	Other
Not later than 1 year	Ps. 533	Ps. 179	Ps.
Later than 1 year and not later than 5 years	1,081	479	–
Later than 5 years	183	–	–
Total	**Ps. 1,797**	**Ps. 658**	**Ps. –**

Rental expense charged to consolidated net income was Ps. 1,063, Ps. 1,420 and Ps. 1,232 for the years ended December 31, 2018, 2017 and 2016, respectively.

The Company has firm commitments for the purchase of property, plant and equipment of Ps. 933 as December 31, 2017.

Note 26. Information by segment

The Company's chief operating decision maker ("CODM") is the Chief Executive Officer, who periodically reviews financial information at the country level. Thus, each of the separate countries in which the Company operates is considered and operating segments, with the exception of the countries in Central America which represent a single operating segment.

The Company has aggregated operating segments into the following reporting segments for the purposes of its consolidated financial statements: (i) Mexico and Central America division (comprising the following countries: Mexico (including corporate operations), Guatemala, Nicaragua, Costa Rica and Panama, and (ii) the South America division (comprising the following countries: Brazil, Argentina, Colombia and Uruguay) and Venezuela (consolidated until 2017) operated in an economy with exchange control and/ or hyper-inflation and, as a result, apply IAS 29, "Financial Reporting in Hyperinflationary Economies," which does not allow the Company from aggregating their results with those of other countries in the South America segment. The Company's results for 2017 reflect a reduction in the share of the profit of associates and joint ventures accounted for using the equity method, net of taxes, as a result of this consolidation (see note 4.1.2). As disclosed in Note 3.3, the Company deconsolidated its operations in Venezuela as of December 31, 2017, consequently there is no financial information for this segment in 2018 and future years.

The Company is of the view that the quantitative and qualitative aspects of the aggregated operating segments are similar in nature for all periods presented. In evaluating the appropriateness of aggregating operating segments, the key indicators considered included but were not limited to:(i) similarities of customer base, products, production processes and distribution processes, (ii) similarities of governments, (iii) inflation trends, since hyper-inflationary economy has different characteristics that carry out to making decision on how to deal with the cost of the production and distribution, Venezuela (up until 2017) has been presented as a separate segment, (iv) currency trends and (v) historical and projected financial and operating statistics, historically and according to our estimates the financial trends of the countries aggregated into an operating segment have behaved in similar ways and are expected to continue to do so.

Segment disclosure for the Company's consolidated operations is as follows:

2018	Mexico and Central America [(1)]	South America [(2)]	Consolidated
Total revenues	Ps. 100,162	Ps. 82,180	Ps. 182,342
Intercompany revenue	5,143	17	5,160
Gross profit	48,162	35,776	83,938
Income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method	7,809	9,381	17,190
Depreciation and amortization	5,551	3,852	9,403
Non-cash items other than depreciation and amortization [(3)]	1,249	132	1,381
Equity in earnings (loss) of associated companies and joint ventures	326	(100)	(226)
Total assets	147,748	116,039	263,787
Investments in associate companies and joint ventures	6,789	3,729	10,518
Total liabilities	96,525	35,512	132,037
Capital expenditures, net	6,574	4,495	11,069

2017 (Restated) [5]	Mexico and Central America [1]	South America [2]	Venezuela	Consolidated
Total revenues	Ps. 92,643	Ps. 86,608	Ps. 4,005	Ps. 183,256
Intercompany revenue	4,661	18	–	4,679
Gross profit	45,106	37,756	646	83,508
Income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method	(18,261)	8,792	(1,786)	(11,255)
Depreciation and amortization	4,801	3,442	807	9,050
Non-cash items other than depreciation and amortization [3]	1,011	213	1,021	2,245
Equity in earnings (loss) of associated companies and joint ventures	(63)	123	–	60
Total assets	163,635	122,042	–	285,677
Investments in associate companies and joint ventures	7,046	4,455	–	11,501
Total liabilities	101,330	43,637	–	144,967
Capital expenditures, net [4]	8,245	4,686	–	12,931

2016 [4]	Mexico and Central America [1]	South America [2]	Venezuela	Consolidated
Total revenues	Ps. 87,557	Ps. 71,293	Ps. 18,868	Ps. 177,718
Intercompany revenue	4,266	3	–	4,269
Gross profit	43,569	29,263	6,830	79,662
Income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method	8,642	4,784	882	14,308
Depreciation and amortization	4,750	3,078	838	8,666
Non-cash items other than depreciation and amortization [3]	424	61	2,423	2,908
Equity in earnings of associated companies and joint ventures	149	(2)	–	147
Total assets	136,252	130,019	12,985	279,256
Investments in associate companies and joint ventures	18,088	4,269	–	22,357
Total liabilities	95,342	48,391	6,290	150,023
Capital expenditures, net [4]	6,597	4,240	1,554	12,391

[1] Central America includes Guatemala, Nicaragua, Costa Rica and Panama. Domestic (Mexico only) revenues were Ps. 84,352, Ps. 79,836 and Ps. 74,413 during the years ended December 31, 2018, 2017 and 2016, respectively. Domestic (Mexico only) total assets were Ps. 130,865, Ps. 133,315 and Ps. 122,552 as of December 31, 2018, 2017 and 2016, respectively. Domestic (Mexico only) total liabilities were Ps. 92,340, Ps. 88,283 and Ps. 92,303 as of December 31, 2018, 2017 and 2016, respectively.

[2] South America includes Brazil, Argentina, Colombia, Uruguay and Venezuela, although Venezuela is shown separately above. South America revenues include Brazilian revenues of Ps. 56,523, Ps. 58,518 and Ps. 43,900 during the years ended December 31, 2018, 2017 and 2016, respectively. Brazilian total assets were Ps. 86,007, Ps. 95,713 and Ps. 104,092 as of December 31, 2018, 2017 and 2016, respectively. Brazilian total liabilities Ps. 26,851, Ps. 31,580 and Ps. 39,600 as of December 31, 2018, 2017 and 2016, respectively. South America revenues also include Colombian revenues of Ps. 14,580, Ps. 14,222 and Ps. 15,120 during the years ended December 31, 2018, 2017 and 2016, respectively. Colombian total assets were Ps. 17,626, Ps. 14,180 and Ps. 20,581 as of December 31, 2018, 2017 and 2016, respectively. Colombian total liabilities were Ps. 4,061, Ps. 7,993 and Ps. 5,547 as of December 31, 2018, 2017 and 2016, respectively. South America revenues also include Argentine revenues of Ps. 9,152, Ps. 13,869 and Ps. 12,273 during the years ended December 31, 2018, 2017 and 2016, respectively. Argentine total assets were Ps. 6,021, Ps. 5,301 and Ps. 5,346 as of December 31, 2018, 2017 and 2016, respectively. Argentine total liabilities were Ps. 2,059, Ps.3,660 and Ps. 3,244 as of December 31, 2018, 2017 and 2016, respectively. South America revenues also include Uruguay revenues of Ps. 1,925, during the year ended on December 31, 2018. Uruguay total assets were Ps. 6,385 as of December 31, 2018. Uruguay total liabilities were Ps. 2,541, as of December 31, 2018.

[3] Includes foreign exchange loss, net; gain on monetary position, net; and market value (gain) loss on financial instruments.

[4] Includes acquisitions and disposals of property, plant and equipment, intangible assets and other long-lived assets.

[5] As mentioned in note 5, the result for Asia division has been included in the line discontinued operations and the Asia segment is no longer presented in 2018 and 2017. The assets (Ps. 28,272) and liabilities (Ps. 9,945) for the discontinued operation for 2017 are included in Mexico and Central America segment.

Note 27. Future Impact of Recently Issued Accounting Standards not yet in Effect:

The Company has not applied the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16 Leases, with which it introduces a unique accounting lease model for tenants. The tenant recognizes an asset by right of use that represents the right to use the underlying asset and a lease liability that represents the obligation to make lease payments.

The transition considerations required to be taken into account by the Company by the modified retrospective approach that it will use to adopt the new IFRS 16 involve recognizing the cumulative effect of the adoption of the new standard as from January 1, 2019. For this reason, the financial information will not be reestablished by the exercises to be presented (exercises completed as of December 31, 2017 and 2018). Likewise, as of the transition date to IFRS 16 (January 1, 2019), the Company has elected to apply the practical dossier of "Grandfather" and continue to consider as contracts for leasing those that qualified as such under the previous accounting rules "IAS 17 – Leases" and "IFRIC 4 – Determination of whether a contract contains a lease". In addition, the Company elected to not recognize assets and liabilities for short-term leases (ie leases of 12 months or less) and leases of low-value assets. Furthermore, the Company has decided to apply the standard to the remaining terms for leased asset and liability balance at the adoption date.

The Company performed a qualitative and quantitative assessment of the impacts that the adoption of IFRS 16 will originate in its consolidated financial statements. The evaluation includes, among others, the following activities:

- Detailed analysis of the leasing contracts and the characteristics of the same that would cause an impact in the determination of the right of use and the financial liabilities.
- Identification of the exceptions provided by IFRS 16 that may apply to the Company;
- Identification and determination of costs associated with leasing contracts;
- Identification of currencies in which lease contracts are denominated;
- Analysis of renewal options and improvements to leased assets, as well as amortization periods;
- Analysis of the accounting requirements of IFRS 16 and the impacts of the same in internal processes and controls; and
- Analysis of the interest rate used in determining the present value of the lease payments of the different assets for which a right of use must be recognized.

The main impacts are derived from the recognition of lease arrangements as rights of use and liabilities to make such payments. In addition, the linear operating lease expense is replaced by a depreciation expense for the right to use the assets and the interest expense of the lease liabilities that will be recognized at present value.

Based on the analysis carried out by the Company, the operations of Mexico, Brazil and Colombia are those that would be significantly affected by the adoption, due to the number of leases that will be in force at the date of adoption of the IFRS 16, as well as the significant length of time period at which the lease contracts are in force.

At the adoption date, the Company estimates it will recognize a right-of-use asset in the range of 0.75% - 1.00% of total assets at December 31, 2018 and a corresponding amount of lease liability for all its lease arrangements in the consolidated financial statement. The final amount will be determined when the Company issues its first financial statements after the adoption date.

As of December 31, 2018, the consolidated and business unit level accounting policies regarding lease recognition under IFRS 16 have been modified and submitted for approval of the Audit Committee of the Company, with the purpose of fully implementation as of January 1, 2019, which it will establish the new basis of accounting for leases. Similarly, the Company has analyzed and evaluated the aspects related to internal control derived from the adoption, ensuring internal control environment is appropriate for financial reporting purposes once the standard have been adopted. Also, the presentation requirements represent a significant change from current practice and a significant increase of disclosures required in the consolidated financial statements and its notes. During 2018, the Company developed and tested appropriate systems, internal controls, policies and procedures necessary to collect and disclose the information required.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

i) Whether an entity considers uncertain tax treatments separately

ii) The assumptions an entity makes about the examination of tax treatments by taxation authorities

iii) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

iv) How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Company is still in the process of quantifying the impact of the adoption of the IFRIC 23 in the consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Company.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to re-measure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to re-measure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement.

Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted.

These amendments will apply only to any future plan amendments, curtailments, or settlements of Coca-Cola FEMSA.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. The Company does not expect the amendments to have a significant impact on its consolidated financial statements.

Annual Improvements 2015-2017 Cycle (issued in December 2017)
These improvements include:

• IFRS 3 Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including re-measuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer re-measures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of Coca-Cola FEMSA.

• IFRS 11 Joint Arrangements
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.

The amendments clarify that the previously held interests in that joint operation are not re-measured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to Coca-Cola FEMSA but may apply to future transactions.

• IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its consolidated financial statements.

• IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its consolidated financial statements.

Note 28. Supplemental Guarantor Information

Condensed Consolidating Financial Information

The following consolidating information presents condensed consolidating statements of financial position as of December 31, 2018 and 2017 and condensed consolidating statements of income, other comprehensive income and cash flows for each of the three years in the period ended December 31, 2018, 2017 and 2016 of the Company and Propimex, S. de R.L. de C.V., Comercializadora la Pureza de Bebidas, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V., Grupo Embotellador CIMSA, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Distribuidora y Manufacturera del Valle de Mexico, S. de R.L. de C.V (as successor guarantor of Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V.) and Yoli de Acapulco, S. de R. L. de C.V. (the Guarantors).

These statements are prepared in accordance with IFRS, as issued by the IASB, with the exception that the subsidiaries are accounted for as investments under the equity method rather than being consolidated. The guarantees of the Guarantors are full and unconditional.

The accounting policies applied in the preparation of the condensed financial statements is the same as those used in the preparation of the consolidated financial statements (see Note 3).

The Company's consolidating condensed financial information for the (i) Company; (ii) its 100% owned guarantors subsidiaries (on standalone basis), which are wholly and unconditional guarantors under both prior years debt and current year debt referred to as "Senior Notes" in Note 17; (iii) the combined non-guarantor subsidiaries; iv) eliminations and v) the Company's consolidated financial statements are as follows:

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
Consolidated Statement of Financial Position As of December 31, **2018**					
Current assets:					
Cash and cash equivalents	Ps. 16,529	Ps. 1,025	Ps. 6,173	Ps. –	Ps. 23,727
Accounts receivable, net	19,388	31,461	51,028	(87,030)	14,847
Inventories	–	2,717	7,334	–	10,051
Recoverable taxes	80	1,870	4,088	–	6,038
Other current assets	–	170	2,657	–	2,827
Total current assets	35,997	37,243	71,280	(87,030)	57,490
Non-current assets:					
Investments in other entities	160,014	131,357	3,766	(284,619)	10,518
Property, plant and equipment, net	–	18,378	43,564	–	61,942
Intangible assets, net	27,824	36,361	52,619	–	116,804
Deferred tax assets	3,043	1,807	3,588	–	8,438
Other non-current assets	19,060	6,282	25,149	(41,896)	8,595
Total non-current assets	209,941	194,185	128,686	(326,515)	206,297
Total assets	**Ps. 245,938**	**Ps. 231,428**	**Ps. 199,966**	**Ps. (413,545)**	**Ps. 263,787**
Liabilities:					
Current liabilities:					
Short-term bank loans and notes payable and current portion of non-current debt	Ps. 4,700	Ps. –	Ps. 6,904	Ps. –	Ps. 11,604
Interest Payable	477	–	20	–	497
Suppliers	11	2,531	17,257	(53)	19,746
Other current liabilities	32,909	82,359	(14,614)	(86,977)	13,677
Total current liabilities	38,097	84,890	9,567	(87,030)	45,524
Non-current liabilities:					
Bank loans and notes payable	68,607	–	1,594	–	70,201
Other non-current liabilities	14,292	670	43,246	(41,896)	16,312
Total non-current liabilities	82,899	670	44,840	(41,896)	86,513
Total liabilities	120,996	85,560	54,407	(128,926)	132,037
Equity:					
Equity attributable to equity holders of the parent	124,942	145,868	138,753	(284,619)	124,944
Non-controlling interest in consolidated subsidiaries	–	–	6,806	–	6,806
Total equity	124,942	145,868	145,559	(284,619)	131,750
Total liabilities and equity	**Ps. 245,938**	**Ps. 231,428**	**Ps. 199,966**	**Ps. (413,545)**	**Ps. 263,787**

		Combined			
		Wholly-owned	Combined		
		Guarantors	non-guarantor		Consolidated
	Parent	Subsidiaries	Subsidiaries	Eliminations	Total
Consolidated Statement of Financial Position As of December 31, 2017					
Assets:					
Current assets:					
Cash and cash equivalents	Ps. 7,017	Ps. 926	Ps. 10,824	Ps. –	Ps. 18,767
Accounts receivable, net	27,420	7,417	56,643	(73,904)	17,576
Inventories	–	2,529	8,835	–	11,364
Recoverable taxes	54	427	4,691	–	5,172
Other current assets	1	299	2,478	–	2,778
Total current assets	34,492	11,598	83,471	(73,904)	55,657
Non-current assets:					
Investments in associates and joint ventures	140,799	92,691	5,527	(226,477)	12,540
Property, plant and equipment, net	–	17,819	58,008	–	75,827
Intangible assets, net	28,863	37,366	58,014	–	124,243
Deferred tax assets	2,277	1,649	4,086	–	8,012
Other non-current assets and financial assets	929	8,653	9,411	(9,595)	9,398
Total non-current assets	172,868	158,178	135,046	. (236,072)	230,020
Total assets	**Ps. 207,360**	**Ps. 169,776**	**Ps. 218,517**	**Ps. (309,976)**	**Ps. 285,677**
Liabilities:					
Current liabilities:					
Short-term bank loans and notes payable and current portion of non-current debt	Ps. 8,774	Ps. –	Ps. 3,397	Ps. –	Ps. 12,171
Interest Payable	434	–	53	–	487
Suppliers	11	2,847	17,098	–	19,956
Other current liabilities	12,090	55,860	28,934	(73,904)	22,980
Total current liabilities	21,309	58,707	49,482	(73,904)	55,594
Non-current liabilities:					
Bank loans and notes payable	63,277	–	7,912	–	71,189
Other non-current liabilities	205	594	26,980	(9,595)	18,184
Total non-current liabilities	63,482	594	34,892	(9,595)	89,373
Total liabilities	**84,791**	**59,301**	**84,374**	**(83,499)**	**144,967**
Equity:					
Equity attributable to equity holders of the parent	122,569	110,475	116,002	(226,477)	122,569
Non-controlling interest in consolidated subsidiaries	–	–	18,141	–	18,141
Total equity	122,569	110,475	134,143	(226,477)	140,710
Total liabilities and equity	**Ps. 207,360**	**Ps. 169,776**	**Ps. 218,517**	**Ps. (309,976)**	**Ps. 285,677**

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
Condensed consolidating income statements: As of December 31, **2018**					
Total revenues	Ps. 1	Ps. 86,736	Ps. 165,325	Ps. (69,720)	Ps. 182,342
Cost of goods sold	–	49,104	108,671	(59,371)	98,404
Gross profit	1	37,632	56,654	(10,349)	83,938
Administrative expenses	135	5,403	8,054	(5,593)	7,999
Selling expenses	–	22,814	31,867	(4,756)	49,925
Other (expenses) income, net	–	627	1,254	–	1,881
Interest expense, net	4,425	3,514	(1,375)	–	6,564
Foreign exchange (loss) gain, net	(96)	(91)	(90)	–	(277)
Other financing (expense) income, net	–	–	(102)	–	(102)
Income taxes	(731)	1,455	4,536	–	5,260
Discontinued operations	–	–	–	–	–
Share of the profit of subsidiaries, associates and joint ventures accounted for using the equity method, net of taxes	17,834	14,732	104	(32,896)	(226)
Net income from continiung operations	**Ps. 13,911**	**Ps. 18,460**	**Ps. 12,229**	**Ps. (32,896)**	**Ps. 11,704**
Net income after tax from discontinued operations	**Ps. –**	**Ps. –**	**Ps. 3,366**	**Ps. –**	**Ps. 3,366**
Net income	**Ps. 13,911**	**Ps. 18,460**	**Ps. 15,595**	**Ps. (32,896)**	**Ps. 15,070**
Attributable to:					
Equity holders of the parent- continuing	13,911	18,460	11,461	(32,896)	10,936
Equity holders of the parent discountinued.	–	–	2,975	–	2,975
Non-controlling interest- continuing	–	–	768	–	768
Non-controlling interest discounined	–	–	391	–	291
Net income	**Ps. 13,911**	**Ps. 18,460**	**Ps. 15,595**	**Ps. (32,896)**	**Ps. 15,070**

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
Condensed consolidating income statements: As of December 31, 2017					
Total revenues	Ps. 1	Ps. 80,179	Ps. 126,031	Ps. (22,955)	Ps. 183,256
Cost of goods sold	–	40,870	71,402	(12,524)	99,748
Gross profit	1	39,309	54,629	(10,431)	83,508
Administrative expenses	140	5,598	7,003	(5,048)	7,693
Selling expenses	–	22,589	33,146	(5,384)	50,351
Other (expenses) income, net	(314)	(330)	32,001	1	31,358
Interest expense, net	3,717	3,210	1,058	1	7,986
Foreign exchange (loss) gain, net	846	255	(313)	–	788
Other financing (expense) income, net	(104)	–	1,941	–	1,836
Income taxes	238	2,270	1,676	–	4,184
Discontinued operations	–	–	3,725	–	3,725
Share of the profit of subsidiaries, associates and joint ventures accounted for using the equity method, net of taxes	(9,765)	9,647	148	30	60
Net income	**Ps. (12,803)**	**Ps. 15,874**	**Ps. (14,754)**	**Ps. 29**	**Ps. (11,654)**
Attributable to:					
Equity holders of the parent- continuing	(12,803)	15,874	(19,158)	29	(16,058)
Equity holders of the parent- discountinued.	–	–	3,256	–	3,256
Non-controlling interest- continuing	–	–	679	–	679
Non-controlling interest discountinued	–	–	469	–	469
Net income	**Ps. (12,803)**	**Ps. 15,874**	**Ps. (14,754)**	**Ps. 29**	**Ps. (11,654)**

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
Condensed consolidating income statements: For the year ended December 31, 2016					
Total revenues	Ps. 1	Ps. 74,718	Ps. 114,767	Ps. (11,768)	Ps. 177,718
Cost of goods sold	–	36,595	63,011	(1,550)	98,056
Gross profit	1	38,123	51,756	(10,218)	79,662
Administrative expenses	185	5,344	6,741	(4,847)	7,423
Selling expenses	–	21,243	32,167	(5,371)	48,039
Other (expenses) income, net	(27)	(25)	(3,760)	–	(3,812)
Interest expense, net	2,140	2,623	1,992	1	6,756
Foreign exchange (loss) gain, net	(3,112)	76	1,244	–	(1,792)
Other financing (expense) income, net	(129)	(50)	2,647	–	2,468
Income taxes	(1,222)	3,010	2,140	–	3,928
Share of the profit of subsidiaries, associates and joint ventures accounted for using the equity method, net of taxes	14,440	9,547	93	(23,933)	147
Net income	**Ps. 10,070**	**Ps. 15,451**	**Ps. 8,940**	**Ps. (23,934)**	**Ps. 10,527**
Attributable to:					
Equity holders of the parent	Ps. 10,070	Ps. 15,451	Ps. 8,483	Ps. (23,934)	Ps. 10,070
Non-controlling interest	–	–	457	–	457
Net income	**Ps. 10,070**	**Ps. 15,451**	**Ps. 8,940**	**Ps. (23,934)**	**Ps. 10,527**

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
Condensed consolidating statements of comprehensive income For the year ended December 31, **2018**					
Consolidated net income	Ps. 13,911	Ps. 18,459	Ps. 15,596	Ps. (32,896)	Ps. 15,070
Other comprehensive income, net of taxes:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Valuation of the effective portion of derivative financial instruments, net of taxes	(396)	(1,102)	1,054	(1,081)	(1,525)
Exchange differences on translation of foreign operations	(6,937)	23,618	(7,123)	(16,788)	(7,239)
Items not to be reclassified to profit or loss in subsequent periods:					
Loss from equity financial asset classified at FVOCI	(1,039)	–	(1,039)	1,039	(1,039)
Remeasurements of the net defined benefit liability, net of taxes	223	(6)	65	(59)	223
Total comprehensive (loss) income, net of tax	(8,149)	22,510	(5,923)	(16,889)	(8,451)
Consolidated comprehensive income for the year, net of tax	**Ps. 5,762**	**Ps. 40,969**	**Ps. 9,673**	**Ps. (49,785)**	**Ps. 6,619**
Attributable to:					
Equity holders of the parent- continuing	Ps. 5,762	Ps. 40,969	Ps. 7,038	Ps. (49,785)	Ps. 3,984
Equity holders of the parent- discontinued	–	–	2,817	–	2,817
Non-controlling interest-continuing	–	–	(421)	–	(421)
Non-controlling interest- discontinued	–	–	239	–	239
Consolidated comprehensive income for the year, net of tax	**Ps. 5,762**	**Ps. 40,969**	**Ps. 9,673**	**Ps. (49,785)**	**Ps. 6,619**

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
Condensed consolidating statements of comprehensive income For the year ended December 31, 2017					
Consolidated net income (loss)	Ps. (12,803)	Ps. 15,874	Ps. (14,754)	Ps. 29	Ps. (11,654)
Other comprehensive income, net of taxes:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Valuation of the effective portion of derivative financial instruments, net of taxes	(192)	(554)	(266)	746	(266)
Exchange differences on translation of foreign operations	16,345	5,245	15,293	(21,676)	15,207
Items not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of the net defined benefit liability, net of taxes	(10)	171	32	(165)	28
Total comprehensive (loss) income, net of tax	16,143	Ps. 4,862	Ps. 15,059	Ps. (21,095)	Ps. 14,969
Consolidated comprehensive income for the year, net of tax	**Ps. 3,340**	**Ps. 20,736**	**Ps. 305**	**Ps. (21,066)**	**Ps. 3,315**
Attributable to:					
Equity holders of the parent- continuing	Ps. 3,340	Ps. 20,736	Ps. (2,169)	Ps. (21,066)	Ps. 841
Equity holders of the parent- discontinued	–	–	2,500	–	2,500
Non-controlling interest-continuing	–	–	146	–	146
Non-controlling interest- discontinued	–	–	(172)	–	(172)
Consolidated comprehensive income for the year, net of tax	**Ps. 3,340**	**Ps. 20,736**	**Ps. 305**	**Ps. (21,066)**	**Ps. 3,315**

Condensed consolidating statements of comprehensive income
For the year ended December 31, 2016

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
Consolidated net income	Ps. 10,070	Ps. 15,451	Ps. 8,940	Ps. (23,934)	Ps. 10,527
Other comprehensive income, net of taxes:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Unrealized gain on available-for sale securities, net of taxes	–	–	–	–	–
Valuation of the effective portion of derivative financial instruments, net of taxes	664	371	(202)	(118)	715
Exchange differences on translation of foreign operations	14,207	(8,756)	15,871	(5,270)	16,052
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	14,871	(8,385)	15,669	(5,388)	16,767
Items not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of the net defined benefit liability, net of taxes	(123)	(117)	(144)	261	(123)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods:	(123)	(117)	(144)	261	(123)
Total comprehensive (loss) income, net of tax	14,748	(8,502)	15,525	(5,127)	16,644
Consolidated comprehensive income for the year, net of tax	**Ps. 24,818**	**Ps. 6,949**	**Ps. 24,465**	**Ps. (29,061)**	**Ps. 27,171**
Attributable to:					
Equity holders of the parent	Ps. 24,818	Ps. 6,949	Ps. 22,112	Ps. (29,061)	Ps. 24,818
Non-controlling interest	–	–	2,353	–	2,353
Consolidated comprehensive income for the year, net of tax	**Ps. 24,818**	**Ps. 6,949**	**Ps. 24,465**	**Ps. (29,061)**	**Ps. 27,171**

Condensed Consolidated Statements of Cash Flows
For the year ended December 31,**2018**

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
Cash flows from operating activities:					
Income before income taxes for continuing op.	Ps. 13,180	Ps. 19,914	Ps. 16,766	Ps. (32,896)	Ps. 16,964
Non-cash items	(15,622)	(7,476)	8,957	32,896	18,775
Changes in working capital	(89)	(10,958)	2,909	–	(8,138)
Net cash flows (used in)/from operating activities	(2,531)	1,480	28,632	–	27,581
Income before income taxes for discontinuing operations	–	–	1,308	–	1,308
Operation activities for discontinuing operations	–	–	654	–	654
Investing activities:					
Acquisition and mergers, net of cash acquired	–	–	1,957	–	1,957
Interest received	2,994	2,187	4,513	(8,690)	1,004
Acquisition of long-lived assets, net	–	(3,506)	(6,012)	–	(9,518)
Acquisition of intangible assets and other investing activities	(10,153)	6,710	2,088	–	(1,355)
Investments in shares	(9,576)	(1,948)	(23,820)	34,957	(387)
Dividends received	4,816	–	8	(4,816)	8
Net cash flows used in investing activities	(11,919)	3,443	(21,266)	21,451	(8,291)
Net cash flows used from investing activities from discontinuing operations	–	–	(962)	–	(962)
Financing activities:					
Proceeds from borrowings	10,100	–	5,326	–	15,426
Repayment of borrowings	(9,028)	–	(6,939)	–	(15,967)
Interest paid	(4,189)	(5,487)	(3,998)	8,690	(4,984)
Dividends paid	(7,038)	(4,434)	(382)	4,816	(7,038)
Proceeds from issuing shares	–	–	–	–	–
Other financing activities	34,314	5,118	(6,147)	(34,957)	(1,672)
Net cash flows (used in)/from financing activities	24,159	(4,803)	(12,140)	(21,451)	(14,235)
Net cash flows used from financing activities from discontinuing operations	–	–	(37)	–	(37)
Net (decrease) increase in cash and cash equivalents	9,709	120	(4,774)	–	5,055
Net (decrease) increase in cash and cash equivalents for discontinued operations	–	–	963	–	963
Initial balance of cash and cash equivalents	7,017	926	10,824	–	18,767
Effects of exchange rate changes and inflation effects on the balance sheet of cash held in foreign currencies	(197)	(20)	(841)	–	(1,058)
Ending balance of cash and cash equivalents	**Ps. 16,529**	**Ps. 1,026**	**Ps. 6,172**	**Ps. –**	**Ps. 23,727**

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	Condensed Consolidated Statements of Cash Flows For the year ended December 31, 2017				
Cash flows from operating activities:					
Income before income taxes for continuing op.	Ps. (12,565)	Ps. 18,144	Ps. (16,803)	Ps. 29	Ps.(11,195)
Non-cash items	10,474	(4,564)	39,945	(29)	45,376
Changes in working capital	118	1,803	(9,566)	–	(7,645)
Net cash flows (used in)/from operating activities for continuing operations	(1,973)	15,383	13,126	–	26,536
Income before taxes for discontinued operations	–	–	1,265	–	1,265
Operationactivities for discontinued operations	–	–	5,435	–	5,435)
Investing activities:					
Acquisition and mergers, net of cash acquired	–	–	26	–	26
Deconsolidation of Venezuela	–	–	(170)	–	(170)
Interest received	4,753	1,693	1,471	(7,126)	791
Acquisition of long-lived assets, net	–	(2,646)	(6,746)	–	(9,392)
Acquisition of intangible assets and other investing activities	4,901	(995)	(7,461)	–	(3,555)
Investments in shares	(100)	(405)	305	(1,243)	(1,443)
Dividends received	3,187	–	33	(3,187)	33
Net cash flows (used in)/from investing activities for continuing operations	12,741	(2,353)	(12,542)	(11,556)	(13,710)
Net cash flows (used in)/from investing activities for discontinued operations	–	–	2,820	–	2,820
Financing activities:					
Proceeds from borrowings	10,200	–	2,288	–	12,488
Repayment of borrowings	(9,926)	–	(3,183)	–	(13,109)
Interest paid	(5,169)	(4,740)	(1,775)	7,126	(4,558)
Dividends paid	(6,991)	(3,187)	(1)	3,187	(6,992)
Proceeds from issuing shares	4,082	–	–	–	4,082
Other financing activities	2,730	(5,293)	(881)	1,243	(2,201)
Net cash flows (used in)/from financing activities in contuning operations	(5,074)	(13,220)	(3,552)	11,556	(10,290)
Net cash flows (used in)/from financing activities	–	–	(485)	–	(485)
Net (decrease) increase in cash and cash equivalents	5,694	(190)	(2,968)	–	2,536
Net (decrease) increase in cash and cash equivalents for discontinued operations	–	–	9,035	–	9,035
Initial balance of cash and cash equivalents	1,106	1,119	8,251	–	10,476
Effects of exchange rate changes and inflation effects on the balance sheet of cash held in foreign currencies	217	(3)	(3,979)	–	(3,765)
Ending balance of cash and cash equivalents	**Ps. 7,017**	**Ps. 926**	**Ps. 10,824**	**Ps. –**	**Ps. 18,767**

	Parent	Combined Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
Condensed Consolidated Statements of Cash Flows For the year ended December 31, 2017					
Cash flows from operating activities:					
Income before income taxes	Ps. 8,848	Ps. 18,461	Ps. 11,080	Ps. (23,934)	Ps. 14,455
Non-cash items	(11,495)	(3,557)	8,429	23,934	17,311
Changes in working capital	(100)	(2,279)	3,059	–	680
Net cash flows (used in)/from operating activities	(2,747)	12,625	22,568	–	32,446
Investing activities:					
Payment related to acquisition of Vonpar	–	–	(13,198)	–	(13,198)
Interest received	1,711	671	3,504	(5,171)	715
Acquisition of long-lived assets, net	–	(3,810)	(6,169)	–	(9,979)
Acquisition of intangible assets and other investing activities	(12,079)	(6,577)	16,271	–	(2,385)
Investments in shares	(707)	(1,021)	6,829	(7,169)	(2,068)
Dividends received	5,868	1	–	(5,869)	–
Net cash flows (used in)/from investing activities	(5,207)	(10,736)	7,237	(18,209)	(26,915)
Financing activities:					
Proceeds from borrowings	4,236	–	4,026	(222)	8,040
Repayment of borrowings	(2,625)	–	(2,545)	222	(4,948)
Interest paid	(1,360)	(3,727)	(4,206)	5,171	(4,122)
Dividends paid	(6,944)	(5,868)	(70)	5,869	(7,013)
Increase in non-controlling interest	–	–	826	–	826
Other financing activities	3,024	8,005	(20,715)	7,169	(2,517)
Net cash flows (used in)/from financing activities	(3,669)	(1,590)	(22,684)	18,209	(9,734)
Net (decrease) increase in cash and cash equivalents	(11,623)	299	7,121	–	(4,203)
Initial balance of cash and cash equivalents	10,991	810	4,188	–	15,989
Effects of exchange rate changes and inflation effects on the balance sheet of cash held in foreign currencies	1,738	9	(3,057)	–	(1,310)
Ending balance of cash and cash equivalents	**Ps. 1,106**	**Ps. 1,118**	**Ps. 8,252**	**Ps. –**	**Ps. 10,476**

Note 29. Subsequent Events

29.1 Debt

On January 14, 2019, The Company paid Ps. 4,700 corresponding to Bank loans contracted in Mexico as follows: Ps. 1,300 with BBVA Bancomer, Ps. 2,100 with Scotiabank and Ps. 1,300 with CitiBanamex.

29.2 Stock split

As of January 2019, the BOD of Coca Cola FEMSA approves:

(i) An eight-for-one stock split (the "Stock Split") of each series of shares of the Company;

(ii) The issuance of Series B ordinary shares with full voting rights;

(iii) The creation of units, comprised of 3 Series B shares and 5 Series L shares, to be listed for trading on the Mexican Stock Exchange ("BMV") and in the form of American depositary shares (ADSs) on the New York Stock Exchange ("NYSE"); and

(iv) Amendments to the Company's bylaws mainly to give effect to the matters approved in paragraphs (i), (ii), and (iii), described above.

Subject to the approval of the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores or CNBV), after giving effect to the Stock Split, KOF's units (each representing 3 Series B shares and 5 Series L shares) will trade on the BMV, and KOF's Series L shares will no longer trade individually on the BMV. KOF's units will trade on the NYSE in the form of ADSs (each representing 10 units). The Series B shares will have full voting rights, while the Series L shares will continue to have limited voting rights. Holders of Series L shares previously trading on the BMV will receive one unit in exchange for one Series L shares, and holders of ADSs trading on the NYSE will hold ADSs representing 10 units in lieu of 10 Series L shares.

Prior to the Shareholders' Meeting, KOF's capital stock was divided as follows: 47.2% of Series A ordinary shares; 27.8% of Series D ordinary shares; and 25% of Series L shares with limited voting rights. Given the limitation under the Company's current capital share structure to issue Series L shares with limited voting rights that represent more than 25% of KOF's capital stock, the purpose of the Stock Split and specifically the issuance of Series B ordinary shares, is to increase KOF's capacity to issue equity that may be used as consideration in future share-based business acquisitions and for general corporate purposes.

The creation of units will allow the Series B shares and Series L shares to trade together, facilitating their trading and avoiding liquidity and price discrepancies that would otherwise arise if the shares were listed and traded separately. ADSs will continue to be listed on the NYSE and will represent 10 units. The units may not be separated into Series B shares and Series L shares except with the required consent of the Series L and Series B shareholders, which consent may only be granted in a special shareholders meeting no earlier than five years after the Stock Split.

Upon the approval of the CNBV, as a result of the Stock Split, the Company's shareholders will receive the following shares:

- The Series A shareholders will receive 8 new Series A shares in exchange for each Series A share outstanding;
- The Series D shareholders will receive 8 new Series D shares in exchange for each Series D share outstanding; and
- The Series L shareholders will receive 5 new Series L shares (with limited voting rights) and 3 new Series B ordinary shares (with full voting rights) in exchange for each Series L share outstanding.

The Series A, Series D, and Series L shares outstanding prior to the Stock Split and exchanged for new shares of the relevant series will be canceled after giving effect to the Stock Split.

As a result, (i) the percentage of ownership held by the Company's shareholders will not change, and (ii) the percentage of ordinary shares with full voting rights will be adjusted proportionally due to the issuance of the Series B shares, as set forth in the table below.

The capital stock of the Company prior to and immediately after the Stock Split is as follows:

Outstanding shares prior to the Stock Split:

Series of shares	Shareholders	Outstanding shares	% of the capital stock	% of ordinary shares with full voting rights
A	Wholly-owned subsidiary of Fomento Económico Mexicano, S.A.B. de C.V.	992,078,519	47.223%	62.964%
D	Wholly-owned subsidiaries of The Coca-Cola Company	583,545,678	27.777%	37.036%
L	Public float	525,208,065	25.0%	0%
Total		**2,100,832,262**	**100%**	**100%**

Outstanding shares immediately after the Stock Split:

Series of shares	Shareholders	Outstanding shares	% of the capital stock	% of ordinary shares with full voting rights
A	Wholly-owned subsidiary of Fomento Económico Mexicano, S.A.B. de C.V.	7,936,628,152	47.223%	55.968%
D	Wholly-owned subsidiaries of The Coca-Cola Company	4,668,365,424	27.777%	32.921%
B	Public float	1,575,624,195	9.375%	11.111%
L	Public float	2,626,040,325	15.625%	0%
Total		**16,806,658,096**	**100%**	**100%**

After obtaining the authorization from the CNBV, the Company will announce the record date and exchange date for all holders of Series L shares and the conversion date for all holders of ADSs. Coca-Cola FEMSA expects that the announcement will happen in the first quarter of 2019.

Shareholders who hold their shares in book-entry form through a brokerage firm or financial institution in Mexico are not required to take any action given that the exchange of their shares will be done automatically through S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V.

The historical financial statements will be revised to give retrospective effect to the stock split upon approval by the CNBV.