FIRST BANCORP /PR/
Form 11-K
July 11, 2018


**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

# FORM 11-K

**(Mark One)**

**ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2017**

**Or**

**TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission file number 001-14793**

**THE FIRSTBANK 401(K) RETIREMENT PLAN FOR RESIDENTS OF THE U.S. VIRGIN ISLANDS AND THE UNITED STATES OF AMERICA**

(Full title of the Plan and address of the Plan, if different from that of the issuer named below)

**FIRST BANCORP.**

**1519 Ponce de León Avenue, Stop 23**

**Santurce, Puerto Rico 00908-0146**

(Name of issuer of the securities held pursuant to the plan and the address of principal executive office)

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**The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin**

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**Financial Statements and Supplemental Schedules**

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[1] Other schedules required by Section 2520.103-10 of the Department of Labor s Rules and Regulations for Reporting and Disclosure under ERISA have been omitted because they are not applicable.

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**Report of Independent Registered Public Accounting Firm**

Plan Participants and Plan Administrator of The FirstBank

401(k) Retirement Plan for Residents of the U.S. Virgin Islands and the United States of America

Santurce, Puerto Rico

**Opinion on the Financial Statements**

We have audited the accompanying statement of net assets available for benefits of The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin Islands and the United States of America (the Plan ) as of December 31, 2017, the related statement of changes in net assets available for benefits for the year then ended, and the related notes (collectively referred to as the financial statements ). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017, and the changes in net assets available for benefits for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on the Plan s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ( PCAOB ) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting in accordance with the standards of the PCAOB. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion in accordance with the standards of the PCAOB.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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## Supplemental Information

The supplemental Schedule H, Line 4i Schedule of Assets (Held at End of Year) and Schedule H, Line 4a Schedule of Delinquent Participant Contributions as of December 31, 2017 and for the year then ended, have been subjected to audit procedures performed in conjunction with the audit of The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin Islands and the United States of America s financial statements. The supplemental schedules are the responsibility of the Plan s management. Our audit procedures included determining whether the information presented in the supplemental schedules reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedules. In forming our opinion on the supplemental schedules, we evaluated whether the supplemental schedules, including their form and content, are presented in conformity with the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Crowe LLP

We have served as the Plan s auditor since 2018.

Miami, Florida

July 11, 2018

Stamp No. E298223 of the Puerto Rico

Society of Certified Public Accountants

was affixed to the record copy of this report.

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## Report of Independent Registered Public Accounting Firm

The Participants and Board of Trustees of The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin Islands and the United States of America:

We have audited the accompanying statement of net assets available for benefits of The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin Islands and the United States of America (the Plan) as of December 31, 2016. This financial statement is the responsibility of the Plan s management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2016 in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

San Juan, Puerto Rico

July 12, 2017

Stamp No. E325053 of the Puerto Rico

Society of Certified Public Accountants

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**The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin Islands and the United States of America**

**Statements of Net Assets Available for Benefits**

**Year ended December 31, 2017**

| | As of December 31, | |
|---|---|---|
| | **2017** | **2016** |
| **Assets** | | |
| Investments | | |
| Investments, at fair value | $ 13,265,925 | $ 11,661,499 |
| Receivables | | |
| Notes receivable from participants | 560,301 | 602,773 |
| Cash | 46,326 | 49,266 |
| Total Assets | 13,872,552 | 12,313,538 |
| **Liabilities** | | |
| Other liabilities | 8,626 | 17,308 |
| Net assets available for benefits | $ 13,863,926 | $ 12,296,230 |

The accompanying notes are an integral part of these financial statements.

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**The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin**

**Islands and the United States of America**

**Statement of Changes in Net Assets Available for Benefits**

**Year ended December 31, 2017**

| | Year ended December 31, 2017 |
|---|---|
| **Additions to assets attributed to:** | |
| Investment income: | |
| Net appreciation in fair value of investments | $ 1,086,102 |
| Dividends and interest income | 455,691 |
| Total investment income | 1,541,793 |
| Interest income on notes receivables from participants | 29,864 |
| Contributions: | |
| Participants | 973,921 |
| Employer | 143,866 |
| Rollover from other qualified plans | 125,194 |
| Total contributions | 1,242,981 |
| Total additions | 2,814,638 |
| **Deductions from assets attributed to:** | |
| Benefits and withdrawals paid to participants, including rollover distributions | 1,234,003 |
| Administrative expenses | 12,939 |
| Total deductions | 1,246,942 |
| Net increase | 1,567,696 |
| **Net Assets available for benefits** | |
| Beginning of year | 12,296,230 |
| End of year | $ 13,863,926 |

The accompanying notes are an integral part of these financial statements.

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**The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin**

**Islands and the United States of America**

**Notes to the Financial Statements**

**December 31, 2017 and 2016**

## 1. Description of the Plan

**Reporting Entity**

The accompanying financial statements include the assets of The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin Islands and the United States of America (the Plan ) sponsored by FirstBank Puerto Rico (the Bank ) for its U.S. Virgin Islands and United States of America employees. Participants should refer to the Plan agreement for a complete description of the Plan s provisions.

**General**

The Plan is a defined contribution plan, which became effective on May 15, 1977. Effective September 1, 1991, the Plan was further amended to become a savings plan under the provisions of the U.S. Internal Revenue Code. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

**Plan Amendments**

There were no plan amendments during 2017.

**Eligibility**

All of the Bank s U.S. Virgin Islands and United States of America full-time employees are eligible to participate in the Plan after completion of three months of service for purposes of making elective deferral contributions and one year of service for purposes of sharing in the Bank s matching, qualified matching and qualified non-elective contributions. Furthermore, regular part time employees are also eligible if the criteria of 1,000 hours of service is met.

Employees are automatically enrolled in the Plan after completion of three months of service unless the employee makes an election to waive participation in the Plan by completing an Election Form at least 30 days before the enrollment date. If the employee does not complete the Election Form within the mentioned period, the employee will be automatically enrolled in the Plan with an initial pre-tax contribution equivalent to 2% of his/her period eligible compensation and the contribution will be invested in a predetermined fund until subsequent election is made by the participant.

**Contributions**

Participants are permitted to contribute up to an amount not to exceed the maximum deferral amount specified by the Internal Revenue Service of $18,000 for the tax year ended December 31, 2017. Also, the participant may make voluntary contributions to the Plan on an after-tax basis, not to exceed the maximum annual limit allowed by law. The

Bank is required to make a matching contribution of twenty-five cents for every dollar up to the first 4% of the participant s eligible compensation that a participant contributes to the Plan on a pre-tax basis.

In addition, the Bank may voluntarily make additional discretionary contributions to the Plan at the end of the year to be distributed among the participants accounts as established in the Plan. Investment of participants and employer s contributions are directed by participants into various investment options, which include several mutual funds and the common stock of First BanCorp., the Bank s parent company. The Plan allows for rollover contributions from other qualified plans.

Participants over age 50 are permitted to make an additional $6,000 pre-tax contribution after contributing the Plan limit of $18,000 of their pre-tax annual compensation.

On March 21, 2018, the Bank approved an increase to the employers matching contribution to fifty cents for every dollar of the employees contribution up to 6% of their eligible compensation, effective on July 5, 2018. Refer to Note 11, Subsequent Events, below for additional information about the change in the Bank s matching contribution.

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**The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin**

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**Notes to the Financial Statements**

**December 31, 2017 and 2016**

**Participant Accounts**

Each participant s account is credited with the participant s contributions and allocations of (a) the Bank s contributions and (b) Plan earnings. Allocations are based on (a) the participant s contribution in the case of matching contributions, (b) a discretionary percentage of the participant s contribution in the case of discretionary contributions, and (c) account balances in each investment option in the case of plan earnings. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account. Forfeited nonvested accounts are used to cover administrative expenses, or used to reduce future Bank contributions. Certain administrative expenses directly associated with the Plan are paid by the Plan and charged to participant s accounts.

**Vesting**

Participants are immediately vested in their contributions and the Bank s matching contribution plus actual earnings thereon. Vesting in the Bank s additional discretionary contribution is based on years of continuous service. A participant is 100% vested after five years of credited service.

The vesting schedule for the Bank s additional discretionary contribution is as follows:

| Years of Service | Vested Percentage |
|---|---|
| Less than 2 | 0% |
| 2 | 20% |
| 3 | 40% |
| 4 | 60% |
| 5 or more | 100% |

**Notes receivable from participants**

Under the terms of the Plan, participants are allowed to borrow from their accounts up to 50% of their vested account balance or $50,000, whichever is less. Loan transactions are treated as a transfer to (from) the investment funds from (to) the Participants Loan account. Loans are secured by the balance in the participants accounts and bear interest at the rate determined by the Plan administrator at the time the loan is granted. As of December 31, 2017 and 2016, substantially all of the loans have interest rates ranging from 5.25% to 6.25%, and are due at various maturity dates through January 2023. Principal and interest is paid ratably through biweekly payroll deductions.

**Payment of Benefits**

Plan participants are permitted to make withdrawals from the Plan, subject to provisions in the Plan agreement. If a participant suffers financial hardship, as defined in the Plan agreement, the participant may request a withdrawal from his or her contributions. All distributions from the Plan will be made in a single lump-sum cash payment. If the value of the vested account is more than $5,000, the participant may elect to defer any benefit payable under the Plan until a specified future date.

In the case of participant termination because of death, all amounts credited to such participant s account shall become fully vested and the entire amount is paid to the person or persons legally entitled thereto. A participant will fully vest in his or her account balance (including matching and discretionary contributions) upon permanent and total disability. Payment of disability benefits will be made similar to payments to retired employees described above. However, if the value of the account balance does not exceed $1,000, the distribution will be made to the participant, regardless of whether the participant consents to receive it.

**The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin**

**Islands and the United States of America**

**Notes to the Financial Statements**

**December 31, 2017 and 2016**

**Hurricane Relief for Distributions and Loans to Participants**

In the wake of Hurricanes Harvey, Irma and Maria in 2017, the U.S. Congress enacted the Disaster Tax Relief and Airport and Airways Extension Act of 2017 (the Act ). The Act makes it easier for retirement plan participants to access their retirement funds to recover from Hurricanes Harvey, Irma and Maria.

The main provisions of the Act are:

*Early Distributions* - The Act waives the 10% additional tax under IRC Section 72(t) for qualified hurricane distributions, and permits participants to repay these amounts to a plan. Ordinarily, most distributions to a participant under age 59 ½ are subject to this additional tax. These distributions are limited to $100,000 in the aggregate (regardless of whether received in one or more taxable years) and must be taken between the applicable storm dates and January 1, 2019.

Early distributions would ordinarily be taxable to the recipient in the tax year which includes the distribution date. The Act provides two options. Participants can repay all or part of the distribution within three years by making contributions to a qualified retirement plan (which will be treated as timely rollover contributions, thus deferring taxation), or they can elect to spread the tax on the distribution over a three-year period beginning with the tax year including the distribution date, unless the taxpayer chooses otherwise.

*Plan loans* - The Act also expands the availability of plan loans and extends the normal repayment period. Under IRC Section 72(p), loans from a plan to a participant are subject to a variety of limitations, primarily an overall $50,000 limit on the outstanding amount, and the requirement of repayment at least quarterly within 5 years. The Act provides relief from both. A qualified individual can borrow up to the lesser of $100,000 or 100% of the account balance or accrued benefit (loans taken from September 29, 2017 through December 31, 2018). The required repayments over 5 years can be delayed for an extra year, without regard to terms remaining under prior loans, provided the repayments are adjusted for interest.

*Plan amendments* - Plans generally may be amended retroactively as late as the last day of the first plan year beginning on or after January 1, 2019, to incorporate these provisions, so long as the plans are operated as if the amendments were in effect from their effective date.

During 2017, the Bank adopted the provisions of the Act. As of June 30, 2018, the Plan has processed loans totaling $35 thousand under the special relief provisions of the Act. No hardship withdrawals subject to the special relief provisions of the Act were requested by participants during 2017 and 2018. The Bank plans to amend the Plan document on or before December 31, 2018 to incorporate the special relief provisions for distributions and loans to participants in accordance with the Act.

**Plan Expenses and Administration**

Bank and participant contributions were held by Charles Schwab as custodian and managed by Milliman USA, Inc. as plan recordkeeper, both of which were appointed by the Board of Directors of the Bank. The custodian invests cash, interest and dividend income and makes distributions to participants.

Generally, recordkeeper s fees are paid by the Bank unless there are forfeitures available to offset such expenses. For the year ended December 31, 2017, the Bank paid on behalf of the Plan $58,847 in administrative fees and other services rendered by the plan recordkeeper. Administrative expenses incurred by the Plan, primarily custodian s fees and other miscellaneous expenses, are reflected in the Plan s financial statements.

**The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin**

**Islands and the United States of America**

**Notes to the Financial Statements**

**December 31, 2017 and 2016**

**Forfeitures**

Forfeited balances of terminated participants nonvested accounts are used to reduce future Bank contributions or used to cover administrative expenses of the Plan, refer to Note 7 for further detail.

## 2. Summary of Significant Accounting Policies

**Basis of Accounting**

The accompanying financial statements have been prepared in accordance with accounting policies generally accepted in the United States of America. A description of the significant accounting policies of the Plan follows.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits, and changes therein. Actual results could differ from those estimates.

**Contributions**

Employee contributions are recorded in the period in which the Bank makes payroll deductions from the participants compensation. Matching employer s contributions are recorded in the same period. Discretionary contributions are recorded in the period they are earned by the participant, as determined by the Bank s Board of Directors.

**Rollover Distributions**

Terminated employees or retirees may elect to transfer their savings to other plans qualified by the U.S. Internal Revenue Code.

**Investments Valuation and Income Recognition**

The Plan s investments in mutual funds, and common stock of First BanCorp. are stated at fair value. See Note 3 for further information regarding valuation of the Plan s investments. The Plan presents in the statement of changes in net assets available for benefits the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses on investments bought and sold as well as the unrealized appreciation (depreciation) on those investments held during the year.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

**Notes receivable from participants**

Notes receivable from participants represent participant loans that are measured at their unpaid principal balance plus any accrued but unpaid interest. The outstanding loan amount is reduced with payroll retentions made by the employer. Loans bear interest at the rate determined by the Plan administrator at the time the loan is granted. Any terminated employee is required to liquidate his loan before his resignation. Refer to Note 1, Description of the Plan, above, for the special relief provisions for distributions and loans to participants affected by Hurricanes Irma and Maria in the U.S. Virgin Islands and Florida.

**Payment of Benefits**

Benefit payments to participants are recorded upon distribution.

**New Accounting Pronouncements**

No new accounting pronouncements are applicable to the Plan.

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**The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin**

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**Notes to the Financial Statements**

**December 31, 2017 and 2016**

## 3. Fair Value Measurements

The Financial Accounting Standards Board authoritative guidance for fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance also establishes a fair value hierarchy for classifying financial instruments. The hierarchy is based on whether the inputs to the valuation techniques used to measure fair value are observable or unobservable. Three levels of inputs may be used to measure fair value:

**Level 1** Inputs are 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, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** Valuations are observed from unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As of December 31 2017 and 2016, the Plan s investments measured at fair value consisted of the following instruments and classifications within the fair value hierarchy.

| | As of December 31, 2017 Fair Value Measurements Using | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Assets at Fair Value** |
| Investments in mutual funds | $ 13,022,692 | $ | $ | $ 13,022,692 |
| Investment in First BanCorp. | 243,233 | | | 243,233 |
| | $ 13,265,925 | $ | $ | $ 13,265,925 |

| | As of December 31, 2016 Fair Value Measurements Using | | |
|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** |

| | | | | Assets at Fair Value |
|---|---|---|---|---|
| Investments in mutual funds | $ 11,371,150 | $ | $ | $ 11,371,150 |
| Investment in First BanCorp. | 290,349 | | | 290,349 |
| | $ 11,661,499 | $ | $ | $ 11,661,499 |

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**The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin**

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**Notes to the Financial Statements**

**December 31, 2017 and 2016**

Following is a description of the Plan s valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

**Mutual Funds:** Investments in mutual funds consists of open-end mutual funds and the value is the Net Asset Value of shares held by the Plan at the reporting date. The Net Asset Value is a quoted market price available in an active market. These investments are classified as Level 1.

**Investment in First BanCorp.:** Investment in First BanCorp. consists of common stock of First BanCorp. and is valued at its quoted market price obtained from an active exchange market. These securities are classified as Level 1.

There were no transfers between any levels of the fair value hierarchy during the years ended December 31, 2017 and 2016.

**4. Party-In-Interest Transactions**

Parties-in-interest are defined under the provisions of ERISA as any fiduciary of the Plan, any party rendering service to the Plan, any employer or any affiliate, any employee of such employer covered by the Plan, and certain others. Certain Plan investments are shares of mutual funds with a market value of $2,588,311 as of December 31, 2017 (2016 $2,660,892) managed by The Charles Schwab Trust Company, which is also a provider of custodial services as defined by the Plan since April 1, 2005. In addition, at December 31, 2017 and 2016, the FirstBank VI Unitized Stock Fund held 47,693 and 43,926 shares, with a quoted market value of $243,233 and $290,349, respectively, of First BanCorp. common stock, the parent company of the Plan Sponsor. This Fund also has an investment of $12,630 (2016-$0) in the State Street Institutional U.S. Government Money Market Fund. For the year ended December 31, 2017, the Plan did not receive any dividend income related to First BanCorp. common stock and the net depreciation in the fair value of the investment in First BanCorp. common stock amounted to $65,424. Plan assets include notes receivable from participants of $560,301 and $602,773 as of December 31, 2017 and 2016, respectively. For the year ended December 31, 2017 interest income related to notes receivable from participants amounted to $29,864. These transactions qualify as party in-interest transactions permitted under the provisions of ERISA.

**5. Tax Status**

The Plan obtained its latest determination letter on July 7, 2017, in which the Internal Revenue Service determined and informed the Bank that the Plan is designed in accordance with the applicable sections of the U.S. Internal Revenue Code (IRC) and, therefore, exempt from income taxes. Therefore, no provision for income taxes has been included in the Plan s financial statements.

The Plan Administrator and the Plan s tax counsel believe that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the IRC and, therefore, believe that the Plan is qualified and is tax exempt.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain tax position that more likely than not would not be sustained upon examination by federal, state and/ or local taxing authorities. The plan administrator has analyzed the tax positions by the Plan, and has concluded that as of December 31, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2014.

**The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin**

**Islands and the United States of America**

**Notes to the Financial Statements**

**December 31, 2017 and 2016**

### 6. Plan Termination

Although it has not expressed any intent to do so, the Bank has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100 percent vested in their accounts and such termination shall not reduce the interest of any participating employee or their beneficiaries accrued under the Plan up to the date of such termination.

### 7. Forfeited Amount

Forfeited accounts are transferred by the Plan administrator to an unallocated account to be used to cover administrative expenses of the plan or reduce the Bank s future contributions. Forfeitures amounting to $333 were used to cover administrative expenses during 2017.

### 8. Risks and Uncertainties

The Plan provides for investment options in various funds that invest in equity and debt securities and other investments. Such investments are exposed to various risks, such as interest rate, market and credit risks. Market values of investments may decline for a number of reasons, including changes in prevailing market and interest rates, increases in default and credit rating downgrades. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is at least reasonably possible that changes in these factors in the near term would materially affect participants account balances and the amounts reported in the statement of net assets available for benefits and the statement of changes in net assets available for benefits. The Plan s exposure to a concentration of credit risk is dependent upon the investments selected by the participants.

The Plan is subject to legal proceedings and claims which might arise in the ordinary course of its activities. At this time, there are no legal proceedings against the Plan that might impact the financial statements.

### 9. Additional Contributions

No additional discretionary contributions were made for the year ended December 31, 2017. However, as a result of the Plan s non-compliance with its non-discrimination test for the year ended December 31, 2017, the Bank agreed to reimburse the amount of $8,626 to highly compensated participants to satisfy contribution requirements. At December 31, 2017, these corrective distributions were recorded as part of other liabilities in the statement of net assets available for benefits and as an offsetting against contributions in the statement of changes in net assets available for benefits.

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**The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin**

**Islands and the United States of America**

**Notes to the Financial Statements**

**December 31, 2017 and 2016**

## 10. Reconciliation of Financial Statement to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to Form 5500 at December 31, 2017:

| | 2017 |
|---|---|
| Net assets available for benefits per the financial statements | $ 13,863,926 |
| Excess contributions payable to participants | 8,626 |
| Net assets available for benefits per Form 5500 | $ 13,872,552 |

The following is a reconciliation of participant contribution per the financial statements to Form 5500 for the year ended December 31, 2017:

| | 2017 |
|---|---|
| Participant contributions per the financial statements | $ 973,921 |
| Excess contributions due to participants | 8,626 |
| Participant contributions per Form 5500 | $ 982,547 |

Participant contributions in the financial statements have been reduced by excess contributions payable as of December 31, 2017. The form 5500 reports participant contributions on the cash basis.

## 11. Subsequent Events

On March 21, 2018, the Bank approved an increase to the employer matching contribution to fifty cents for every dollar of the employees contribution up to 6% of their eligible compensation, effective on July 5, 2018. The matching contribution of fifty cents for every dollar of the employees contribution is comprised of: (i) twenty-five cents for every dollar of the employees contribution up to 6% of their eligible compensation to be paid to the Plan as of each bi-weekly payroll; and, (ii) an additional twenty-five cents for every dollar of the employees contribution up to 6% of their eligible compensation to be deposited as a lump sum as of the second payroll of the month of January of the Plan Year following that in which the elective deferrals were made. The lump-sum annual matching shall be subject to a vesting period of 3 years of service.

**12. Prohibited Transactions Participant s Contributions Remittances**

In accordance with the U.S. Department of Labor s Rules and Regulations 2510.3-102, an employer is required to segregate participants contributions from its general assets as soon as practical when amounts are contributed by participants or withheld from their wages. During 2018, the Bank remitted to the plan $0.14 related to lost earnings pertaining to year 2017. The Plan Sponsor will absorb any costs incurred by the Plan as a result of the untimely remittances of the participants contributions.

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**The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin**

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**Schedule H, Line 4i - Schedule of Assets (Held at End of Year)**

**December 31, 2017**

| (a) | (b) Identity of issue, borrower, lessor or similar party | (c) Description of Investment including maturity date, rate of interest, par value | | | (d) Cost | (e) Current value |
|---|---|---|---|---|---|---|
| | **Common Stocks** | | | | | |
| * | First BanCorp. Common Stock | Common Stock | 47,693 | shares | ** | 243,233 |
| | Total Common Stocks | | | | | 243,233 |
| | **Mutual Funds** | | | | | |
| | Fidelity Spartan Extended Mkt. Index | Mutual Fund | 12,480 | shares | ** | 774,402 |
| * | State Street Institutional US Government Money Market Fund | Mutual Fund | 12,630 | shares | ** | 12,630 |
| | Dreyfus Mid Cap Index Fund | Mutual Fund | 1,727 | shares | ** | 64,114 |
| | Harbor Bond Institutional Class Fund | Mutual Fund | 106,633 | shares | ** | 1,226,279 |
| | Harbor Bond Institutional International Class Fund | Mutual Fund | 14,217 | shares | ** | 959,965 |
| | Loomis Sayles Growth Fund | Mutual Fund | 68,100 | shares | ** | 1,057,590 |
| | Loomis Sayles Inv. Grade Bond | Mutual Fund | 2,418 | shares | ** | 26,721 |
| * | Schwab GOVT Money Fund | Mutual Fund | 2,588,310 | shares | ** | 2,588,311 |
| | Vanguard S&P 500 Index Admiral | Mutual Fund | 5,999 | shares | ** | 1,480,793 |
| | Vanguard Wellington Admiral | Mutual Fund | 44,975 | shares | ** | 3,264,294 |
| | Metropolitan West Total Return | Mutual Fund | 8,651 | shares | ** | 92,214 |
| | Vanguard Dividend Growth Inv. Fund | Mutual Fund | 32,287 | shares | ** | 857,209 |
| | Virtus Small Cap Core | Mutual Fund | 19,109 | shares | ** | 618,170 |
| | Total mutual funds | | | | | 13,022,692 |
| | **Other Investments** | | | | | |
| * | Notes receivables from participants | Interest rates ranging from 5.25% to 6.25% maturity dates February 2018 to January 2023. | | | ** | 560,301 |
| | Total Other Investments | | | | | 560,301 |
| | Total | | | | | **$ 13,826,226** |

* Party in-interest

** Historical cost is not required for participant directed investment.

See accompanying report of Independent Registered Public Accounting Firm.

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**The FirstBank 401(k) Retirement Plan for Residents of the U.S. Virgin**

**Islands and the United States of America**

**Schedule H, Line 4a Schedule of Delinquent Participant Contributions**

**Year Ended December 31, 2017**

| Year | Participant contributions transferred late to the plan | Contributions not corrected | Contributions corrected outside VFCP | Contributions pending corrections in VFCP | Total fully corrected under VFCP and PTE 2001-51 | Lost earnings |
|---|---|---|---|---|---|---|
| 2017 | $ 584.31 | $ | $ 584.31 | $ | $ | $ 0.14 |

See acompanying report of Independent Registered Public Accounting Firm.

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## Signatures

The Plan. Pursuant to the requirement of the Securities Exchange Act of 1934, the Board of Trustees (or the persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**THE FIRSTBANK 401(K) RETIREMENT PLAN FOR RESIDENTS OF THE U.S. VIRGIN ISLANDS AND THE UNITES STATES OF AMERICA**
(Name of Plan)

| | |
|---|---|
| Date: 7/11/2018 | By: /s/ Pedro A. Romero<br>Authorized Representative |

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bold; text-align:
left"> 13.0 126.0 14.3 (6.1) Brazil 194.8 21.5 190.1 21.6 2.5 Philippines 119.9 13.2 92.3 10.5 29.9 Tota

(A) The consolidation of Coca- Cola Philippines started on February 1, 2017 additionally the results from Coca-Cola FEMSA de Venezuela are no longer included as of January 1, 2018

(B) Organic basis (% Org.) Includes the results of Coca-Cola FEMSA Philippines Inc., as if consolidation had taken place at January 2017 and excludes the results of Coca-Cola FEMSA Venezuela in 2017.

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**FEMSA**

**Macroeconomic Information**

| | Inflation | | | End-of-period Exchange Rates | | | |
|---|---|---|---|---|---|---|---|
| | 1Q 2018 | **LTM[1] Mar-18** | | Mar-18 | | Dec-17 | |
| | | | | Per USD | Per MXN | Per USD | Per MXN |
| Mexico | 1.30 % | 5.13 | % | 18.34 | 1.0000 | 19.74 | 1.0000 |
| Colombia | 2.05 % | 3.07 | % | 2,780.47 | 0.0066 | 2,984.00 | 0.0066 |
| Venezuela | 216.31 % | 4394.50 | % | 71,176.12 | 0.0003 | 22,793.30 | 0.0009 |
| Brazil | 0.93 % | 2.83 | % | 3.32 | 5.5191 | 3.31 | 5.9660 |
| Argentina | 6.74 % | 25.48 | % | 20.15 | 0.9104 | 18.65 | 1.0583 |
| Chile | 0.55 % | 1.79 | % | 605.26 | 0.0303 | 615.22 | 0.0321 |
| Philippines | 2.59 % | 4.41 | % | 52.21 | 0.3514 | 49.92 | 0.3953 |
| Euro Zone | -1.43 % | 0.00 | % | 0.81 | 22.6404 | 0.84 | 23.5729 |

(1) LTM = Last twelve months.

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**2018 FIRST QUARTER RESULTS**

Mexico City, April 25, 2018, Coca-Cola FEMSA, S.A.B. de C.V. (BMV: KOFL, NYSE: KOF) ("Coca-Cola FEMSA" or the "Company"), the largest Coca-Cola franchise bottler in the world by sales volume, announces results for the first quarter of 2018.

**[1]Comparability**

The comparability of our financial and operating performance in the first quarter of 2018, as compared to the same period of 2017, was affected by the following factors: (a) as previously announced, due to a change in reporting method, the results from Coca-Cola FEMSA de Venezuela are no longer included in our consolidated financial statements as of January 1, 2018; and (b) the consolidation of Coca-Cola FEMSA Philippines commencing on February 1, 2017. In addition, the consolidation generated a one-time non-cash gain during the first quarter of 2017.

In order to better describe the performance of our business, for certain information we present the comparable figures excluding the effects of: (i) mergers, acquisitions, and divestitures, (ii) translation effects resulting from exchange rate movements, (iii) the results of Coca-Cola FEMSA de Venezuela in 2017; and including the results of Coca-Cola FEMSA Philippines, Inc., as if its consolidation had taken place at the beginning of first quarter 2017.

Furthermore, as of January 1, 2018, margin comparability in the Philippines was impacted by the excise tax on soft drink production, accounted for in cost of goods sold.

**Operational and Financial Highlights**

- **Revenues declined 3.2%, impacted by an unfavorable currency translation effect, while comparable revenues grew 7.2% for the quarter.**
- **Volume increased in Brazil, Central America and Colombia driven by the rollout of our portfolio and affordability initiatives, while transactions outperformed volumes in key markets such as Argentina, Brazil and the Philippines.**
- **Operating income declined 3.4%, while comparable operating income declined 1.1% for the quarter, driven mainly by cost pressures in Central America, Mexico, and the Philippines, partially offset by raw material tailwinds in South America.**
- **Majority net income decreased 59.0% during the first quarter of 2018, as compared to the same period of 2017 which included a one-time non-cash gain related to the consolidation of the Philippines.**

**Results Summary**

| | First Quarter as Reported | | Comparable (1) |
|---|---|---|---|
| *Expressed in millions of Mexican pesos.* | 2018 | D% | D% |
| Total revenues | 49,713 | (3.2%) | 7.2% |
| Gross profit | 21,917 | (1.7%) | 6.1% |
| Operating income | 5,883 | (3.4%) | (1.1%) |
| Operating cash flow (2) | 8,706 | (8.9%) | 4.0% |
| Net income attributable to equity holders of the company | 2,414 | (59.0%) | |
| Earnings per share (3) | 1.15 | | |

(2) Operating cash flow = operating income + depreciation + amortization & other operative non-cash charges.

(3) Quarterly earnings / outstanding shares as of the end of the period. Outstanding shares as of 1Q'18 were 2,100.8 million

**Message from the Chief Executive Officer**

"At the start of the year, we faced a mixed macroeconomic environment across our operations, coupled with a new tax environment in the Philippines. However, our ability to adapt to ever-changing market and consumer dynamics, combined with our transformational initiatives, enabled us to deliver comparable revenue and operating cash flow growth of 7.2% and 4.0%, respectively. By leveraging our clear strategy, the encouraging recovery of our South America division, a resilient Mexico, and an adaptable Philippines, we aim to continue Coca-Cola FEMSA's growth, while hitting new milestones in transforming our operating model, protecting our short-term results, and ensuring sustainable social and economic value for all of our stakeholders," said John Santa Maria Otazua, Chief Executive Officer of the Company.

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**Consolidated results for the first quarter**

**Comparable figures:**[1]

**Revenues:** Comparable total revenues grew 7.2% in the first quarter of 2018 as compared to the same period of 2017, driven by average price per unit case growth in Argentina and Mexico, coupled with volume growth in Brazil, Central America, and Colombia, partially offset by volume declines in the rest of our operations.

**Transactions:** Comparable number of transactions increased 1.0%. Our sparkling beverage category grew 0.4%, driven by 1.3% growth in our colas portfolio, partially offset by a 2.3% decline in flavors. Our positive performance in colas was driven by growth in Argentina, Brazil, Central America and Colombia, partially offset by a decline in Mexico and the Philippines. Our decline in flavors was driven by Brazil, Colombia, and Mexico, partially offset by growth in Argentina, Central America, and the Philippines. Our still beverage category grew 0.8%, driven mainly by the positive performance of Brazil, Central America, and Mexico. Finally, our water category's transactions increased by 7.7%, driven by growth in almost all of our operations, partially offset by a decline in Argentina.

**Volume:** Comparable sales volume remained flat in the first quarter of 2018 as compared to the same period in 2017. Our sparkling beverage portfolio's volume remained flat, driven by 1.5% growth in our colas portfolio, partially offset by a 4.4% decline in flavors. Growth in our colas portfolio was driven mainly by the performance of Brazil, Central America, and Colombia, while our decline in flavors was driven mainly by declines in Brazil, Colombia, and the Philippines. Our still beverage category's volume declined 6.6%, as growth in most of our operations was offset by declines in Argentina, Colombia, and the Philippines. Our personal water portfolio's volume grew 10.6% due to positive performance in most of our operations. Finally, our bulk water portfolio's volume declined 1.2%, driven by Mexico and Colombia, partially offset by growth in the rest of our operations.

**Gross profit:** Comparable gross profit grew 6.1%. Our pricing initiatives, coupled with lower sweetener prices in most of our operations, were offset by an unfavorable currency hedging position, higher sweetener and concentrate prices in Mexico, higher sweetener and PET costs and the inclusion of the excise tax on beverage production in the Philippines, which is applied as a cost, and the depreciation in the average exchange rate of the Argentine Peso, the Brazilian Real, and the Philippine Peso as applied to our U.S. dollar-denominated raw material costs.

**Operating Income:** Comparable operating income declined 1.1% for the first quarter of 2018 as compared to the same period of 2017.

**Operating cash flow:** Comparable operating cash flow increased 4.0% in the first quarter of 2018.

**As reported figures:**

**Revenues:** Total revenues declined 3.2% to Ps. 49,713 million in the first quarter of 2018, mainly due to the negative translation effect resulting from the depreciation of all of our operating currencies as compared to the Mexican Peso, combined with the deconsolidation of Coca-Cola FEMSA de Venezuela as of December 31, 2017, and an unfavorable price/mix in Brazil, Central America and Colombia. These effects were partially offset by price increases aligned with or above inflation in key territories such as Argentina and Mexico, supported by volume growth in Brazil, Central America and Colombia.

**Transactions:** Reported total number of transactions increased 6.9% to 6,137.6 million in the first quarter of 2018 as compared to the same period in 2017.

**Volume:** Reported total sales volume increased 3.0% to 907.8 million unit cases in the first quarter of 2018 as compared to the same period in 2017.

**Gross profit:** Gross profit declined 1.7% to Ps. 21,917 million, and gross margin expanded 70 basis points to 44.1%.

*(Continued on next page)*

**Equity method:** The reported share of the profits of associates and joint ventures recorded a loss of Ps. 49 million in the first quarter of 2018, compared to a gain of Ps. 46 million recorded in the first quarter of 2017. This is mainly due to: (i) a loss in our dairy joint venture in Panama; (ii) larger gains in our joint ventures in Brazil during the first quarter of 2017 as compared to the first quarter of 2018; and (iii) the consolidation of Coca-Cola FEMSA Philippines, Inc., which is no longer included in the equity method as of February 2017.

**Operating Income:** Operating income decreased 3.4% to Ps. 5,883 million, and operating margin contracted 10 basis points to 11.8% during the first quarter 2018 as compared with the same period of 2017, which benefited from the reversal of expense-related provisions that did not materialize.

**Other non-operative expenses, net:** Other non-operative expenses, net, recorded an expense of Ps. 62 million, compared to a gain of Ps. 2,471 million during the first quarter of 2017, due mainly to the consolidation of Coca-Cola FEMSA Philippines, Inc., starting February 2017.

**Comprehensive financing result:** Comprehensive financing result in the first quarter of 2018 recorded an expense of Ps. 2,072 million, compared to an expense of Ps. 1,286 million in the same period of 2017.

During the first quarter of 2018, we recorded an interest expense, net, of Ps. 1,598 million, compared to Ps. 2,328 million in the first quarter of 2017. This decrease was driven by the decline of short-term interest rates in Brazil; the average exchange rate depreciation of the Brazilian Real compared to the Mexican Peso as applied to existing Brazilian Real-denominated interest expense; and the reduction of debt in Argentina, Brazil, and Colombia. However, these effects were partially offset by: (i) an interest rate increase in Mexico; (ii) additional debt in Mexico; and (iii) an interest rate increase resulting from swapping U.S. dollar-denominated debt to Brazilian Real and Mexican Peso-denominated debt, as part of our strategy to eliminate our U.S. dollar net debt exposure.

In addition, for the first quarter, we recorded a foreign exchange loss of Ps. 228 million as compared to a gain of Ps. 53 million in 2017, which resulted from the quarterly appreciation of the Mexican Peso as applied to our U.S. dollar-denominated cash position.

Additionally, due to the announced change in the reporting method, the results of Coca-Cola FEMSA de Venezuela are no longer included in our consolidated financial statements, for this reason no monetary position in hyperinflationary subsidiaries was recorded as of January 1, 2018.

Market value on financial instruments recorded a loss of Ps. 246 million as compared to a gain of Ps. 434 million in the first quarter of 2017 due to the decrease during the quarter in the long-term interest rates in Brazil as applied to our fixed rate cross-currency swaps.

**Income tax:** During the first quarter of 2018, reported income tax as a percentage of income before taxes was 32.0%, compared to 17.1% in the same period of 2017. The lower tax rate in the first quarter of 2017 was driven mainly by one-time non-cash gain recorded in connection with the consolidation of Coca-Cola FEMSA Philippines, Inc.

**Net income:** Consolidated net controlling interest income decreased 59.0% to Ps. 2,414 million in the first quarter of 2018, resulting in earnings per share (EPS) of Ps. 1.15 (Ps. 11.49 per ADS), in the face of a high comparable driven mainly by one-time non-cash gain recorded in connection with the consolidation of Coca-Cola FEMSA Philippines, Inc.

**Operating cash flow:** Operating cash flow decreased 8.9% to Ps. 8,706 million, and operating cash flow margin contracted 110 basis points to 17.5%.

**Balance Sheet** [1]

As of March 31, 2018, we had a cash balance of Ps. 19,549 million, including US$353 million denominated in U.S. dollars, an increase of Ps. 777 million as compared to December 31, 2017. As of March 31, 2018, total short-term debt was Ps. 11,238 million, and long-term debt was Ps. 67,463 million. Total debt decreased by Ps. 4,664 million, and net debt decreased by Ps. 5,447 million compared to year-end 2017, due mainly to our cash flow generation during the year and the positive translation effect resulting from the appreciation of the end-of-period exchange rate of the Mexican Peso as applied to our U.S. dollar-denominated debt position.

The weighted average cost of debt for the quarter, including the effect of debt swapped to Brazilian Reals and Mexican Pesos, was 7.67%, a reduction as compared to the fourth quarter 2017, due mainly to the reduction of interest rates in Brazil. The following charts set forth the Company's debt profile by currency and interest rate type and by maturity date as of March 31, 2018.

| **Currency** | **% Total Debt**[2] | **% Interest Rate Floating**[2][3] |
|---|---|---|
| Mexican Pesos | 45.9% | 3.1% |
| U.S. Dollars | 1.4% | 0.0% |
| Colombian Pesos | 2.9% | 71.8% |
| Brazilian Reals | 49.7% | 50.9% |
| Argentine Pesos | 0.1% | 0.0% |

**Debt Maturity Profile**

| **Maturity Date** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023+** |
|---|---|---|---|---|---|---|
| % of Total Debt | 13.9% | 8.7% | 12.1% | 8.1% | 2.00% | 55.23% |

(1) See page 14 for detailed information.
(2) After giving effect to cross-currency swaps.
(3) Calculated by weighting each year's outstanding debt balance mix.

**Selected Financial Ratios**

| | **LTM 2018** | **FY 2017** | **D %** |
|---|---|---|---|
| Net debt including effect of hedges [1][3] | 64,321 | 68,973 | -6.7% |
| Net debt including effect of hedges / Operating cash flow [1][3] | 1.65 | 1.74 | |
| Operating cash flow/ Interest expense, net [1] | 5.45 | 4.99 | |

| | | |
|---|---|---|
| Capitalization [2] | 38.1% | 39.3% |

(1) Net debt = total debt - cash

(2) Total debt / (long-term debt + shareholders' equity)

(3) After giving effect to cross-currency swaps.

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**Mexico & Central America Division**

(Costa Rica, Guatemala, México, Nicaragua, and Panama)

**Comparable figures:** [1]

**Revenues:** Comparable total revenues from our Mexico and Central America division increased 5.2% in the first quarter of 2018, compared to the same period in 2017, driven by an increase in average price per unit case in Mexico and volume growth in Central America, partially offset by a slight volume decline in Mexico and an unfavorable price/mix effect in Central America.

**Transactions:** Total transactions in our Mexico and Central America division remained flat in the first quarter of 2018. Our sparkling beverage portfolio's transactions contracted 0.8%, driven mainly by a 0.7% decline in our colas portfolio and a 1.5% decline in flavors. Our still beverage category's transactions increased 2.0% in the division, driven by 1.4% growth in Mexico and 4.3% growth in Central America, while our water transactions, including bulk water, increased 3.1%, driven by 3.0% growth in Mexico and 4.7% growth in Central America.

**Volume:** Total sales volume for the division remained flat in the first quarter of 2018, compared to the same period of 2017. Our sparkling beverage category's volume remained flat, driven by a 0.6% increase in our colas portfolio and flat performance in flavors. Our performance in colas was driven mainly by 14.2% growth in Central America, while our performance in flavors was driven by 2.2% growth Central America. Our still beverage category's volume increased 1.6%, driven by growth in both Mexico and Central America. Our personal water portfolio's volume increased 6.8%, driven by 6.2% growth in Mexico and 13.0% growth in Central America. Our bulk water portfolio's volume declined 3.0% in the division due to a contraction in Mexico, partially offset by growth in Central America.

**Gross profit:** Comparable gross profit grew 1.9% in the first quarter of 2018 as compared to the same period in 2017. In Mexico, our pricing initiatives and the appreciation of the average exchange rate of the Mexican Peso as applied to U.S. dollar-denominated raw material costs were offset by the increase in concentrate cost, higher prices of sweeteners, and an unfavorable currency hedging position. In Central America, lower sweetener prices were offset by higher PET prices, an unfavorable price/mix, and the depreciation of the average exchange rates of the Costa Rican Colon and the Nicaraguan Cordoba as applied to U.S. dollar-denominated raw material costs.

**Operating income:** Comparable operating income in the division decreased 10.5% in the first quarter of 2018 as compared to the same period in 2017.

**Operating cash flow:** Comparable operating cash flow decreased 1.7% in the first quarter of 2018 as compared to the same period in 2017.

**As reported figures:**

**Revenues:** Reported total revenues increased 3.7% in the first quarter of 2018 as compared to the same period of 2017.

**Gross profit:** Reported gross profit increased 0.6% in the first quarter of 2018, and gross profit margin reached 47.1%, a gross margin contraction of 150 basis points.

**Operating income:** Reported operating income decreased 11.0% in the first quarter of 2018, and operating income margin reached 11.9%, contracting 200 basis points during the period.

**Operating cash flow:** Reported operating cash flow decreased 3.3% in the first quarter of 2018, resulting in a margin contraction of 130 basis points to 18.4%.

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**South America Division**

(Argentina, Brazil and Colombia)

**Comparable figures:** [(1)]

**Revenues:** Comparable total revenues increased 6.7%, driven mainly by volume growth in Brazil and Colombia, coupled with an average price per unit case increase in Argentina, which was partially offset by an unfavorable price/mix in Brazil and Colombia.

**Transactions:** Comparable transactions in the division increased 4.4% during the first quarter of 2018. Our sparkling beverage portfolio's transactions increased 3.7%, driven by 7.9% growth in our colas portfolio, partially offset by an 8.9% contraction in flavors. Our positive performance in colas was driven by growth across our South American operations. However, flavors' negative performance was driven by Colombia and Brazil, partially offset by growth in Argentina. Our still beverage category's transactions increased 2.0%, driven by growth in Brazil, partially offset by a decline in Argentina and Colombia. Our water transactions, including bulk water, increased 12.0%, driven by growth in Brazil and Colombia, partially offset by a decline in Argentina.

**Volume:** Comparable total sales volume in South America grew 3.2% during the first quarter of 2018 as compared to the same period of 2017. Our sparkling beverage category's volume increased 2.3%, driven by 6.4% growth in our colas portfolio, which was partially offset by a 9.3% decline in flavors. Colas' positive performance was driven by growth in Brazil and Colombia, while our decline in flavors was also driven by Brazil and Colombia. Our still beverage category's volume increased 1.5%, driven by growth in Brazil, partially offset by a decline in Colombia. Our personal water category's volume increased 18.2%, driven by growth in Brazil and Colombia, offset by a decline in Argentina. Our bulk water business's volume declined 9.0%, driven by a decline in Colombia, partially offset by growth in Argentina and Brazil.

**Gross profit:** Comparable gross profit increased 16.2% as a result of lower sweetener prices, a favorable currency hedging position, and the appreciation of the Colombian Peso as applied to U.S. dollar-denominated raw material costs, which offset higher PET prices in Colombia, an unfavorable raw material hedging position, and the depreciation of the average exchange rate of the Brazilian Real and the Argentine Peso as applied to U.S. dollar-denominated raw material costs.

**Operating income:** Comparable operating income in the division increased 11.7% as compared to the same period in 2017.

**Operating cash flow:** Comparable operating cash flow increased 12.3% as compared to the same period of 2017.

**As reported figures:**

**Revenues:** Reported total revenues declined 16.9% to Ps. 21,845 million in the first quarter of 2018, driven by an unfavorable currency translation effect resulting from the depreciation of all of our operating currencies as compared to the Mexican Peso, the deconsolidation of Coca-Cola FEMSA de Venezuela, and the unfavorable price-mix effect in Brazil and Colombia. These effects were partially offset by volume growth in Brazil and Colombia, coupled with an average price per unit case increase in Argentina.

**Transactions:** Reported total number of transactions decreased 0.3% to 2,011.5 million in the first quarter of 2018 as compared to the same period in 2017.

**Volume:** Reported total sales volume decreased 1.0% to 313.0 million unit cases in the first quarter of 2018 as compared to the same period in 2017.

**Gross profit:** Reported gross profit decreased 6.7% to Ps. 9,732 million in the first quarter of 2018, and gross profit margin expanded 480 basis points to 44.5%.

**Operating income:** Reported operating income grew 8.1% to Ps. 3,103 million in the first quarter of 2018, resulting in a margin expansion of 330 basis points to 14.2%.

**Operating cash flow:** Reported operating cash flow declined 13.8% to Ps. 4,068 million in the first quarter of 2018, resulting in a margin expansion of 70 basis points to 18.6%.

**Asia Division**

(The Philippines)

*As of January 1, 2018, the Philippines implemented a comprehensive tax reform to fund infrastructure investments. As part of this reform, among other initiatives, excise taxes on sweetened beverages were applied as follows: (i) 6 Philippine Pesos per liter on beverages containing sugar or non-caloric sweeteners; and (ii) 12 Philippine Pesos per liter on beverages containing high fructose corn syrup (HFCS).*

*As this excise tax is applied to soft drink production, margins in this operation are incomparable with margins from 2017. This impact in comparability is caused by the recognition of this excise tax in cost of goods sold and the Company's increased prices to adjust to this change, resulting in increased revenues.*

**Comparable figures: [(1)]**

**Revenues:** Comparable total revenues increased 18.5% during the first quarter of 2018, driven by average price per unit case increase as an adjustment to the excise tax, partially offset by a volume decline.

**Transactions:** Comparable transactions decreased 1.2% in the first quarter of 2018. Our sparkling beverage portfolio's transactions decreased 1.4%, driven by a 3.5% decline in our colas portfolio, partially offset by 2.6% growth in flavors. Our still beverage category's transactions, not including powders, increased by 35.1%. Our water transactions, including bulk water, increased 8.2%.

**Volume:** Comparable total sales volume decreased 8.1% in the first quarter of 2018. Our sparkling beverage category's volume decreased 7.0%, driven by an 8.4% decline in our colas portfolio and a 4.2% decline in flavors. Our still beverage category's volume, excluding powders, increased 18.8%. Our personal water category's volume decreased 1.3%. Our bulk water business's volume grew 20.6%.

**Gross profit:** Comparable gross profit decreased 14.9% as compared to the same period of 2017, driven mainly by the inclusion of the excise tax on soft drink production as a cost of goods sold, as well as higher sweetener and PET resin prices and the devaluation of the Philippine Peso as applied to our U.S. dollar-denominated raw material costs.

**Operating income:** Comparable operating income decreased 38.8% to Ps. 117 million during the first quarter of 2018.

**Operating cash flow:** Comparable operating cash flow decreased 6.4% to Ps. 541 million as compared to the same period of 2017.

**As reported figures:**

**Revenues:** Reported total revenues increased 55.2% to Ps. 5,591 million for the first quarter 2018 as compared to the results of February and March 2017. Additionally, total revenues were driven by an average price per unit case increase, as an adjustment to the excise tax, partially offset by a volume decline and the negative translation effect resulting from the depreciation the Philippine Peso as compared to the Mexican Peso.

**Transactions:** Reported total number of transactions increased 39.0% to 1,452.1 million in the first quarter of 2018 as compared to the same period of 2017.

**Volume:** Reported total sales volume increased 29.9% to 119.9 million unit cases in the first quarter of 2018 as compared to the same period of 2017.

**Gross profit:** Gross profit grew 17.9% to Ps. 1,701.3 million, and gross margin contracted 970 basis points to 30.4%.

**Operating income:** Reported operating income declined 48.7% to Ps. 117.3 million in the first quarter of 2018, resulting in a margin of contraction of 430 basis points to 2.1%.

**Operating cash flow:** Reported operating cash flow declined 9.8% to Ps. 541.1 million in the first quarter of 2018, resulting in a margin of contraction of 700 basis points to 9.7%.

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**Recent Developments**

- On March 9, 2018, Coca-Cola FEMSA held its Annual Ordinary General Shareholders Meeting, during which its shareholders approved the Company's consolidated financial statements for the year ended December 31, 2017, the annual report presented by the Board of Directors, the declaration of dividends corresponding to fiscal year 2017, and the composition of the Board of Directors and the Finance and Planning, Audit, and Corporate Practices Committees for 2018. Shareholders approved the payment of a cash dividend in the amount of Ps. 3.35 per share outstanding, equivalent to Ps. 7,038 million, to be paid in two installments as of May 3, 2018, and November 1, 2018.

**Conference Call Information**

Our first quarter 2018 conference call will be held on April 25, 2018, at 11:00 A.M. Eastern Time (10:00 A.M. Mexico City Time). To participate in the conference call, please dial: Domestic U.S.: 888-726-2418 or International: 719-785-1753. Participant code: 6219919. We invite investors to listen to the live audio cast of the conference call on the Company's website, www.coca-colafemsa.com. If you are unable to participate live, the conference call audio will be available at www.coca-colafemsa.com.

**Mexican Stock Exchange Quarterly Filing**

Coca-Cola FEMSA encourages the reader to refer to our quarterly filing to the Mexican Stock Exchange (*Bolsa Mexicana de Valores* or BMV) for more detailed information. This filing contains a detailed cash flow statement and selected notes to the financial statements, including segment information. This filing is available at www.bmv.com.mx in the *Información Financiera* section for Coca-Cola FEMSA (KOF) and on our corporate website at www.coca-colafemsa.com/inversionistas/registros-bmv.

**Additional Information**

This news release may contain forward-looking statements concerning Coca-Cola FEMSA's future performance, which should be considered as good faith estimates by Coca-Cola FEMSA. These forward-looking statements reflect management's expectations and are based upon currently available data. Actual results are subject to future events and uncertainties, many of which are outside Coca-Cola FEMSA's control, which could materially impact the Company's actual performance. References herein to "US$" are to United States dollars. This news release contains translations of certain Mexican peso amounts into U.S. dollars for the convenience of the reader. These translations should not be construed as representations that Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated.

All of the financial information presented in this report was prepared under International Financial Reporting Standards (IFRS).

In an effort to provide our readers with a more useful representation of our company's underlying financial and operating performance, we are including the term "Comparable." This means, with respect to a year-over-year comparison, the change in a given measure excluding the effects of: (i) mergers, acquisitions, and divestitures, (ii) translation effects resulting from exchange rate movements, (iii) the results of Coca-Cola FEMSA de Venezuela in 2017; and including the results of Coca-Cola FEMSA Philippines, Inc., as if its consolidation had taken place at the beginning of first quarter 2017. In preparing this measure, management has used its best judgment, estimates, and assumptions in order to maintain comparability.

Earnings per share were computed based on 2,100.8 million shares (each ADS represents 10 local shares).

For reporting purposes, all corporate expenses, including the equity method recorded from our stake of the results of Coca-Cola FEMSA Philippines, Inc., were included in the results of the Mexico and Central America division. Starting on February 2013 and ending on January 2017, we incorporated our stake of the results of Coca-Cola FEMSA Philippines, Inc. through the equity method.

**About the Company**

Stock listing information: Mexican Stock Exchange, Ticker: KOFL | NYSE (ADR), Ticker: KOF | Ratio of KOF L to KOF = 10:1

Coca-Cola FEMSA, S.A.B. de C.V. is the largest franchise bottler in the world by sales volume. The company produces and distributes trademark beverages of The Coca-Cola Company, offering a wide portfolio of 169 brands to more than 349 million consumers daily. With over 96 thousand employees, the company markets and sells approximately 3.8 billion unit cases through 2.6 million points of sale a year. Operating 60 manufacturing plants and 300 distribution centers, Coca-Cola FEMSA is committed to generating economic, social, and environmental value for all of its stakeholders across the value chain. The company is a member of the Dow Jones Sustainability Emerging Markets Index, Dow Jones Sustainability MILA Pacific Alliance Index, FTSE4Good Emerging Index, and the Mexican Stock Exchange's IPC and Social Responsibility and Sustainability Indices, among others. Its operations encompass franchise territories in Mexico, Brazil, Colombia, Argentina, and Guatemala and, nationwide, in the Philippines, Nicaragua, Costa Rica, and Panama. For further information, please visit www.coca-colafemsa.com

**For additional information or inquiries, contact the Investor Relations team:**


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*(7 pages of tables to follow)*

**Quarter - Consolidated Income Statement**
Expressed in millions of Mexican pesos(1)

| | 1Q 18 | % Rev | 1Q 17 | % Rev | **D % Reported** | **D % Comparable (8)** |
|---|---|---|---|---|---|---|
| Transactions (million transactions) | 6,137.6 | | 5,741.7 | | 6.9 % | 1.0 % |
| **Volume (million unit cases) (2)** | 907.8 | | 881.3 | | 3.0 % | 0.1 % |
| Average price per unit case (2) | 50.69 | | 54.17 | | -6.4 % | |
| Net revenues | 49,596 | | 51,262 | | -3.2 % | |
| Other operating revenues | 117 | | 96 | | 22.3 % | |
| **Total revenues (3)** | 49,713 | 100.0 % | 51,357 | 100.0 % | -3.2 % | 7.2 % |
| Cost of goods sold | 27,796 | 55.9 % | 29,060 | 56.6 % | -4.3 % | |
| Gross profit | 21,917 | 44.1 % | 22,297 | 43.4 % | -1.7 % | 6.1 % |
| Operating expenses | 15,934 | 32.1 % | 16,644 | 32.4 % | -4.3 % | |
| Other operative expenses, net | 51 | 0.1 % | (391) | -0.8 % | NA | |
| Operative equity method (gain) loss in associates(4) | 49 | 0.1 % | (46) | -0.1 % | NA | |
| **Operating income (5)** | 5,883 | 11.8 % | 6,090 | 11.9 % | -3.4 % | -1.1 % |
| Other non operative expenses, net | 62 | | (2,471) | | NA | |
| Non Operative equity method (gain) loss in associates(6) | 12 | | (37) | | NA | |
| Interest expense | 2,012 | | 2,513 | | -19.9 % | |
| Interest income | 414 | | 185 | | 123.8 % | |
| Interest expense, net | 1,598 | | 2,328 | | -31.4 % | |
| Foreign exchange loss (gain) | 228 | | (53) | | NA | |
| Loss (gain) on monetary position in inflationary subsidiries | - | | (555) | | NA | |
| Market value (gain) loss on financial instruments | 246 | | (434) | | NA | |
| Comprehensive financing result | 2,072 | | 1,286 | | 61.1 % | |
| Income before taxes | 3,737 | | 7,312 | | -48.9 % | |
| Income taxes | 1,196 | | 1,254 | | -4.6 % | |
| Consolidated net income | 2,541 | | 6,058 | | -58.1 % | |
| Net income attributable to equity holders of the company | 2,414 | 4.9 % | 5,887 | 11.5 % | -59.0 % | |
| Non-controlling interest | 127 | | 171 | | -25.6 % | |
| Operating income (5) | 5,883 | 11.8 % | 6,090 | 11.9 % | -3.4 % | |
| Depreciation | 2,353 | | 2,496 | | -5.7 % | |
| Amortization and other operative non-cash charges | 470 | | 968 | | -51.4 % | |
| **Operating cash flow (5)(7)** | 8,706 | 17.5 % | 9,554 | 18.6 % | -8.9 % | 4.0 % |
| CAPEX | 1,786 | | 3,834 | | | |

(1) Except volume and average price per unit case figures.

(2) Sales volume and average price per unit case exclude beer results.

(3) Includes total revenues of Ps. 19,084 million from our Mexican operation, Ps. 14,848 million from our Brazilian operation, Ps. 3,600 million from our Colombian operation, Ps. 3,397 million from our Argentine operation, and Ps. 5,591 million from our Philippines operation for the first quarter of 2018; and Ps. 18,113 million from our Mexican operation, Ps. 16,074 million from our Brazilian operation, Ps. 3,635 from our Colombian operation, and Ps. 3,707 million from our Argentine operation for the same period of the previous year. Total Revenues includes Beer revenues in Brazil of Ps. 3,586 million for the first quarter of 2018 and Ps. 3,525 million for the same period of the previous year.

(4) Includes equity method in Jugos del Valle, Leao Alimentos, Estrella Azul, among others. For January '17 includes Coca-Cola FEMSA Philippines, Inc.

(5) The operating income and operative cash flow lines are presented as non-gaap measures for the convenience of the reader.

(6) Includes equity method in PIASA, IEQSA, Beta San Miguel, IMER and KSP Participacoes among others.

(7) Operative cash flow = operating income + depreciation, amortization & other operative non-cash charges.

(8) Comparable means, with respect to a year-over-year comparison, the change in a given measure excluding the effects of of: (i) mergers, acquisitions and divestitures, (ii) translation effects resulting from exchange rate movements, (iii) the results of Coca-Cola FEMSA de Venezuela in 2017, and including the results of Coca-Cola FEMSA Philippines, Inc., as if its consolidation had taken place at the beginning of first quarter 2017.

**Mexico & Central America Division**
Expressed in millions of Mexican pesos[1]
**Quarterly information**

| | 1Q 18 | % Rev | 1Q 17 | % Rev | **D % Reported** | **D % Comparable[6]** |
|---|---|---|---|---|---|---|
| Transactions (million transactions) | 2,674.0 | | 2,680.4 | | -0.2 % | -0.2 % |
| Volume (million unit cases) | 474.9 | | 472.9 | | 0.4 % | 0.4 % |
| Average price per unit case | 46.89 | | 45.37 | | 3.4 % | |
| Net revenues | 22,269 | | 21,459 | | | |
| Other operating revenues | 9 | | 14 | | | |
| **Total revenues [2]** | 22,277 | 100.0 % | 21,472 | 100.0 % | 3.7 % | 5.2 % |
| Cost of goods sold | 11,794 | 52.9 % | 11,047 | 51.4 % | | |
| Gross profit | 10,484 | 47.1 % | 10,425 | 48.6 % | 0.6 % | 1.9 % |
| Operating expenses | 7,866 | 35.3 % | 7,509 | 35.0 % | | |
| Other operative expenses, net | (103 ) | -0.5 % | (79 ) | -0.4 % | | |
| Operative equity method (gain) loss in associates [3] | 59 | 0.3 % | 4 | 0.0 % | | |
| **Operating income [4]** | 2,662 | 11.9 % | 2,991 | 13.9 % | -11.0 % | -10.5 % |
| Depreciation, amortization & other operative non-cash charges | 1,434 | 6.4 % | 1,245 | 5.8 % | | |
| **Operating cash flow [4][5]** | 4,096 | 18.4 % | 4,237 | 19.7 % | -3.3 % | -1.7 % |

[1] Except volume and average price per unit case figures.

[2] Includes total revenues of Ps. 19,084 million from our Mexican operation for the first quarter of 2018 and 18,113 for the same period of the previous year

[3] Includes equity method in Jugos del Valle, Estrella Azul, among others. For January '17 includes Coca-Cola FEMSA Philippines, Inc.

[4] The operating income and operative cash flow lines are presented as non-gaap measures for the convenience of the reader.

[5] Operative cash flow = operating income + depreciation, amortization & other operative non-cash charges.

[6] Comparable means, with respect to a year-over-year comparison, the change in a given measure excluding the effects of: (i) mergers, acquisitions and divestitures, (ii) translation effects resulting from exchange rate movements, (iii) the results of Coca-Cola FEMSA de Venezuela in 2017, and including the results of Coca-Cola FEMSA Philippines, Inc., as if its consolidation had taken place at the beginning of first quarter 2017.

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**South America Division**
Expressed in millions of Mexican pesos[1]
**Quarterly information**

| | 1Q 18 | % Rev | 1Q 17 | % Rev | D % Reported | D % Comparable[7] |
|---|---|---|---|---|---|---|
| Transactions (million transactions) | 2,011.5 | | 2,016.7 | | -0.3 % | 4.4 % |
| **Volume (million unit cases) [2]** | 313.0 | | 316.1 | | -1.0 % | 3.2 % |
| Average price per unit case [2] | 57.98 | | 71.75 | | -19.2 % | |
| Net revenues | 21,737 | | 26,202 | | | |
| Other operating revenues | 108 | | 82 | | | |
| **Total revenues [3]** | 21,845 | 100.0 % | 26,284 | 100.0 % | -16.9 % | 6.7 % |
| Cost of goods sold | 12,113 | 55.5 % | 15,855 | 60.3 % | | |
| Gross profit | 9,732 | 44.5 % | 10,429 | 39.7 % | -6.7 % | 16.2 % |
| Operating expenses | 6,504 | 29.8 % | 7,932 | 30.2 % | | |
| Other operative expenses, net | 135 | 0.6 % | (323) | -1.2 % | | |
| Operative equity method (gain) loss in associates [4] | (10) | -0.0 % | (50) | -0.2 % | | |
| **Operating income [5]** | 3,103 | 14.2 % | 2,870 | 10.9 % | 8.1 % | 11.7 % |
| Depreciation, amortization & other operative non-cash charges | 965 | 4.4 % | 1,848 | 7.0 % | | |
| **Operating cash flow [5][6]** | 4,068 | 18.6 % | 4,717 | 17.9 % | -13.8 % | 12.3 % |

(1) Except volume and average price per unit case figures.

(2) Sales volume and average price per unit case exclude beer results.

(3) Includes total revenues of Ps. 14,848 million from our Brazilian operation, Ps. 3,600 million from our Colombian operation, and Ps. 3,397 million from our Argentine operation for the first quarter of 2018; and Ps. 16,074 million from our Brazilian operation, Ps. 3,635 from our Colombian operation, and Ps. 3,707 million from our Argentine operation for the same period of the previous year. Total Revenues includes Beer revenues in Brazil of Ps. 3,586 million for the first quarter of 2018 and Ps. 3,525 million for the same period of the previous year.

(4) Includes equity method in Leao Alimentos, Verde Campo, among others.

(5) The operating income and operative cash flow lines are presented as non-gaap measures for the convenience of the reader.

(6) Operative cash flow = operating income + depreciation, amortization & other operative non-cash charges.

(7) Comparable means, with respect to a year-over-year comparison, the change in a given measure excluding the effects of: (i) mergers, acquisitions and divestitures, (ii) translation effects resulting from exchange rate movements, (iii) the results of Coca-Cola FEMSA de Venezuela in 2017, and including the results of Coca-Cola FEMSA Philippines, Inc., as if its consolidation had taken place at the beginning of first quarter 2017.

**Asia Division**
Expressed in millions of Mexican pesos[1]
**Quarterly information**

| | 1Q 18 | % Rev | **1Q 17** [2] | % Rev | **D % Reported** | **D % Comparable**[4] |
|---|---|---|---|---|---|---|
| Transactions (million transactions) | 1,452.1 | | 1,044.6 | | 39.0 % | -1.2 % |
| Volume (million unit cases) | 119.9 | | 92.3 | | 29.9 % | -8.1 % |
| Average price per unit case | 46.64 | | 39.03 | | 19.5 % | |
| Net revenues | 5,591 | | 3,601 | | | |
| Other operating revenues | - | | - | | | |
| **Total revenues** [3] | 5,591 | 100.0 % | 3,601 | 100.0 % | 55.2 % | 18.5 % |
| Cost of goods sold | 3,889 | 69.6 % | 2,158 | 59.9 % | | |
| Gross profit | 1,701 | 30.4 % | 1,443 | 40.1 % | 17.9 % | -14.9 % |
| Operating expenses | 1,564 | 28.0 % | 1,203 | 33.4 % | | |
| Other operative expenses, net | 20 | 0.4 % | 12 | 0.3 % | | |
| **Operating income** [5] | 117 | 2.1 % | 229 | 6.4 % | -48.7 % | -38.8 % |
| Depreciation, amortization & other operative non-cash charges | 424 | 7.6 % | 371 | 10.3 % | | |
| **Operating cash flow** [5][6] | 541 | 9.7 % | 600 | 16.7 % | -9.8 % | -6.4 % |

[1] Except volume and average price per unit case figures.

[2] Includes only February and March for 2017

[3] Operative cash flow = operating income + depreciation, amortization & other operative non-cash charges.

[4] Comparable means, with respect to a year-over-year comparison, the change in a given measure excluding the effects of: (i) mergers, acquisitions and divestitures, (ii) translation effects resulting from exchange rate movements, (iii) the results of Coca-Cola FEMSA de Venezuela in 2017, and including the results of Coca-Cola FEMSA Philippines, Inc., as if its consolidation had taken place at the beginning of first quarter 2017.

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**Consolidated Balance Sheet**
Expressed in millions of Mexican pesos.

| | Mar-18 | Dec-17 |
|---|---|---|
| Assets | | |
| Current Assets | | |
| Cash, cash equivalents and marketable securities | Ps. 19,549 | Ps. 18,767 |
| Total accounts receivable | 13,132 | 17,576 |
| Inventories | 12,142 | 11,364 |
| Other current assets | 10,374 | 7,950 |
| Total current assets | 55,197 | 55,657 |
| Property, plant and equipment | | |
| Property, plant and equipment | 118,382 | 121,968 |
| Accumulated depreciation | (47,137 ) | (46,141 ) |
| Total property, plant and equipment, net | 71,244 | 75,827 |
| Investment in shares | 12,033 | 12,540 |
| Intangibles assets and other assets | 119,533 | 124,243 |
| Other non-current assets | 17,751 | 17,410 |
| Total Assets | **Ps. 275,759** | Ps. **285,677** |
| | | |
| Liabilities and Equity | | |
| Current Liabilities | | |
| Short-term bank loans and notes payable | Ps. 11,233 | Ps. 12,171 |
| Suppliers | 18,440 | 19,956 |
| Other current liabilities | 30,041 | 23,467 |
| Total current liabilities | 59,714 | 55,595 |
| Long-term bank loans and notes payable | 67,463 | 71,189 |
| Other long-term liabilities | 19,637 | 18,184 |
| Total liabilities | 146,813 | 144,968 |
| Equity | | |
| Non-controlling interest | 16,538 | 18,141 |
| Total controlling interest | 112,408 | 122,568 |
| Total equity | 128,946 | 140,710 |
| Total Liabilities and Equity | Ps. **275,759** | Ps. **285,677** |

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**Quarter - Volume & Transactions**
For the three months ended March 31, 2018 and 2017

**Volume**
*Expressed in million unit cases*

| | **1Q 2018** | | | | | **1Q 2017** | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Sparkling | Water (1) | Bulk Water (2) | Still | Total | Sparkling | Water (1) | Bulk Water (2) | Still | Total |
| Mexico | 310.1 | 25.2 | 66.5 | 28.2 | 430.0 | 312.0 | 23.7 | 68.6 | 28.0 | 432.4 |
| Central America | 36.8 | 2.9 | 0.2 | 5.0 | 44.9 | 33.2 | 2.6 | 0.2 | 4.6 | 40.5 |
| **Mexico & Central America** | **347.0** | **28.1** | **66.7** | **33.1** | **474.9** | **345.2** | **26.3** | **68.8** | **32.6** | **472.9** |
| Colombia | 50.4 | 8.8 | 3.1 | 4.4 | 66.7 | 44.9 | 5.4 | 4.8 | 5.8 | 60.9 |
| Venezuela | - | - | - | - | - | 10.5 | 1.5 | 0.1 | 0.6 | 12.7 |
| Brazil | 169.3 | 12.4 | 2.1 | 10.9 | 194.8 | 168.1 | 11.2 | 1.8 | 9.1 | 190.2 |
| Argentina | 40.8 | 5.3 | 1.5 | 4.0 | 51.6 | 41.7 | 5.8 | 0.8 | 4.1 | 52.4 |
| **South America** | **260.5** | **26.5** | **6.7** | **19.3** | **313.0** | **265.2** | **23.9** | **7.4** | **19.6** | **316.1** |
| Philippines (3) | 97.1 | 5.9 | 10.2 | 6.7 | 119.9 | 73.4 | 4.3 | 5.9 | 8.7 | 92.3 |
| **Asia** | **97.1** | **5.9** | **10.2** | **6.7** | **119.9** | **73.4** | **4.3** | **5.9** | **8.7** | **92.3** |
| **Total** | **704.6** | **60.5** | **83.6** | **59.1** | **907.8** | **683.8** | **54.5** | **82.1** | **60.9** | **881.3** |

(1) Excludes water presentations larger than 5.0 Lt ; includes flavored water

(2) Bulk Water = Still bottled water in 5.0, 19.0 and 20.0 - liter packaging presentations; includes flavored water

(3) Philippines information reported for 2017 includes only February and March.

**Transactions**
*Expressed in million transactions*

| | **1Q 2018** | | | | **1Q 2017** | | | |
|---|---|---|---|---|---|---|---|---|
| | Sparkling | Water | Still | Total | Sparkling | Water | Still | Total |
| Mexico | 1,886.4 | 182.7 | 230.3 | 2,299.4 | 1,922.5 | 177.4 | 227.0 | 2,327.0 |
| Central America | 295.2 | 16.3 | 63.1 | 374.6 | 277.3 | 15.6 | 60.5 | 353.4 |
| **Mexico & Central America** | **2,181.6** | **199.0** | **293.4** | **2,674.0** | **2,199.8** | **193.0** | **287.5** | **2,680.4** |
| Colombia | 373.5 | 83.6 | 48.7 | 505.8 | 350.2 | 67.4 | 59.9 | 477.6 |
| Venezuela | - | - | - | - | 71.4 | 14.8 | 3.8 | 90.0 |
| Brazil | 1,024.3 | 108.3 | 116.0 | 1,248.7 | 994.3 | 100.0 | 99.9 | 1,194.2 |
| Argentina | 204.4 | 27.5 | 25.1 | 257.0 | 200.1 | 28.5 | 26.4 | 255.0 |
| **South America** | **1,602.2** | **219.4** | **189.9** | **2,011.5** | **1,616.1** | **210.7** | **189.9** | **2,016.7** |
| Philippines (1) | 1,290.5 | 72.5 | 89.1 | 1,452.1 | 927.4 | 48.6 | 68.7 | 1,044.6 |
| **Asia** | **1,290.5** | **72.5** | **89.1** | **1,452.1** | **927.4** | **48.6** | **68.7** | **1,044.6** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Total** | **5,074.3** | **490.9** | **572.3** | **6,137.6** | **4,743.3** | **452.3** | **546.1** | **5,741.7** |

(1) Philippines information reported for 2017 includes only February and March.

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**Macroeconomic Information**
*First quarter 2018*

**Inflation**[1]

| | **LTM** | **1Q 18** |
|---|---|---|
| Mexico | 5.13% | 1.30% |
| Colombia | 3.07% | 2.05% |
| Brazil | 2.83% | 0.93% |
| Argentina | 25.48% | 6.74% |
| Philippines | 4.41% | 2.59% |

[1] Source: inflation estimated by the company based on historic publications from the Central Banks of each country.

**Average Exchange Rates for each Period** [2]

| | Quarterly Exchange Rate (local currency per USD) | | |
|---|---|---|---|
| | **1Q 18** | **1Q 17** | **D %** |
| Mexico | 18.76 | 20.39 | -8.0% |
| Guatemala | 7.37 | 7.43 | -0.9% |
| Nicaragua | 30.98 | 29.50 | 5.0% |
| Costa Rica | 571.95 | 564.72 | 1.3% |
| Panama | 1.00 | 1.00 | 0.0% |
| Colombia | 2,860.36 | 2,922.07 | -2.1% |
| Brazil | 3.24 | 3.14 | 3.2% |
| Argentina | 19.70 | 15.67 | 25.7% |
| Philippines | 51.45 | 49.99 | 2.9% |

**End of Period Exchange Rates**

| | Quarter Exchange Rate (local currency per USD) | | | Previous Quarter Exchange Rate (local currency per USD) | | |
|---|---|---|---|---|---|---|
| | **Mar 2018** | **Mar 2017** | **D %** | **Dec 2017** | **Dec 2017** | **D %** |
| Mexico | 18.34 | 18.81 | -2.5% | 19.74 | 20.66 | -4.5% |
| Guatemala | 7.40 | 7.34 | 0.8% | 7.34 | 7.52 | -2.4% |
| Nicaragua | 31.16 | 29.68 | 5.0% | 30.79 | 29.32 | 5.0% |
| Costa Rica | 569.31 | 567.34 | 0.3% | 572.56 | 561.10 | 2.0% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Panama | 1.00 | 1.00 | 0.0% | 1.00 | 1.00 | 0.0% |
| Colombia | 2,780.47 | 2,880.24 | -3.5% | 2,984.00 | 3,000.71 | -0.6% |
| Brazil | 3.32 | 3.17 | 4.9% | 3.31 | 3.26 | 1.5% |
| Argentina | 20.15 | 15.39 | 30.9% | 18.65 | 15.89 | 17.4% |
| Philippines | 52.21 | 50.19 | 4.0% | 49.92 | 49.81 | 0.2% |

(2) Average exchange rate for each period computed with the average exchange rate of each month.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf of the undersigned, thereunto duly authorized.

FOMENTO ECONÓMICO
MEXICANO, S.A. DE C.V.

By: /s/ Eduardo Padilla
Eduardo Padilla
Chief Executive Officer

Date: April 26, 2018