As filed with the Securities and Exchange Commission on April 24, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

Commission file number 001-35934

Fomento Económico Mexicano, S.A.B. de C.V.

(Exact name of registrant as specified in its charter)

Mexican Economic Development, Inc.

(Translation of registrant s name into English)

United Mexican States

(Jurisdiction of incorporation or organization)

General Anaya No. 601 Pte.

Colonia Bella Vista

Monterrey, NL 64410 Mexico

(Address of principal executive offices)

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

address of company contact person)

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

Title of each class:	Name of each exchange on which registered:
American Depositary Shares, each representing 10 BD Units, and each BD Unit consisting of one Series B Share, two Series D-B Shares and two Series D-L Shares, without par value	New York Stock Exchange
2.875% Senior Notes due 2023	New York Stock Exchange
4.375% Senior Notes due 2043	New York Stock Exchange

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

None

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

None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report:

2,161,177,770	BD Units, each consisting of one Series B Share, two Series D-B Shares and two Series D-L Shares, without par value. The BD Units represent a total of 2,161,177,770 Series B Shares, 4,322,355,540 Series D-B Shares and 4,322,355,540 Series D-L Shares.
1,417,048,500	B Units, each consisting of five Series B Shares without par value. The B Units represent a total of 7,085,242,500 Series B Shares.

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

Yes No

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

Yes No

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

Yes No

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

Yes No

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

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

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

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

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

U.S. GAAP IFRS Other

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

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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INTRODUCTION

This annual report contains information materially consistent with the information presented in the audited consolidated financial statements and is free of material misstatements of fact that would result in material inconsistencies with the information in the audited consolidated financial statements.

References

The terms FEMSA, our company, we, us and our, are used in this annual report to refer to Fomento Económico Mexicano, S.A.B. de C.V. a except where the context otherwise requires, its subsidiaries on a consolidated basis. We refer to our former subsidiary Cuauhtémoc Moctezuma Holding, S.A. de C.V. (formerly FEMSA Cerveza, S.A. de C.V.) as Cuauhtémoc Moctezuma or FEMSA Cerveza , to our subsidiary Coca-Cola FEMSA, S.A.B. de C.V., as Coca-Cola FEMSA , to our subsidiary FEMSA Comercio, S.A. de C.V., as FEMSA Comercio . Our equity investment in Heineken, through subsidiaries of FEMSA, including CB Equity LLP, CB Equity , is referred to as the Heineken Investment . FEMSA Comercio comprises a Retail Division, Fuel Division and Health Division, which we refer to as the Retail Division , Fuel Division and Health Division , respectively.

The term S.A.B. stands for *sociedad anónima bursátil*, which is the term used in the United Mexican States, or Mexico , to denominate a publicly traded company under the Mexican Securities Market Law (*Ley del Mercado de Valores*), which we refer to as the Mexican Securities Law .

References to U.S. dollars, US$, dollars or $ are to the lawful currency of the United States of America (which we refer to as the United State References to Mexican pesos, pesos or Ps. are to the lawful currency of Mexico. References to euros or are to the lawful currency of the European Economic and Monetary Union (which we refer to as the Euro Zone).

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

Currency Translations and Estimates

This annual report contains translations of certain Mexican peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from Mexican pesos at an exchange rate of Ps. 19.6395 to US$ 1.00, the noon buying rate for Mexican pesos on December 29, 2017, as published by the U.S. Federal Reserve Board in its H.10 Weekly Release of Foreign Exchange Rates. On April 20, 2018, this exchange rate was Ps. 18.6145 to US$ 1.00. **See Item 3. Key Information Exchange Rate Information** for information regarding exchange rates since 2013.

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

Per capita growth rates, consumer price indices and population data have been computed based upon statistics prepared by the *Instituto Nacional de Estadística, Geografía e Informática* of Mexico (National Institute of Statistics, Geography and Information, which we refer to as INEGI), the U.S. Federal Reserve Board and *Banco de México* (Bank of Mexico), local entities in each country and upon our estimates.

Forward-Looking Information

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

ITEMS 1-2. NOT APPLICABLE

ITEM 3. KEY INFORMATION

Selected Consolidated Financial Data

This annual report includes (under Item 18) our audited consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated income statements, consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017, 2016, and 2015. Our audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Pursuant to IFRS, the information presented in this annual report presents financial information for 2017, 2016, 2015, 2014 and 2013 in nominal terms in Mexican pesos, taking into account local inflation of any hyperinflationary economic environment and converting the inflation adjusted local currency to Mexican pesos using the exchange rate at the end of the period of each country categorized as a hyperinflationary economic environment (for this annual report, only Venezuela).

Furthermore, pursuant to IFRS, determined as a result of Venezuela s hyperinflationary economic environment and currency exchange regime, Coca-Cola FEMSA reported the results of its Venezuelan subsidiary, Coca-Cola FEMSA de Venezuela, S.A., or KOF Venezuela, as a separate consolidated reporting segment. Since its Venezuelan subsidiary will continue doing operations in Venezuela, Coca-Cola FEMSA changed the method of accounting for its investment in Venezuela from consolidation to fair value measured using a Level 3 concept as of December 31, 2017. Prior to December 31, 2017, Coca-Cola FEMSA s recognition of the operations of KOF Venezuela involved a three-step accounting process to (1) translate all transactions based in foreign currencies into bolivars, (2) restate all nonmonetary accounts to current bolivar by applying the general price index and (3) then translate the bolivar amounts to Mexican Pesos. We translated the Venezuela subsidiary figures at an exchange rate of 22,793 bolivars per U.S. dollar at December 31, 2017, which better represents the economic conditions in Venezuela that are not otherwise reflected in the market exchange rate (the exchange rate was not published by the local central bank). For further information, see Notes 3.3, and 3.4 to our audited consolidated financial statements. For each non-hyperinflationary economic environment, local currency is converted to Mexican pesos using the year-end exchange rate for assets and liabilities, the historical exchange rate for equity and the average exchange rate for the income statement. See Note 3.3 to our audited consolidated financial statements.

Our non-Mexican subsidiaries maintain their accounting records in the currency and in accordance with accounting principles generally accepted in the country where they are located. For presentation in our consolidated financial statements, we adjust these accounting records into IFRS and report in Mexican pesos under these standards.

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

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

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

	December 31,					
	2017(1)(2)	**2017(2)(3)**	**2016(2)(4)**	**2015(2)(5)**	**2014**	**2013(6)**
	(in millions of Mexican pesos or millions of U.S. dollars, except percentages and share and per share data)					
Income Statement Data (for the year ended):						
Total revenues	$ 23,445	Ps. 460,456	Ps. 399,507	Ps. 311,589	Ps. 263,449	Ps. 258,097
Gross Profit	8,669	170,268	148,204	123,179	110,171	109,654
Income before Income Taxes and Share of the Profit of Associates and Joint Ventures Accounted for Using the Equity Method	2,031	39,866	28,556	25,163	23,744	25,080
Income taxes	539	10,583	7,888	7,932	6,253	7,756
Consolidated net income	1,895	37,206	27,175	23,276	22,630	22,155
Controlling interest net income	2,160	42,408	21,140	17,683	16,701	15,922
Non-controlling interest net income	(265)	(5,202)	6,035	5,593	5,929	6,233
Basic controlling interest net income:						
Per Series B Share	0.11	2.12	1.05	0.88	0.83	0.79
Per Series D Share	0.13	2.65	1.32	1.10	1.04	1.00
Diluted controlling interest net income:						
Per Series B Share	0.11	2.11	1.05	0.88	0.83	0.79
Per Series D Share	0.13	2.64	1.32	1.10	1.04	0.99
Weighted average number of shares outstanding (in millions):						
Series B Shares	9,246.4	9,246.4	9,246.4	9,246.4	9,246.4	9,246.4
Series D Shares	8,644.7	8,644.7	8,644.7	8,644.7	8,644.7	8,644.7
Allocation of earnings:						
Series B Shares	46.11%	46.11%	46.11%	46.11%	46.11%	46.11%
Series D Shares	53.89%	53.89%	53.89%	53.89%	53.89%	53.89%
Financial Position Data (as of):						
Total assets	$ 29,967	Ps. 588,541	Ps. 545,623	Ps. 409,332	Ps. 376,173	Ps. 359,192
Current liabilities	5,348	105,022	86,289	65,346	49,319	48,869
Long-term debt(7)	5,996	117,758	131,967	85,969	82,935	72,921
Other long-term liabilities	1,468	28,849	41,197	16,161	13,797	14,852
Capital stock	170	3,348	3,348	3,348	3,347	3,346
Total equity	17,155	336,912	286,170	241,856	230,122	222,550
Controlling interest	12,744	250,291	211,904	181,524	170,473	159,392
Non-controlling interest	4,411	86,621	74,266	60,332	59,649	63,158
Other Information						
Depreciation	$ 795	Ps. 15,613	Ps. 12,076	Ps. 9,761	Ps. 9,029	Ps. 8,805
Capital expenditures(8)	1,282	25,180	22,155	18,885	18,163	17,882
Gross margin(9)	37%	37%	37%	40%	42%	42%

(1) Translation to U.S. dollar amounts at an exchange rate of Ps. 19.6395 to US$ 1.00 solely for the convenience of the reader.

(2) The exchange rate used to translate our operations in Venezuela as of and for the year ended on December 31, 2017 was an exchange rate of 22,793 bolivars to US$ 1.00, compared to the year ended on December 31, 2016 which was the DICOM rate of 673.76 bolivars to US$ 1.00 and compared to the year ended on December 31, 2015 which was the SIMADI rate of 198.70 bolivars to US$ 1.00. **See Item 3. Key Information Selected Consolidated Financial Data** Note 3.3 of our audited consolidated financial statements.

(3) Includes results of Coca-Cola FEMSA Philippines (CCFPI or KOF Philippines) (formerly Coca-Cola Bottlers Philippines, Inc.), from February 2017 starting of consolidation accounting method. **See Item 4. Information on the Company The Company Corporate Background** and Note 4 to our audited consolidated financial statements.

(4) Includes results of Vonpar, S.A. (Vonpar or Group Vonpar), from December 2016, and other business acquisitions. **See Item 4. Information on the Company The Company Corporate Background** and Note 4 to our audited consolidated financial statements.

(5) Includes results of Socofar, S.A. (Socofar or Group Socofar), from October 2015, the Fuel Division from March 2015 and other business acquisitions. **See Item 4. Information on the Company The Company Corporate Background** and Note 4 of our audited consolidated financial statements.

(6) Includes results of KOF Philippines, from February 2013 using the equity method, Grupo Yoli, S.A. de C.V. (Group Yoli) from June 2013, Companhia Fluminense de Refrigerantes (Companhia Fluminense) from September 2013, Spaipa S.A. Indústria Brasileira de Bebidas (Spaipa) from November 2013 and other business acquisitions. **See Item 4. Information on the Company Coca-Cola FEMSA Corporate History.**

(7) Includes long-term debt minus the current portion of long-term debt.

(8) Includes investments in property, plant and equipment, intangible and other assets, net of cost of long lived assets sold, and write-off.
(9) Gross margin is calculated by dividing gross profit by total revenues.

Dividends

We have historically paid dividends per BD Unit (including in the form of American Depositary Shares, or ADSs) approximately equal to or greater than 1% of the market price on the date of declaration, subject to changes in our results and financial position, including due to extraordinary economic events and to the factors described in **Item 3. Key Information Risk Factors** that affect our financial condition and liquidity. These factors may affect whether or not dividends are declared and the amount of such dividends. We do not expect to be subject to any contractual restrictions on our ability to pay dividends, although our subsidiaries may be subject to such restrictions. Because we are a holding company with no significant operations of our own, we will have distributable profits and cash to pay dividends only to the extent that we receive dividends from our subsidiaries. Accordingly, we cannot assure you that we will pay dividends or as to the amount of any dividends.

The following table sets forth for each year the nominal amount of dividends per share that we declared in Mexican peso and U.S. dollar amounts and their respective payment dates for the 2013 to 2017 fiscal years:

Date Dividend Paid	Fiscal Year with Respect to which Dividend was Declared	Aggregate Amount of Dividend Declared	Per Series B Share Dividend	Per Series B Share Dividend(7)	Per Series D Share Dividend	Per Series D Share Dividend(7)
May 7, 2013 and November 7, 2013(1)	2012	Ps.6,684,103,000	Ps.0.3333	$ 0.0264	Ps.0.4166	$ 0.0330
May 7, 2013			Ps.0.1666	$ 0.0138	Ps.0.2083	$ 0.0173
November 7, 2013			Ps.0.1666	$ 0.0126	Ps.0.2083	$ 0.0158
December 18, 2013(2)	2012	Ps.6,684,103,000	Ps.0.3333	$ 0.0257	Ps.0.4166	$ 0.0321
May 7, 2015 and November 5, 2015(3)	2014	Ps.7,350,000,000	Ps.0.3665	$ 0.0230	Ps.0.4581	$ 0.0287
May 7, 2015			Ps.0.1833	$ 0.0120	Ps.0.2291	$ 0.0149
November 5, 2015			Ps.0.1833	$ 0.0110	Ps.0.2291	$ 0.0132
May 5, 2016 and November 3, 2016(4)	2015	Ps.8,355,000,000	Ps.0.4167	$ 0.0225	Ps.0.5208	$ 0.0282
May 5, 2016			Ps.0.2083	$ 0.0117	Ps.0.2604	$ 0.0146
November 3, 2016			Ps.0.2083	$ 0.0108	Ps.0.2604	$ 0.0135
May 5, 2017 and November 3, 2017(5)	2016	Ps.8,636,000,000	Ps.0.4307	$ 0.0226	Ps.0.5383	$ 0.0282
May 5, 2017			Ps.0.2153	$ 0.0113	Ps.0.2692	$ 0.0142
November 3, 2017			Ps.0.2153	$ 0.0112	Ps.0.2692	$ 0.0140
May 4, 2018 and November 6, 2018(6)	2017	Ps.9,220,625,674	Ps.0.4598	N/A	Ps.0.5748	N/A
May 4, 2018			Ps.0.2299	N/A	Ps.0.2874	N/A
November 6, 2018			Ps.0.2299	N/A	Ps.0.2874	N/A

(1) The dividend payment for 2012 was divided into two equal payments in Mexican pesos. The first payment was payable on May 7, 2013 with a record date of May 6, 2013, and the second payment was payable on November 7, 2013 with a record date of November 6, 2013.
(2) The dividend payment declared in December 2013 was payable on December 18, 2013 with a record date of December 17, 2013.
(3) The dividend payment for 2014 was divided into two equal payments in Mexican pesos. The first payment was payable on May 7, 2015 with a record date of May 6, 2015, and the second payment was payable on November 5, 2015 with a record date of November 4, 2015. The dividend payment for 2014 was derived from the balance of the net tax profit account for the fiscal year ended December 31, 2013. See Note 22 to our audited consolidated financial statements.
(4) The dividend payment for 2015 was divided into two equal payments. The first payment was payable on May 5, 2016 with a record date of May 4, 2016, and the second payment was payable on November 3, 2016 with a record date of November 1, 2016. The dividend payment for 2015 was derived from the balance of the net tax profit account for the fiscal year ended December 31, 2013. See Note 22 to our audited consolidated financial statements.
(5) The dividend payment for 2016 was divided into two equal payments. The first payment was payable on May 5, 2017 with a record date of May 4, 2017, and the second payment was payable on November 3, 2017 with a record date of November 1, 2017. The dividend payment for 2016 was derived from the balance of the net tax profit account for the fiscal year ended December 31, 2013. See Note 22 to our audited consolidated financial statements.
(6) The dividend payment for 2017 will be divided into two equal payments. The first payment will become payable on May 4, 2018 with a record date of May 3, 2018 and the second payment will become payable on November 6, 2018 with a record date of November 5, 2018. The dividend payment for 2017 was derived from the balance of the net tax profit account for the fiscal year ended December 31, 2013. See Note 22 to our audited consolidated financial statements.
(7) Translations to U.S. dollars are based on the exchange rates on the dates the payments were made.

At the annual ordinary general shareholders meeting, or AGM , the board of directors submits the audited consolidated financial statements of our company for the previous fiscal year, together with a report thereon by the board of directors. Once the holders of Series B Shares have approved the audited consolidated financial statements, they determine the allocation of our net profits for the preceding year. Mexican law requires the allocation of at least 5% of net profits to a legal reserve, which is not subsequently available for distribution, until the amount of the legal reserve equals 20% of our paid in capital stock. As of the date of this report, the legal reserve of our company is fully constituted. Thereafter, the holders of Series B Shares may determine and allocate a certain percentage of net profits to any general or special reserve, including a reserve for open-market purchases of our shares. The remainder of net profits is available for distribution in the form of dividends to our shareholders. Dividends may only be paid if net profits are sufficient to offset losses from prior fiscal years.

Our bylaws provide that dividends will be allocated among the outstanding and fully paid shares at the time a dividend is declared in such manner that each Series D-B Share and Series D-L Share receives 125% of the dividend distributed in respect of each Series B Share. Holders of Series D-B Shares and Series D-L Shares are entitled to this dividend premium in connection with all dividends paid by us other than payments in connection with the liquidation of our company.

Subject to certain exceptions contained in the deposit agreement dated May 11, 2007, among FEMSA, The Bank of New York Mellon (formerly The Bank of New York), as ADS depositary and holders and beneficial owners from time to time of our ADSs, evidenced by American Depositary Receipts, or ADRs, any dividends distributed to holders of our ADSs will be paid to the ADS depositary in Mexican pesos and will be converted by the ADS depositary into U.S. dollars. As a result, restrictions on conversion of Mexican pesos into foreign currencies may affect the ability of holders of our ADSs to receive U.S. dollars, and exchange rate fluctuations may affect the U.S. dollar amount actually received by holders of our ADSs.

Exchange Rate Information

The following table sets forth, for the periods indicated, the high, low, average and year-end noon exchange rate, expressed in Mexican pesos per US$ 1.00, as published by the Federal Reserve Bank of New York. The rates have not been restated in constant currency units and therefore represent nominal historical figures.

Year ended December 31,	Exchange Rate			
	High	Low	Average(1)	Year End
2013	13.43	11.98	12.86	13.10
2014	14.79	12.85	13.35	14.75
2015	17.36	14.56	15.97	17.20
2016	20.84	17.19	18.70	20.62
2017	21.89	17.48	18.89	19.64

(1) Average month-end rates.

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

Risk Factors

Risks Related to Our Company

Coca-Cola FEMSA

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

Substantially all of Coca-Cola FEMSA s sales are derived from sales of *Coca-Cola* trademark beverages. Coca-Cola FEMSA produces, markets, sells and distributes *Coca-Cola* trademark beverages through standard bottler agreements in the territories where Coca-Cola FEMSA operates. Coca-Cola FEMSA is required to purchase concentrate for all *Coca-Cola* trademark beverages from companies designated by The Coca-Cola Company, which price may be unilaterally determined from time to time by The Coca-Cola Company in all such territories. Coca-Cola FEMSA is also required to purchase sweeteners and other raw materials only from companies authorized by The Coca-Cola Company. **See Item 4. Information on the Company Coca-Cola FEMSA Coca-Cola FEMSA s Territories.** Pursuant to Coca-Cola FEMSA s bottler agreements, The Coca-Cola Company has the right to participate in the process for making certain decisions related to Coca-Cola FEMSA s business.

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

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

Coca-Cola FEMSA depends on The Coca-Cola Company to continue with Coca-Cola FEMSA s bottler agreements. Coca-Cola FEMSA s bottler agreements are automatically renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew the applicable agreement. In addition, these agreements generally may be terminated in the case of material breach. **See Item 10. Additional Information Material Contracts Material Contracts Relating to Coca-Cola FEMSA Bottler Agreements.** Termination of any such bottler agreement would prevent Coca-Cola FEMSA from selling *Coca-Cola* trademark beverages in the affected territory. The foregoing and any other adverse changes in Coca-Cola FEMSA s relationship with The Coca-Cola Company would have an adverse effect on Coca-Cola FEMSA s business, financial condition, results of operations and prospects.

The Coca-Cola Company has substantial influence on the conduct of Coca-Cola FEMSA s business, which may result in Coca-Cola FEMSA taking actions contrary to the interests of its shareholders other than The Coca-Cola Company.

The Coca-Cola Company has substantial influence on the conduct of Coca-Cola FEMSA s business. As of April 13, 2018, The Coca-Cola Company indirectly owned 27.8% of Coca-Cola FEMSA s outstanding capital stock, representing 37.0% of Coca-Cola FEMSA s capital stock with full voting rights. The Coca-Cola Company is entitled to appoint five of Coca-Cola FEMSA s maximum of 21 directors and the vote of at least two of them is required to approve certain actions by Coca-Cola FEMSA s board of directors. As of April 13, 2018, we indirectly owned 47.2% of Coca-Cola FEMSA s outstanding capital stock, representing 63.0% of Coca-Cola FEMSA s capital stock with full voting rights. We are entitled to appoint 13 of Coca-Cola FEMSA s maximum of 21 directors and all of Coca-Cola FEMSA s executive officers. We and The Coca-Cola Company together, or only us in certain circumstances, have the power to determine the outcome of all actions requiring approval by Coca-Cola FEMSA s board of directors, and we and The Coca-Cola Company together, or only us in certain circumstances, have the power to determine the outcome of all actions requiring approval of Coca-Cola FEMSA s shareholders. **See Item 10. Additional Information Material Contracts Material Contracts Relating to Coca-Cola FEMSA The Shareholders Agreement.** The interests of The Coca-Cola Company may be different from the interests of Coca-Cola FEMSA s other shareholders, which may result in Coca-Cola FEMSA taking actions contrary to the interests of such other shareholders.

Changes in consumer preferences and public concern about health related issues could reduce demand for some of Coca-Cola FEMSA s products.

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