

The Coca-Cola logo, featuring the brand name in its signature white cursive script, centered within a solid red rectangular background.The FEMSA logo, featuring the word "FEMSA" in a bold, white, sans-serif font, centered within a solid red rectangular background.

**Coca-Cola FEMSA Third
Quarter 2022
Conference Call**

Wednesday, 26th October 2022

Coca-Cola FEMSA Third Quarter 2022 Conference Call

Participants

Sara – Coordinator

John Santa Maria – Speaker

Constantino Spas – Speaker

Jorge Collazo – Speaker

Rodrigo Alessandra – Participant

Alan Alanis – participant

Marcella Recchia – participant

Sergio Matsumoto – participant

Operator: Good morning, everyone, and welcome to the Coca-Cola FEMSA Third Quarter 2022 Conference Call. As a reminder, today's conference is being recorded and all participants are on listen only mode. At the request of the company. We will open the conference up for questions and answer after the presentation. During this conference call, management may discuss it and forward looking statements concerning Coca-Cola FEMSA future performance and should be considered as good faith estimates made by the company. This forward looking statements reflect management's expectations and are based on currently available data. Actual results are subject to future events and uncertainties which can materially impact the company's actual performance. At this time, I will now turn the conference over to Mr. John Santa Maria, Coca-Cola FEMSA Chief Executive Officer. Please go ahead, Mr. Santa Maria.

John Santa Maria: Thank you very much. Good morning, everyone. Thank you for joining us today to discuss Coca-Cola FEMSA's Third Quarter 2020 Results. With me on the call today are Constantino Spas, our Chief Financial Officer and Jorge Collazo Investor Relations Director. It is a very important moment for our company. We are operating with momentum. We accelerated our digitalization and cultural transformation and we continue making substantial progress towards our key long term strategic objectives. For the quarter, despite the uncertain and volatile environment affecting industries worldwide, our business delivered solid volume growth coupled with double digit growth in our revenues, operating income and earnings per share. Our strong momentum is underscored by the consistently healthy volume performance across all of our territories. While we continue to substantially mitigate margin pressures, mainly driven by increased input costs. Notably our operating margin expanded by 70 basis points in adjusting for extraordinary onetime effects recognized during the previous year. Additionally, we continue leveraging the strength of our enhanced cooperation framework with the Coca-Cola Company operating with improved alignment to increase investment in the market, explore new revenue streams, and significantly advance the rollout of our digital strategy. During the call today. I'll review the results of this quarter and then reflect on the highlights of the significant transformation that our business has experienced over the past five years. This transformation is enabling us to capture opportunities today, while ideally positioned Coca-Cola FEMSA to continue capturing the many opportunities that are in front of us for many years to come. Before our Q&A session, Constantino will walk you

through our division's performance. One thing with a few highlights of sustainable financing, we continue making history on this front, becoming the first company in the consumer sector in the Americas and the first in the Coca-Cola system to successfully price special bonds, underscoring a profound commitment to our communities. Let's begin with a review of our consolidated results. Our consolidated volumes for the quarter grew 8.4% year on year and 7% on a comparable basis. This growth was driven mainly by solid volume growth in Mexico, Brazil, Colombia and Uruguay, coupled with double digit volume growth in Argentina, Guatemala and most of our territories in Central America. Growth has been driven by all of our categories. Our core sparkling beverage category grew 7%, driven by 6.3% growth in brand Coca-Cola and 9.8% growth in flavours. Additionally, our skills in personal water beverage categories with 15% and 26% respectively.

Today, all our territories volumes are ahead of a pre-pandemic level, evidencing consistent growth across our franchise territory. Indeed, and compared to the third quarter of 2019, our consolidated comparable volumes, is up a solid 12.1%. Driven by our affordability capabilities and relentless point of sale execution. We continue gaining share across markets in categories. You're executing to win in the way from home and at home consumption occasions, thanks to several market initiatives that enable us to provide our consumers with unmatched affordability. That's been the case throughout the year, despite inflationary pressures, we continue leveraging initiatives to drive single serve mix-score [?]. We remain on track to reach our ambitious single serve mix-score for the year, with more than 65% of our volume growth coming from single serve presentation. On the innovation front, we once again highlight the success of Coca-Cola Zero Sugar across all of our territories. It's important growth driver increased 72.1% versus the previous year. As we continue leveraging a consistent value proposition with sampling, innovation and customer experience. As a result of our top line initiatives, together with a resilient consumer environment, our consolidated total revenues increased 18.2% and 19.3% on a comparable basis. Our solid volume pricing initiatives and revenue growth management capabilities drove this growth. Notably, we achieve a solid top line performance despite the decline in beer revenues resulting from the transition of Heineken's beer portfolio in Brazil and an unfavourable currency translation effect in Mexican pesos, mainly from the devaluation of the Colombian and Argentine taxes. Importantly, this marks the last quarter that we will cycle the unfavourable beer transition effect in Brazil.

Moving on. Our gross profit increased 16.4% and our gross margin contracted 70-basis points. Our pricing initiatives, revenue growth management and favourable raw materials, hedging strategies continue to largely mitigate higher PET [?] and Sweetness costs. Our operating income increased 13.3% year on year, leading to an operating margin contraction of 60 basis points. However, by normalizing the onetime effects recognized in Brazil during the previous year, our operating income margins would have expanded by 70 basis points, reflecting our resiliency and our team's ability to double down on expense efficiencies. On a comparable basis, excluding M&A and currency translation effects, our operating income increased 13.1%. Finally, operating cash flow margin, pardon? Our operating cash flow for the quarter increased 14% year over year, resulting in operating cash flow margin of 18.6%.

As we have done in previous calls. Let me provide you with an update on the build-up and rollout of the omnichannel multi-category digital commercial platform. In Mexico, we had

another 70,000 monthly active purchasers. Reaching approximately 360,000 stores. In other words, 52% of our total client base in Mexico is enacted monthly buyer. In Brazil, we now have more than 195,000 market digital buyers, which is close to 65% of our total client base. In Colombia, we continue accelerating with close to 70%, while in Costa Rica and Panama, we reached approximately 25%. In summary, the consolidated level, we had more than 115,000 active month of users to reach 760,000 customers. Digital revenues in September amounted to more than \$110 million, meaning that approximately 11% of our total revenues are coming from digital sales.

Consistent with our vision and alliance with our enhanced cooperation framework with the Coca-Cola Company, we continue exploring new revenue streams and strategic partners. We are encouraged that this week Coca-Cola, FEMSA and Heineken began a pilot program in the Mexican city of Irapuato. This pilot aims to prove the distribution and selling capabilities of Coca-Cola FEMSA to strengthen Heineken's products presence in the traditional trade channel, enabling more customers and consumers to a broader portfolio, while always putting our customers and consumer satisfaction at the centre of everything we do. As part of this pilot program, Coca-Cola FEMSA will include products from Heineken's portfolio in the traditional channel portfolio in the region, targeting clients that are not currently serviced by Heineken's commercial team. We expect that these pilot programs will allow us to obtain the necessary learnings and insights to continue advancing toward the potential strategic alliance in the future. But this is the beginning of the pilot test for the details will be provided in due course.

Now, I would like to switch gears and reflect on the significant business transformation that Coca-Cola FEMSA has experienced over the past five years. In 2017, we focused on driving top line growth and we feel this growth by leveraging our industry leading capabilities and value accredited acquisitions in Brazil, Guatemala and Uruguay. At the same time, we focused on increasing profitability and driving efficiency throughout our organization. We deployed a set of initiatives, including our [inaudible] efficiency program to strengthen Coca-Cola FEMSA in new ways of working and streamlining our cost base. This ultimately supports our strategic priorities, resulting in continuous return on invested capital over the past six years, the KPI that is now in the double digits. The results have been driven by a profound cultural transformation based on our DNA and obsessive focus on our clients and consumers, operational excellence, putting people first, having an owner's mentality and being able to take agile decisions.

Our achievements materialized during a socio-political context that became more challenging throughout the region. However, in order to successfully navigate this environment, we have focused on four pillars to strengthen our core business. First portfolio and revenue management. Both our territories, we have made substantial progress with our reduced and zero carbon economy. As a result, [inaudible] has increased an impressive 57.1%, as compared to 2017. At the same time, a refillable bottle's volume has increased 17.7% versus 2017, supported by the successful rollout of the universal bottle. Second, well to market and focus on improving the execution in the point of sale. Resulting not only increased quality coverage in shared [inaudible] but also in Coca Cola terms have been considered consistently recognized. Well, it's execution capability. For example, Guatemala team have been awarded for the last three consecutive years, the Coca-Cola System Excellence Cup and has been recognized as Latin America's best bottler in 2021. Due to its in-store execution score

improvements and consistency. Third, people and culture. They've been the key to achieve our organisation transformation. We have significantly advanced on diversity and inclusion with an increase of 4% in the mix of women in the company and an increase of 6% in the mix of women in leadership positions as compared to 2018, with such level reaching 26%. Well, we are not where we want to be. We are taking decisive steps in the right direction. Additionally, our organization ranks above the industry benchmarks for employee engagement for the outstanding commitment from our teams to the organization and to our objectives.

Four, relentless focus on business efficiencies such as supply chain reinvention, contributed to our solid results. Over the past three years, we have generated close to \$230 million of sales, which is more than 50% ahead of our original target for the period. These four pillars have been fundamental to Coca-Cola FEMSA's positive momentum to it. And we continue to strive to accelerate the transformation, to achieve our vision of becoming the world's preferred and most sustainable commercial ecosystem. In order to achieve this vision, we set a clear transformational path Coca-Cola FEMSA. First, we transformed into a digital age bottle adopting technology and digital capabilities across our value chain. Second, we are now becoming an omnichannel and multi-category player with the clear ambition of becoming a full commercial ecosystem into the future. I'm confident that we are implementing the right initiatives to achieve our short term objectives. As we approach the end of the year, we have clear objectives and the capabilities to achieve our long term ambitions. With that, I will hand over the call to Constantino to expand on our divisional results.

Constantino Spas: Thank you, John and good morning, everyone. In Mexico, our volumes increased a solid 8.7%, while our total revenues increased 17.5%, driven by strong volumes in all of our channels, particularly in the modern trade, coupled with repricing initiatives, revenue growth management and a favourable price net. In Central America, our operations continue to deliver strong results with double digit volume growth and a 17.6% revenue growth. Remarkably, our volumes in Guatemala continue to show significant volume growth even when considering a high comparable baseline. As a result, our quarterly revenues increased a solid 17.5% in Mexico and Central American Division. On the profitability front, our gross profit increased 11.6%, which resulted in a gross profit margin of 46.9%, representing a margin decrease of 250 basis points as compared to the third quarter of 2021. This contraction was driven mainly by increases in commodity prices, which were partially mitigated by revenue management and raw material hedging strategies. As in previous quarters, we were able to partially mitigate gross margin pressure by implementing savings and efficiencies in our SG&A, which enabled us to increase our operating income by 18.6% and to expand our operating margin by 20-basis points in the Mexico and Central American regions. While we continue to see macroeconomic volatility as we approach year-end. We expect to carry on protecting profitability through revenue growth management and focus on driving expense efficiency. Our operating cash flow margin for the quarter was 21.2%, which represents an expansion of 10-basis points in the Mexico and Central American Division. Now, moving on to South America, this division delivered 7.1% volume growth as compared to the same period of 2021. This increase was driven mainly by 12.1% volume growth in Argentina, a 7.2 increase in Brazil, which includes the consolidation of CDI and the volume growth in Colombia and Uruguay. Despite facing tough weather conditions in Brazil, we were able to deliver enough –

John Santa Maria: Okay. I think we lost Constantino.

Speaker: Yes. Let's reconnect him. Operator?

Operator: Yes. Just bear with me a moment.

John Santa Maria: Yes. Thank you all for waiting while we connect Constantino.

Constantino Spas: Pricing and volume growth were partially offset by unfavourable currency translation effects and the transition of our beer –

John Santa Maria: Constantino? Constantino?

Constantino Spas: Yes.

John Santa Maria: Constantino? You were off air for about two minutes, three minutes.

Constantino Spas: Yes. I'm sorry.

Speaker: Maybe Constantino if you can go back to South America division, I think we can take it from there.

Constantino Spas: Sure.

Speaker: I think it was, it was there where –

Constantino Spas: A technical glitch. I'm back. I'm back on air. If we move on to South America, the division delivered 7.1% volume growth as compared to the same period of 2021. This decrease was driven mainly by a 12.1% volume growth in Argentina, a 7.2% increase in Brazil, which includes the consolidation of CDI and volume growth in Colombia and Uruguay. Despite facing tough weather conditions in Brazil. We were able to deliver another quarter of volume growth driven by resilient consumer demand. On a comparable basis, excluding volumes of CDI in Brazil. Volume in the division would have increased 4.4%. Revenues for the division grew 19.1%. As our revenue management initiatives, pricing and volume growth were partially offset by unfavourable currency translation effects and the transition of our beer portfolio in Brazil. If we exclude currency translation and M&A effects, our top line would have increased a solid 21.9% during the quarter. On the profitability front, our gross profit in South America increased 25.2%. Expanding our margins by 200-basis points. This increase was driven mainly by the operating leverage resulting from volume growth, favourable price mix effects and raw material hedging strategies. These effects were partially offset by increases in raw material costs. Our operating income for the division increased 2.9%, while our operating income margin contracted 150-basis points as compared to the third quarter of 2021, driven mainly by a tough comparable baseline related to nonrecurring tax effects in Brazil for 620 million Mexican pesos recorded at the operating income level during the third quarter of 2021. These effects were partially offset by higher gross profit and an increase in operating leverage resulting from volume growth and expense efficiencies. Finally, our operating cash flow in South America increased by 6.1%, resulting in an operating cash flow margin contraction of 190 basis points. If we normalize by the onetime effects. I previously mentioned our operating cash flow margin for the division increased 130 basis points year on year.

Now let me expand on the successful issuance over social and sustainability bonds in the Mexican market. Consistent with our financial discipline, strong credit profile and commitment to sustainability, repriced social and sustainability bonds for a total amount of 6 billion

Mexican pesos. This issuance represents the first social bonds in the consumer sector in the Americas and the first social bonds of the Coca-Cola system. Furthermore, we became the first company in the consumer sector in Mexico to price sustainability bonds. This transaction was completed in two tranches. The first tranche was priced at a fixed rate of 9.95% and there was no plus 0.30% for an amount of 5.5 billion Mexican pesos due in seven years. The net proceeds of this bond will be used to finance eligible social projects. The second tranche was priced at a variable rate of [inaudible] plus 0.05% for an amount of 500 million Mexican pesos due in four years. The net proceeds of this bond will be used to finance eligible sustainability projects. For additional details on our use of the proceeds and commitments related to this transaction, you can find a copy of our Sustainability Bonds Framework on our website and a copy of the second party opinion provided by S&P, who confirmed that our ambitious targets are aligned with sustainable bond principles.

Finally, I want to underscore our focus on maintaining a disciplined financial position in our commitment with shareholder return. Our strong balance sheet and solid cash flow generation allows us to, as of September 30th, 2022, have a net debt to EBITDA ratio closing at 0.8 times with a cash position of more than 39 billion Mexican pesos, even before the proceeds from the social and sustainable bonds accrued as we mentioned. Additionally, on November 3rd, we will pay the second instalment of the ordinary dividend declared last March to complete a total cash distribution to our shareholders that exceeds 11 billion Mexican pesos during 2022. And with that, I will turn the call back to John for his final remarks. Thank you.

John Santa Maria: Okay. In light of our recent management succession announcements, I want to say that I am extremely privileged for the opportunity to serve and led Coca Cola FEMSA as CEO for the past nine years and building world class bottling company for over the last 27 years of my career. I want to give a special recognition and thanks. All of us can thank all our Coca-Cola FEMSA employees. We are confronting many challenges together, but more importantly, we have achieved great milestones and for all that, we should all be very proud. Additionally, I am tremendously grateful for the work that I've been able to share with the colleagues of the Coca-Cola Company and that FEMSA throughout this entire journey. It has been a privilege working hand in hand with such amazing professionals. Finally, I'm also thankful for the continuous support, feedback and interactions I've had with you, the investment community, over all these years. As I previously mentioned, I am convinced that our company is better position than ever to capture the many opportunities that are in front of us. I'm very pleased that Ian Craig, our current CEO of Coca-Cola FEMSA Brazil, has been appointed by our Board of Directors as my successor to carry out as Chief Executive Officer as of January 1st, 2023. Ian is a proven leader with a 28-year career within FEMSA and Coca-Cola FEMSA and an outstanding track record that includes senior corporate positions as well as successful business turnarounds in Argentina and Brazil. Ian is a natural successor to lead the company. He brings positive continuity to leverage up the strategy and accelerate towards the goals we have set as the organisation. I'm confident in the bright future that lies ahead for Coca-Cola FEMSA under his leadership.

Finally, I want to thank and congratulate Constantino Spas, our CFO. He has been fundamental to our company's transformation journey and has been invited by FEMSA to become Chief Executive Officer of FEMSA's Strategic Businesses as of the next year.

Succeeding Alfonso Garza who is retiring after a highly successful 37-year career at FEMSA. I wish both Ian and Constantino great success in their new appointments. Constantino?

Constantino Spas: Thank you, John. After five years at Coca-Cola FEMSA and four years as Chief Financial Officer, I will continue my career at FEMSA as Chief Executive Officer of French Strategic Businesses. Working at Coca-Cola FEMSA has been a privilege, nothing less. I have worked with an extremely talented team and witnessed the company's profound transformation throughout these years. And I'm confident that we have set the right objectives and we have positioned the company together for remarkable success. I also want to thank you, John, publicly for your leadership and dedication to this company over the years. You have been a true leader in shaping Coca-Cola FEMSA into the amazing company that it is today. And beyond grateful to John, my team and all my other fellow members of Coca-Cola FEMSA, all the employees of this great company for their contributions as we have worked together to transform this company. And thank you all for your continued trust and support and for joining us today for the call. And with that, operator, we would like to open the call for questions. Thank you.

Operator: Thank you, Mr. Constantino. Ladies and gentlemen, as a reminder, if you would like to ask a question or make a contribution on today's call, please press star one on your telephone keypad. To withdraw your question, please press star two, will pause just for a moment to allow everyone an opportunity to signal for questions. We'll now go with our first question from Alan Alanis from Santander. Please go ahead. Your line is open.

Alan Alanis: Thank you so much operator. And good morning, everyone. And, well, first of all, congratulations to both of you. Congratulations, John. I mean you will be dearly missed and congratulations Constantino, very well-earned move. And let me let me take advantage that this is well I guess the last time we're going to be talking on a quarterly call to make more of a strategic question rather than the quarter. And if you could describe what do you see? I mean, you've seen a lot in the Coca-Cola FEMSA operations, the Coke system. What do you think will be the biggest changes that that Coke is facing in the next three and five years? And well, what would be your advice for Ian in the operating front and as well in the relationship with the Coca-Cola Company, which, by the way, also reported pretty impressive results this morning. Let's leave it at that.

John Santa Maria: Alan, can you just you know clarify your question one more time?

Alan Alanis: Sure. Sure. I mean, the question is, I mean, what do you think are the biggest challenges that Ian and group will be facing in the next three years and five years? And how do you see the evolution in the relationship with the Coca-Cola Company in recent years and going forward? I think that the relationship with the Coca-Cola Company is extremely important for both for the stock price and for the obviously for the driver of the stock price, which is the profit split within the system?

John Santa Maria: Not sure, I think the challenges we have are I think addressed by all the strategies that we put in place. The first one is to continue to digitalize our company profoundly across all our territories, and we are very clear how we're going to do that and roll it out. As I said on the call, that is probably about 750,000 monthly average monthly users on our digital base. And you can probably use that to that scale and think through that next year we're probably doubling that, okay? So I think our digital strategies continue to be deep,

profound and accelerating. I think along with that comes a willingness to start working with different partners, partners that will give us that that relevance at the point of sale and obviously in conjunction with the Coca-Cola Company. And that's going to be a challenge because obviously when you work with so many partners, you know you're going to have operating issues. It's important to basically iron out. But when we have done this in the pilots, everywhere we've gone, we've seen tremendous volume uplift for all our partners. And so I think we're in the right place with the right strategy. And third, I think just continuing to leverage up on innovation inside the Coca-Cola Company. We've seen that happening more towards the alcoholic ready to drink sector with everything coming out with from Topo Chico Hard Seltzers to Jack and Coke to the Schweppes mixed drinks. So I think we have a very big, large area of opportunity that we have to learn from and continue to move forward. But think more than anything else, is just about going out and making sure that we're reinvesting correctly in the business to be able to capture all these opportunities. And I think Alan one thing that you have seen in Coca-Cola FEMSA, is that under this new long term relationship model that we have with Coke, our capital investments have nearly doubled over the last two years and probably going to be around that level for the next -- foreseeable next two years because demand is growing so strongly. So I think going forward, we have the right strategies in place, we have the right digitalization strategies, we have the right partner, the relationship. And I think it's just going to be a very strong operating focus from here on out for Ian to continue to do this.

Alan Alanis: That's very clear and it makes a lot of sense to me. Thank you so much and congratulations for a very successful career. And Constantino best of luck over there. You're leaving both, leaving a company with a very, very strong company and very strong capital balance. So I mean congratulations. Best of luck.

Constantino Spas: Thank you.

John Santa Maria: Thank you.

Constantino Spas: Thank you very much.

Operator: Thank you. Will now take our next question from Marcella Recchia from Credit Suisse. Please go ahead. Your line is open.

Marcella Recchia: Hi John, Constantino, first of all, congratulations as well to both of you for all achievements at KOF and wish you all the best going forward. I have two questions very quickly. The first one is in Mexico. Basically, you were able to more than offset a 250 beat gross margin compression because of higher input costs. Can you just give us a little bit of more colour? What were the drivers that had such amount of savings in OpEx and how sustainable they are going forward? This is my first question. And secondly, if you can elaborate a little bit more about the partnership with Heineken, Mexico. I understand you were the first bottler to distribute beer in Mexico. How you were planning to deal with the license requirements to sell alcoholic beverage in the traditional channel, for example. And also, if you have any views how incremental this partnership can become in terms of volumes and synergies. Thank you so much.

Constantino Spas: Thank you, Marcella. On the on the margins in Mexico, definitely gross margins were first of all, were very pressured mainly by the higher PEP and sweetener costs. Fortunately, our hedging initiatives and price mix continue to mitigate this effect. So one key

element for cost containment and margin protection is revenue growth management, which is a disciplined, very disciplined practice within the within Coca-Cola FEMSA that will continue to be there. And our hedging initiatives that follow a process. We have been quite assertive with these hedging strategies up to now, and I believe that if we continue following the process, that will continue to provide for positive impact in our margin protection. Then on the SG&A side. Our team in Mexico has been able to double down inefficiencies in an outstanding way, mainly generating efficiencies from marketing expense by doing better. Execution and much more optimal and optimization of the marketing expense initiatives. Labour cost savings such as professional services, travel expenses, etcetera. And within that, achieving this while facing increases in freight and maintenance costs. So on the SG&A side, a lot of work too, despite increases in freight and maintenance. And our very important element is the supply chain reinvention. This has also helped to significantly reduce or cost to make and or cost to serve. On a consolidated level, we have saved approximately 935 million pesos' year to date. So this has been also key to protect the profitability of the business. Having said all that, we're confident that our team's ability to continue to double down on these efficiencies and continue to protect the margins for the remaining of the year 2022 and well into 2023, considering that we will face enormous volatility and pressure on 2023. So I hope that provides a little bit of colour on the margins. And then on the pilot program with Heineken, first of all, and then I'll have John provide more colour in his view on this. This pilot program will definitely allow Coca-Cola FEMSA to prove its distribution and selling capacity for Heineken products and the beer category in Mexico. We've done that in Brazil for many years, and we're aiming to strengthen such products presence in the traditional trade channel, allowing more customers and more consumers to have access to a broader portfolio. As always, putting her customer and consumer satisfaction at the centre of everything that we do. We expect that these pilot programs will allow us to obtain the necessary learnings and insights to continue advancing towards a potential strategic alliance in the future. As of now, we're beginning these pilot tests and evidently further details will be provided in the future. This pilot, just to give you more precise information, will start in the state of Guanajuato. We will assess more potential territories according to the learnings and the market needs that we identified with this initial pilot. And the focus as of now in this initial stage is that Coca-Cola FEMSA will cover a customer base that is not currently covered by the Heineken route to market, allowing for an expansion of coverage and increased execution in these particular regions. John, I don't know if you want to add something to Marcella's question.

John Santa Maria: No, I think -- this is on the Heineken piece more than the Mexico bit. I think you know as we go forward, we're going to see where it makes sense for both companies, where we can add value for Heineken. And I don't think you can take this solution as being something that is immediately translatable to all countries within Coca-Cola FEMSA. But what makes sense and what makes sense for us and where it makes sense and has value for Heineken? I think we are having the right dialogues to be able to go out there and learn together as to how we can go out there and maybe down the path, find something that is more reasonable, longer term and more sustainable. But these are very encouraging first steps, okay, especially in territories that are difficult, and that's the market for Heineken. So we'll see if we have the capabilities to go out there and add value to them.

Marcella Recchia: Okay, gentlemen, thank you so much. Very clear.

Operator: Thank you, Marcella.

John Santa Maria: Thank you.

Operator: We will, now take our next question from Felipe Ucros from Scotiabank. Please go ahead. Your line is open.

Felipe Ucros: Congratulations on the recent announcements on retirement for John and future endeavours for Constantino. And thanks for the Space four question. It's just a couple on my end. The first one you know with recent reports of marginal down trading in some of the most discretionary categories in the sector. I wanted to ask you about the role of return levels and affordability in the current and upcoming environment. Maybe if you can give us some colour on how returnables and other affordability options behaved in prior recessions and whether the consumer augmented its focus on returnables and whether you are able to keep the consumer within your price ladder or whether the consumer traded out of the Coke portfolio into maybe private label, water alternatives. Just looking to see what kind of reaction you expect from consumers in the upcoming slowdown?

John Santa Maria: You want to grab that one Constantino?

Constantino Spas: You go ahead, John, you're the expert and you've seen everything in the last 30 years regarding the turnovers. I can add more colour.

John Santa Maria: All right, thank you. I think one of the things, as you have, I think we're better positioned today than we've ever been positioned in the history of Coca-Cola FEMSA. We have a broad, broad set of returnables throughout all of our organizations, all our countries. And frankly, you know, we will continue on to build our program the multi-serve and single serve side. And there's a lot more work to be done. But we're very, very, very pleased to where we are. In an environment that has very high economic volatility, a very high pressure for our consumers. We basically trade them in and out of different types of value packages. You know some returnable, some of them are one way packages. So what we're basically doing is pulling together array of pricing and packaging architecture that allows to capture the consumer at any price point that he has within his pocket and change in his pocket and stay within the daily rituals of drinking Coca-Cola carbonated soft drinks. And I think that's worked for us in the past. And when you're confronted with the volatility in exchange rate and all of a sudden you have the pressure for increased pricing, and because the foreign exchange with PET commodity exchange class, at least we have a lag effect that lasts for some time that allow us to maintain and give them a larger value as compared to the pricing that they need to take to maintain themselves in the franchise and bring us back into the drinker base that we are looking for. So I think the value of returnables is not only from -- there's a sustainability angle to it, but it really is also a volatility hedge for the Coca-Cola system in all of Latin America.

Felipe Ucros: Very clear. Thank you. And maybe –

John Santa Maria: Does that answer your question?

Felipe Ucros: Yes. Yes, of course. Very clear. And then, if I can do a follow-up, my second question. Congrats on the Juntos+ [?] rollout. I just wanted to ask a little bit about this new effort and how you envision to beef up the product offering, whether pilots are being included

in this platform. And how this fits with the WhatsApp effort that you have been rolling out so successfully across Latin America.

John Santa Maria: I'm sorry. I had a hard time hearing you. Did you hear that Constantino?

Constantino Spas: Sure. It's a question regarding our omnichannel platform, John and [inaudible] and its connection. Its connection with multi-category offering for the for the customer. So I can take it Felipe and then have John compliments. As you have seen, we're basically expanding every month our digital coverage of our omnichannel platform. I think there's a couple of the principles that are very important in the way we have envisioned the omnichannel platform and at the same time, how it plays along with multi-category offering for the customer. First of all, it is truly a multichannel focus. So what we are doing is using digitalization as a way to enhance and expand the touchpoints with our customers. So the way that the customer interacts with Coca-Cola FEMSA through digitalization is not a productivity tool to reduce cost, but an enhancement tool to increase our service level and the possibility of interaction with us. So as of today, we continue to centre our efforts of engagement with customers, with our reseller, physical presence. And at the same time we're adding WhatsApp. We have added WhatsApp capabilities and interaction through WhatsApp and we're rolling out a digital app in the case of Juntos+ in most of our markets in a very programmed manner, in a sequential manner. And in the case of Mexico, we also have a pilot called Magenta that is testing very different value proposition to a certain sector of customers, right. So we're expanding our product goal. Then secondly, this allows for the windows, the service windows for our customers to increase significantly. In the case of Mexico, for example, in the Magenta, we are being able to accept orders by 11:59 p.m. on one day and deliver them the next day. So and in different countries we're trying different configuration and service windows. So this allows for our customers to be less time constrained, browse our product offering and make sure that they can go deep and broad in our portfolio. This then connects with the multi category product offering that we have since now the customer is less time constraints and the pre-seller is less time constraints, allowing for a broader portfolio without hindering execution and efficiency on the physical route. This evidently will let us increase as we expand our relationship with different partners like the one that we just mentioned with Heineken in Mexico. This will allow us to continue to enhance our multi-category offering in a way that we have defined, which is customer focused and value accretive for everyone in the value chain. So for our customer, for their consumers, for Coca-Cola FEMSA, and for the partners that can benefit from the usage of such a powerful route to market and commercial platform like Coca-Cola FEMSA. So, you know, the very high level construct of the thinking behind digitalization and omnichannel capabilities very much focused on increasing the impact and the effectiveness of our platform and not as a means of pure efficiency and cost reduction and productivity. Evidently, productivity has come along, but the focus is on the effectiveness side and on increasing our net promoter score with our customers and creating value for everyone in the value chain and evidently for our shareholders too. I don't know, John, if you want to compliment them on that. And Felipe, I don't know if that answers your question.

John Santa Maria: No, I would just say that everywhere we put together. The correct -- the correct partnership on the platform with the incremental Coca-Cola portfolio volumes, as well as incremental coverage in sales of carton volumes. And it's turned out to be very synergistic

and we are very clear as to what the next steps need to be to be able to continue advancing towards our goal of 23-million customers on our platform in short order and every partner and every country that we operate in. And so this is one of our core foundations, of core strategies. And then through that offer the relevant services for the traditional trade as we start building this omnichannel platform.

Felipe Ucros: That's very clear. Thanks to both of you. And again, congratulations for all the achievements.

John Santa Maria: Thank you.

Constantino Spas: Thank you Felipe.

Operator: Thank you. We'll now take our next question from Thiago Bortoluci from Goldman Sachs. Please go ahead. Your line is open.

Thiago Bortoluci: Yes. Good morning, everyone. Congrats on the results, guys, and thanks for the presentation for taking questions. I'd also like to take the opportunity, John, to say congrats on the mandate to have this call and good luck to him and Constantino on the new roles. Well done, guys. I have a quick follow up on the operating front. Constantino on your remarks, you mentioned PET and sweeteners were the lines in which costs came under more pressure on the quarter, especially in Mexico, right? Could you please give us a sense on how these raw material prices are evolving for 2023 and the details around the hedges you have close further forward so far, please?

Constantino Spas: Yeah, let me provide some colour on the hedges and I'll have also Jorge answer some of the questions, right? So in terms of raw materials and hedges, just to give you a sense of how significant the hedges have been to avoid the costs. We have saved approximately 1.2 billion pesos' year to date because of a raw material hedging initiatives of this year. So as expected, we saw increases in raw material prices, as you mentioned, particularly PET and sugar across most of our markets. However, our hedging strategies have definitely helped us mitigate the impact of most of the commodities we use. Let me give you a couple of examples. In corn prices have increased double digits, but we were able to mitigate the impact and hedger needs of fructose at prices that are around 20% below the spot price. To give you a sense of that, we hedge 90% for Mexico in fructose in 2022 and in 2023. We have hedged 60% of all of our needs for 2022 and 30% for 2023. The most affected commodity, as we mentioned, has been PET, and we now have covered more than 70% of our needs for 2022 and already 30% for 2023 based on our commodity risk management process. In Brazil, sugar prices have also increased importantly, but our hedging strategies once again have allowed us to partially mitigate that impact. For 2022, we have hedged more than 90% of our needs at prices that are around 20% below market value, and we have hedged 30% of our needs for 2023. So all in all, although it is certainly a very dynamic environment with a lot of pressure, we're confident that with our pricing initiatives where we increase in line or ahead of inflation depending on the market, fundamentally sustained by revenue growth management combined with hedging initiatives like the ones that I have described, we will be able to substantially mitigate the pressures and protect the profitability of Coca-Cola FEMSA. Jorge, I don't know if you want to add something, something additional to these remarks.

Jorge Collazo: I think that's the most important part, Constantino. I would just probably say that combined with this going forward, you know, the teams, the operators have a very robust plan that we are executing for the remainder of the year, but also positioned resources very well. And going forward in terms of, you know, leveraging our top line initiatives, the hedging strategies that you just described and other capabilities that should allow us to mitigate margin pressures as we move into 2023. And some of these hedging strategies have the natural rollover effect.

Thiago Bortoluci: That's clear, guys. Thank you very much.

Operator: Thank you, Thiago. We'll now take our next question from Sergio Matsumoto from Citigroup. Please go ahead. Your line is open.

Sergio Matsumoto: Yes. Good morning. It's Sergio Matsumoto from Citigroup. John, all the best in your next chapter and Constantino we look forward to working with you on the FEMSA side.

Constantino Spas: Thank you.

Sergio Matsumoto: My question is on -- thank you. My question is on the goal that you mentioned, John, for 2022, I believe it's in Mexico where 65% of volume growth would come from single serves. Can you give us more context on this, on how much attribution you give to increasing mobility? And how does the consumption environment for single service compare now to pre-pandemic times? And what are the optimal sales mix for single serves in the long term, not just 2022, but more on a few years out. Thank you.

John Santa Maria: Well, a lot of this -- and Sergio thank you for your comments and I appreciate them very much. But you know one of the things that we're doing to our Coca-Cola FEMSA is focusing on single serve multi-packing in modern channels. So when you walk in there, you're going to start looking at modern channels having an extremely large assortment of single serve multipacks not only of similar brands, but also combined brands where you have a combined pack with Cokes and maybe Fanta, or Cokes and Sprite, etcetera. It has to do with, you know, going out there and giving the consumer what they want. That we have found is that this is some, you know, the behaviour of drinking you know single serve is something that you had not expected as much as we could, given over COVID. We found that the consumption occasionally went back home. We put together these types of packages and at the end we changed some things growing at a remarkable rate. Single serve is 5% versus 2020 in Mexico and in Brazil, you know it's up in terms of percentage points. How much further can we go? I wouldn't venture a number there, but you will see that we will continue to push this not only in marketing channel, but also look to the right and adequate packaging of multipacks for traditional cards.

Sergio Matsumoto: Well, thank you.

John Santa Maria: Thank you.

Operator: All right. Thank you. We'll now take our next question from Rodrigo Alessandra from UBS. Please go ahead. Your line is open.

Rodrigo Alessandra: Hi. Thank you very much for taking my question. Two quick ones, if I may. On the beer sales in Brazil, the beers that the sequential recovery was a bit faster than previous quarter. So just curious if you will highlight anything here or was it just seasonality

or inflation driven? Any comment regarding the updates on the multi-category there in Brazil would be very helpful. And the second question would be, as we approach year end, if you have any preliminary thoughts on the on the dividend for next year, those would be my two questions. Thank you.

Constantino Spas: Jorge you want to take that?

Jorge Collazo: Thank you. Yes. Yes, Constantino, absolutely. I will take the beer part first. Thanks for the question, Rodrigo. And just to point out one thing. Actually, this quarter, this first quarter is the first quarter that we basically mark the unfavourable comparison base reflecting the transition. Now that basically happened last September. So a little bit is related to that. Now that we are not fully comparing with the quarter with the full Heineken portfolio from the previous year. Finally, no. So that's some good news in the sense of the comparison base now that this quarter marks the first or the last quarter that we cycled that transition for this reason the year revenues declined around 45%. And this quarter as compared to the rate of approximately 60% that we had in the previous quarter. Secondly, I'm taking advantage of the question to provide you some additional colour on beer, you know, we are doing several initiatives there around beer. First, for example, with Persepolis [?] we are rolling out a new marketing campaign with brand Persepolis in Portuguese. But it's time for [inaudible]. It's a great campaign that we're rolling out. And most importantly, as we mentioned during the previous call, we're building this portfolio for the long term in terms of beer and building great brands is something that doesn't happen overnight. So we continue to focus on coverage expansion, for example, with ICE [?] and then accelerating its momentum and its coverage continue to build Tiger and the focus on execution and brand building that we're doing together with Heineken there. And so all in all Rodrigo, we're very optimistic about the portfolio in the future. No, next quarter of course will mark a like for like comparison there for the portfolio as compared to after the transition and it's behaving as we said, mostly as an S-curve on the development part of the beer portfolio. And that's what we are what we're focusing on.

Constantino Spas: And Rodrigo on the dividend side, we have been delivering a very solid dividend just as a reminder, our current dividend represents an increase of 7.7% versus 2021 to an amount of 11.4 billion Mexican pesos, which is important and it is an increase of 53.4% versus 2019, which underscores our commitment and our view of total shareholder return. As of now, we continue to have our capital allocation priorities quite clear. First of all, to continue to deliver a sustainable, ordinary dividend that's attracted to our shareholders. Reinvest in the business. John was mentioning the significant investment in CapEx in the last couple of years that we have put behind the business focused on growth. And last but not -- its important to continue to look for value accretive growth opportunities. So that is our focus right now. We will pay our next instalment of the dividends in November 3rd and once more underscore the significant increase versus 2019 and evidently versus 2021 of our current dividend policy. I hope that helps.

Rodrigo Alessandra: That's great. Thanks for the comment Constantino and Jorge. Just to compliment there, if you can give -- I know it's still small, but any qualitative arguments there on how is it going on with the rest of the multi-category now with Mantle's Campari and **with the rest of the of the categories would be helpful as well. Thank you.**

Constantino Spas: Jorge, you will pick that one?

Jorge Collazo: Sure. Absolutely. Yeah, I would say Rodrigo what we're seeing is, you know, great results, because if you think about, for example, a year ago now, October, when we were beginning with the pilots, for example, of Diageo P&G in Mexico, we were beginning in basically one seating in each of the cases. Now in the case of Puebla, for Diageo and Veracruz for P&G. And over the course of this year, we have been able to expand the critical mass of those pilots, no. And we're gathering learnings and a lot of insights from that development measure. Similarly, we have been doing that in Brazil with Perfetti, with Campari now gathering learnings. Things are going on the right direction. And so, you know, I would say that overall we're very, very enthusiastic about the trajectory that we're getting with pilots and also with the early dates of the distribution agreements that we have with Perfetti and Campari.

Rodrigo Alessandra: Okay. Okay, that's great. Thank you very much Jorge and Constantino.

Operator: Thank you. We'll now take our next question from Louis Villard [?] from GBM. Please go ahead. Your line is open.

Louis Villard: Hi, guys. Good morning. Thanks for taking my question and I join the rest of my colleagues and wishing you the best of luck in your next ventures. So basically, I mean, I'll try not to be repetitive here in my question, but I mean, it's remarkable to see the acceleration of the organization progress, especially in Mexico, as you have mentioned, throughout the call. So as it continues to gain momentum over the next quarters and the next year, and you continue to think of it as an enhancer of the ecosystem, so do you do you see the utilization also increasingly relevant when you think of capital allocation in the future?

Constantino Spas: I want to -- let me see if I understood your question. What you're mentioning is, given the evolution and the increase of relevance in digital channels for Coca-Cola FEMSA would capital allocation on digitalization be a priority going forward? Is that the question? Just to make sure Louis?

Louis Villard: That's precisely it.

Constantino Spas: Okay, yes, for sure. As we have stated in previous calls and interactions. The way that we're looking at value accretive place in inorganic growth and in capital allocation, we have in focusing on assessing opportunities that are evidently on one end, expanding our footprint in the current business where opportunities you know, come that are both strategically sound and value accretive. We will not do any inorganic place just for the sake of growing, but they definitely have to bring value both strategically and economically to our shareholders. At the same time, looking at adjacencies and other categories with the Coca-Cola Company that can make sense for our network within the beverage sector, such as you know other categories that might be in the NARTD space, non-carbonated, etcetera. That is something that we always look at. And the Coca-Cola Company is very active on those fronts in this region and in other parts of the world. And also, to answer your question, looking at technologies and digital partners that could enhance our value proposition for our customers in the omnichannel platform that is fully digitally enabled and at the same time that can allow us to accelerate with capabilities, our digitalization efforts. So the answer is a solid yes. We are looking at and assessing different opportunities in all of those three

different spaces as we normally do as part of the course of our activities on an everyday basis. I hope that clarifies.

Louis Villard: Yeah. No, that's perfect. Thank you very much.

Operator: Thank you, Louis. It appears there is no further questions at this time. Mr. John Santa Maria I would like to turn the conference back to you for any additional or closing remarks.

John Santa Maria: Thank you, operator. And thank you all for your confidence and interest in Coca-Cola FEMSA. And as always, my industrial relations team, led by Jorge and all his team, are available to answer any of your questions or many questions you may have. And I would like to again, just take the opportunity to thank all of you for your continued support during my tenure as CEO and just reiterate how excited I am about the continuity that's coming along with Ian and the strategies that we're underlying and how we see in accelerated momentum in Coca-Cola FEMSA. Not only are we growing faster, we're investing more, and we're also returning an enormous amount of money back to our shareholders. So we got three very good levels going in terms of the strategy. And I think that you have Coca-Cola FEMSA irreplaceable assets in Latin America, but only hedge willing to grow on a global scale. So thank you very much. Operator?

Operator: Thank you. Thank you for joining today's call. You may now disconnect.

John Santa Maria: Yes.

[END OF TRANSCRIPT]