CONSOLIDATED FINANCIAL STATEMENTS **2021**

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ANNUAL REPORT OF THE AUDIT COMMITTEE

To the Board of Directors Fomento Económico Mexicano, S.A.B. de C.V.

FOMENTO ECONÓMICO MEXICANO,
S.A.B. DE C.V. AND SUBSIDIARIES
MONTERREY, N.L., MEXICO

In conformity with the provisions of the Securities Market Act, the corporate charter of this Company and the charter of the Audit Committee of Fomento Económico Mexicano, S.A.B. de C.V. (hereafter "the Committee and the Company"), I am pleased to present our Audit Committee Report for the year ended December 31, 2021. This report covered our work over the course of the year including some areas of particular focus. In carrying out our work, we abided by the regulations established by the Securities and Exchange Commission (SEC) and the New York Stock Exchange (NYSE) of the United States of America, the applicable provisions established by the National Banking and Securities Commission (CNBV) of Mexico, as well as the Code of Best Corporate Practices issued by the Business Coordinating Council of Mexico.

Based on the previously approved work program, the Committee convened formally four times on a quarterly basis and on additional occasions, as deemed necessary, to address a variety of standing matters that merited the participation of the Committee, to relieve the issues that by legal provision was bound. The most relevant activities carried out by the Committee are presented below:

Risk Assessment

Based on the information presented by Management and the External and Internal Auditors, the Committee evaluated the effectiveness of the risk management system established for the identification, assessment, and management of business risks of the Company, as well as for the implementation of measures to ensure its effective and efficient operation.

The Committee, in conjunction with Management and both, External and Internal Auditors, reviewed the critical risk factors which may affect the operations and assets of the Company, assessing whether they have been properly identified and managed.

Considering that the cybersecurity risk continues to be a significant risk area for the Company, throughout 2021 the Committee devoted special attention to monitor the progress of the main vulnerabilities identified during the corresponding cybersecurity assessments, as well as to review the proper implementation of the information technology initiatives that would guarantee the continuity of the operations, and the protection of the assets and equity of the Company.

Internal Control

The Committee oversaw that Management, in conformity with its responsibilities regarding internal control, had established the general guidelines and the necessary procedures for their appropriate application and compliance. This process included presentations to the Audit Committee by the responsible areas of the most important subsidiaries. Additionally, the Committee properly followed on the comments and remarks made in this regard by the External and Internal Auditors, as a result of their findings.

The Committee observed the actions carried out by the Company in order to comply with section 404 of Sarbanes-Oxley Act and similar provisions issued by the CNBV, both related to the internal control system. During this process, the Committee carried out follow up reviews on implemented main preventive and corrective actions concerning internal control issues, as well as effectuated the presentation of the required information to the authorities.

External Audit

The Committee recommended to the Board of Directors the appointment of the External Auditors of the Company for the fiscal year 2021. For this purpose, The Committee verified their independence, under the criteria and rules applicable and established by the SEC and NYSE, as well as by the requirements established in the Law and in the general provisions applicable to entities and issuers supervised by the CNBV that engage in external audit services of financial statements, which entered into force on August 1st, 2019. The Committee analyzed the approach and work program of the External Auditors, as well as their coordination with the Internal Audit area.

The Committee reviewed, and submitted for approval of the Board of Directors, the Audit Committee Charter, in order to comply with the new provisions and regulations contained in the Single Circular of External Auditors, issued by the CNBV. Also, the Committee verified the proper compliance with these provisions, particularly those related to the responsibilities of the Committee and the requirements currently applicable to external auditors.

The Committee kept frequent and direct communication with the External Auditors regarding the progress of their work and the observations they presented. The Committee was timely informed of the External Auditor conclusions and reports concerning the annual and quarterly financial statements, and it followed up on the implementation of the observations and recommendations they developed during their work.

The Committee authorized the fees paid to the External Auditors for audit services and other permitted services, ensuring that they do not interfere with their independence and that they comply with the provisions established in this regard by this Committee and by the Board of Directors.

The Committee carried out and reported to the Board of Directors the result of the annual evaluation of the external audit firm, including all the additional services provided.

Internal Audit

The Internal Audit area reports to the Audit Committee in order to maintain its independence and objectivity. Regarding the interaction of the Committee with Internal Auditors, the following can be pointed out:

The Committee reviewed and approved appropriately, the Internal Audit annual program and the budget for the fiscal year. For its preparation, Internal Audit participated in the risk assessment process and in the validation of the internal control system, to comply with the different applicable provisions.

The Committee received periodic reports regarding the progress of the approved work program, including the variations that may have existed, as well as the corresponding causes.

The Committee followed up on the observations and suggestions that Internal Auditors developed, as well as their timely correction.

The Committee oversaw that a good annual training plan for internal auditors had properly been carried out.

The Committee reviewed and discussed with the Chief Audit Executive the results of the performance appraisal of the Internal Audit service, performed by the business units and by the Committee itself.

Financial Information, Accounting Policies and Reports to Third Parties

The Committee reviewed with the responsible officials the reasonableness and consistency of quarterly and annual financial statements of the Company and recommended to the Board of Directors its approval and authorization for its publication. As part of this process, the Committee took into account the opinion and observations of the External Auditors, and validated that the criteria, accounting policies, and information used by Management to prepare the financial information for the fiscal year 2021 were adequate, sufficient, and that they had been applied consistently with respect to the previous year.

The review performed by the Committee also included the reports and any other financial information required by the Regulatory Bodies in Mexico and in the United States of America, which, based on the results, the Committee recommended to the Board of Directors for their approval and authorization for publication.

Compliance with Applicable Laws and Regulations, Legal Issues and Contingencies

The Committee confirmed the existence and reliability of the controls implemented by the Company related to compliance with the different legal provisions to which it is obligated, assuring, when applicable, that appropriate disclosures were made in the financial statements.

The Committee periodically reviewed the existing fiscal, legal, and labor contingencies in the Company and its most important Subsidiaries, overseeing the effectiveness of the procedure implemented for its identification and monitoring, as well as its adequate disclosure and recording.

Management presented the main guidelines that govern the anti-corruption policy, as well as the dissemination and validation plan for compliance, which the Committee found adequate.

Code of Ethics

The Committee reviewed the updated version of the Company's Code of Ethics, which incorporates necessary changes by virtue of the social environment in which the Company operates, and the Committee also validated that the Code has provisions regarding compliance with the laws against money laundering and anti-corruption applicable in the countries where the Company operates. Subsequently, the Committee recommended the approval of the Company's Code of Ethics to the Board of Directors.

With the support of Internal Audit, the Committee verified the compliance of the Company Code of Ethics by all employees and Board members as well as the existence of adequate processes to update and disseminate it among employees, including the application of sanctions in those cases where violations were detected.

The Committee reviewed the complaints received through the Company´s whistle-blowing system and followed up on their correct and timely attention.

Training

To comply with the training requirements of Committee´s charter, during the year, its members attended specific courses on relevant topics, such as internal controls, risk management, cybersecurity, regulatory compliance, financial information and auditing.

Administrative Activities

In addition to the formal sessions of the Audit Committee, its members held additional sessions with Management to stay informed of the Company's progress and the relevant and unusual activities and events. The Committee also met with both External and Internal Auditors as a specific topic on the agenda, without the presence of Management, to discuss the progress of their work, limitations they could have had and to facilitate any private communication they wished to have with the Committee.

In this fiscal year, The Committee did not consider necessary to request the support and opinion of independent experts as the matters dealt in each session were duly supported by the information presented and therefore the conclusions reached were satisfactory for its members.

The Chairman of the Audit Committee reported quarterly to the Board of Directors the relevant issues arising from the work of the Committee.

The Committee verified the compliance with the requirements of education and experience by the financial expert of the Committee and the independence requirements for each member in accordance with the rules applicable in this matter.

The work carried out by the Committee was duly documented in the prepared minutes of each session, which were reviewed and approved in a timely manner by its members.

The Committee performed the annual self-assessment and delivered the results to the Chairman of the Board of Directors. The results of the self-assessment were very satisfactory.

Sincerely

Alberto Tiburcio Celorio
Chairman of the Audit Committee
Fomento Económico Mexicano, S.A.B. de C.V.

March 03nd, 2022

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Shareholders of Fomento Económico Mexicano, S.A.B. de C.V.

FOMENTO ECONÓMICO MEXICANO,
S.A.B. DE C.V. AND SUBSIDIARIES
MONTERREY, N.L., MEXICO

Opinion

We have audited the accompanying consolidated financial statements of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries (collectively the "Company"), which comprise the consolidated statement of financial position as at December 31, 2021 and 2020, and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for each of the three years in the period ended as at December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020 and its financial performance and its cash flows for each of the three years in the period ended as at December 31, 2021, in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

Basis for opinion

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

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

Key audit matters

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

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

Impairment testing of distribution rights, trademarks and goodwill

Description of the key audit matter

At December 31, 2021, the Company has distribution rights, trademarks and goodwill with an aggregate carrying value of approximately $ 140,820 million. As explained in Note 13 to the consolidated financial statements, distribution rights, trademarks and goodwill are tested for impairment annually at the cash generating unit level (CGUs). Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The Company has determined value in use, in some cases, and fair value less cost to sell in others, at the cash generating unit level to test for impairment.

Auditing management's annual distribution rights, trademarks and goodwill impairment test was complex and highly judgmental due to the significant estimation required to determine the value in use of the CGUs. In particular, the value in use estimates were sensitive to significant assumptions, such as the weighted average cost of capital, revenue growth rate, operating margin, working capital and terminal value, which are affected by expected future market or economic conditions, particularly those in emerging markets.

How our audit addressed the matter
We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's distribution rights, trade marks and goodwill impairment review processes, including controls over management's review of the significant assumptions described above, projected financial information and the valuation model used to develop such estimates.

To test the estimated value in use and fair value of the Company's CGUs, we performed audit procedures that included, among others, assessing methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We assessed the historical accuracy of management's estimates and projections by (i) comparing management's projections to actual and obtaining appropriate explanations for the differences (ii) examining and challenging management's support for the current estimates and projections (iii) comparing them to industry and economic trends and (iv) evaluating whether changes to the Company's business model, customer base or product mix and other factors would significantly affect the projected financial information and, thus the value in use of the CGUs that would result from changes in the assumptions, focusing on the projected compound annual growth rates and weighted average cost of capital, mainly. We also involved our valuation specialist to assist in the evaluation of the significant assumptions and methodology used by the Company.

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

Recoverability of deferred tax assets

Description of the key audit matter
As described in Note 25 to the consolidated financial statements, the Company had recognized deferred tax assets arising from net operating loss carryforwards (NOLs) of approximately $9,047 million and recoverable tax credits of approximately $1,394 million. The NOLs were generated primarily by the Brazilian and Mexican operations and attributable to tax deductions of goodwill amortization generated from recent business acquisitions in Brazil and to remeasurement effects of foreign currency denominated borrowings by the México operation. The recoverable tax credits correspond to income tax credits generated in México arising from dividends received from foreign subsidiaries.

Auditing management's assessment of the realizability of its deferred tax assets arising from NOLs and recoverable tax credits involved complex auditor judgment because management's estimate of realizability is based on assessing the probability, timing and sufficiency of future taxable profits, expected reversals of taxable temporary differences and available tax planning opportunities that will create future taxable profits; these projections are sensitive because they can be affected by variabilities in management's projections and future market and economic conditions.

How our audit addressed the matter
We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls that address the risks of material misstatement relating to the realizability of deferred tax assets, including controls over management's projections of future taxable income, scheduled analysis of the future reversal of existing taxable temporary differences and the identification of available tax planning opportunities.

To test the realizability of deferred tax assets arising from NOLs and recoverable tax credits, we performed audit procedures, among others, on the review of management´s estimates of future taxable income in Brazil and México by assessing the estimates underlying the projected financial information, such as growth rates, discount rates, and other key assumptions and comparing them with the industry and economic trends and evaluating whether changes to the Company's business model and other factors would significantly affect the projected financial information. We involved our internal specialists in performing these procedures.

In addition, with the assistance of our tax professionals, we assessed the application of the tax laws, including the Company's future tax planning opportunities and tested the Company´s scheduling of the timing and amount of reversal of taxable temporary differences.

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

Other information included in the Company's 2021 Annual report

Other information consists of the information included in the Company's 2021 Annual Report to be presented to the stockholders and the Annual Report to be presented to the Comision Nacional Bancaria y de Valores ("CNBV"), other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The other information is expected to be made available to us after the date of this auditor's report.

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

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

When we read and consider the Annual Report filed with the CNBV and the annual report submitted to the shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to issue a statement on the Annual Report required by the CNBV that contains a description of the matter.

Responsibilities of management and the audit committee for the consolidated financial statements

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

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

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

C.P.C. Carlos Alberto Rochín Casanova

San Pedro Garza García, México
March 23, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES
MONTERREY, N.L., MEXICO

As of December 31, 2021 and 2020.
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.).

[1] Convenience translation to U.S. dollars ($) – See Note 2.2.3

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

	NOTE	2021[1]	2021	2020
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	$ 4,748	Ps. 97,407	Ps. 107,624
Investments	6	1,190	24,415	662
Trade accounts receivables, net	7	1,653	33,898	28,249
Inventories	8	2,481	50,896	44,034
Recoverable taxes	25	882	18,091	17,100
Other current financial assets	9	121	2,480	681
Other current assets	9	172	3,531	2,919
Total current assets		11,247	230,718	201,269
NON CURRENT ASSETS				
Equity method accounted investees	10	5,231	107,299	98,270
Property, plant and equipment, net	11	5,613	115,147	113,106
Right-of-use assets, net	12	2,778	56,994	54,747
Intangible assets, net	13	7,709	158,138	155,501
Deferred tax assets	25	1,011	20,733	22,043
Other non-current financial assets	14	2,002	41,071	32,386
Other non-current assets	14	360	7,400	7,526
Total non-current assets		24,704	506,782	483,579
TOTAL ASSETS		**$ 35,951**	**Ps. 737,500**	**Ps. 684,848**
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Bank loans and notes payable	19	$ 98	Ps. 2,003	Ps. 4,469
Current portion of non-current debt	19	129	2,637	4,332
Current portion of lease liabilities	12	356	7,306	6,772
Interest payable		96	1,968	2,069
Trade payable		3,227	66,203	53,018
Accounts payable		1,323	27,149	22,150
Taxes payable		793	16,260	12,578
Other current financial liabilities	26	643	13,197	13,025
Total current liabilities		6,665	136,723	118,413
NON-CURRENT LIABILITIES				
Bank loans and notes payable	19	9,064	185,945	179,864
Lease liabilities	12	2,683	55,049	51,536
Post-employment benefits	17	370	7,600	7,253
Deferred tax liabilities	25	295	6,042	6,033
Other non-current financial liabilities	26	115	2,364	5,022
Provisions and other non-current liabilities	26	423	8,660	9,540
Total non-current liabilities		12,950	265,660	259,248
TOTAL LIABILITIES		**19,615**	**402,383**	**377,661**
EQUITY				
Controlling interest:				
Capital stock		163	3,348	3,348
Additional paid-in capital		871	17,862	17,808
Retained earnings		11,617	238,306	217,430
Other comprehensive income		150	3,085	(843)
Total controlling interest		12,801	262,601	237,743
Non-controlling interest	22	3,535	72,516	69,444
TOTAL EQUITY		**16,336**	**335,117**	**307,187**
TOTAL LIABILITIES AND EQUITY		**$ 35,951**	**Ps. 737,500**	**Ps. 684,848**

CONSOLIDATED INCOME STATEMENTS

FOMENTO ECONÓMICO MEXICANO,
S.A.B. DE C.V. AND SUBSIDIARIES
MONTERREY, N.L., MEXICO

For the years ended December 31, 2021, 2020 and 2019.
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.), except for earnings per share amounts.

[1] Convenience translation to U.S. dollars ($) – See Note 2.2.3

The accompanying notes are an integral part of these consolidated income statements.

	NOTE	2021[1]	2021	2020	2019
Net sales	28	$ 27,051	Ps. 554,923	Ps. 490,425	Ps. 504,059
Other operating revenues		65	1,338	2,541	2,652
Total revenues		27,116	556,261	492,966	506,711
Cost of goods sold		16,698	342,548	303,313	315,230
Gross profit		10,418	213,713	189,653	191,481
Administrative expenses		1,327	27,219	22,988	19,930
Selling expenses		6,536	134,079	123,405	121,871
Other income	20	287	5,887	3,343	1,013
Other expenses	20	182	3,727	12,381	4,905
Interest expense	19	826	16,938	17,516	14,133
Interest income		71	1,464	2,100	3,168
Foreign exchange gain (loss), net		64	1,314	385	(2,467)
Monetary position gain, net		36	738	384	260
Market value (gain) loss on financial instruments		(2)	(38)	264	320
Income before income taxes and share in the profit of equity method accounted investees		2,007	41,191	19,311	32,296
Income taxes	25	696	14,278	14,819	10,476
Share in the profit (loss) of equity method accounted investees, net of tax	10	525	10,765	(736)	6,228
CONSOLIDATED NET INCOME		1,836	37,678	3,756	28,048
Controlling interest		1,388	28,495	(1,930)	20,699
Non-controlling interest		448	9,183	5,686	7,349
CONSOLIDATED NET INCOME		$ 1,836	Ps. 37,678	Ps. 3,756	Ps. 28,048
Controlling interest basic earnings (loss) per share					
Per series “B” share	24	$ 0.07	Ps. 1.42	Ps. (0.10)	Ps. 1.03
Per series “D” share	24	0.09	1.78	(0.12)	1.29
Controlling interest diluted earnings (loss) per share					
Per series “B” share	24	0.07	1.42	(0.10)	1.03
Per series “D” share	24	0.09	1.78	(0.12)	1.29

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOMENTO ECONÓMICO MEXICANO,
S.A.B. DE C.V. AND SUBSIDIARIES
MONTERREY, N.L., MEXICO

For the years ended December 31, 2021, 2020 and 2019.
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.).

[1] Convenience translation to U.S. dollars ($) – See Note 2.2.3

The accompanying notes are an integral part of these consolidated statements of comprehensive income.

	NOTE	2021[1]	2021	2020	2019
CONSOLIDATED NET INCOME		$ 1,836	Ps. 37,678	Ps. 3,756	Ps. 28,048
Items that will be reclassified to consolidated net income in subsequent periods, net of tax:					
Valuation of the effective portion of derivative financial instruments	21	124	2,541	1,654	(980)
Income on hedge of net investments in foreign operations	19	17	350	1,060	991
Exchange differences (loss) income on the translation of foreign operations and equity method accounted investees		(405)	(8,307)	489	(12,556)
Share of other comprehensive income (loss) of equity method accounted investees	10	143	2,925	(5,948)	1,058
Total items that will be reclassified		(121)	(2,491)	(2,745)	(11,487)
Items that will not to be reclassified to consolidated net income in subsequent periods, net of tax:					
Gain (loss) due to changes in the fair value in equity financial instruments		252	5,165	(3,991)	—
Share of other comprehensive income (loss) of equity method accounted investees		29	590	(111)	(389)
Gain (loss) on remeasurements of the net defined benefit liability		14	296	(474)	(1,090)
Total items that will not be reclassified		295	6,051	(4,576)	(1,479)
Other items of comprehensive income (loss), net of tax		174	3,560	(7,321)	(12,966)
Consolidated comprehensive income (loss), net of tax		$ 2,010	Ps. 41,238	Ps. (3,565)	Ps. 15,082
Controlling interest comprehensive income (loss)		1,580	32,423	(3,458)	12,331
Reattribution to non-controlling interest of other comprehensive income by acquisition of YZA		—	—	—	3
Reattribution to non-controlling interest of other comprehensive income by acquisition of Socofar		—	—	—	(49)
Controlling interest comprehensive income (loss)		$ 1,580	Ps. 32,423	Ps. (3,458)	Ps. 12,285
Non-controlling interest comprehensive income (loss)		430	8,815	(107)	2,751
Reattribution from controlling interest of other comprehensive income by acquisition of YZA		—	—	—	(3)
Reattribution from controlling interest of other comprehensive income by acquisition of Socofar		—	—	—	49
Non-controlling interest comprehensive income (loss)		430	8,815	(107)	2,797
Consolidated comprehensive income (loss), net of tax		$ 2,010	Ps. 41,238	Ps. (3,565)	Ps. 15,082
Out of which:					
Controlling comprehensive income (loss) from continuing operations, net of tax		$ 1,580	Ps. 32,423	Ps. (3,458)	Ps. 12,285
Non-controlling comprehensive income (loss) from continuing operations, net of tax		430	8,815	(107)	2,797

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Capital Stock	Additional paid-in capital	Retained earnings	Fair value in equity financial instrument	Valuation of the effective portion of derivative financial instrument	Exchange differences on the translation of foreign operations and equity accounted investees	Remeasurements of the net defined benefit liability	Total controlling interest	Non-controlling interest	Total equity
Balances as of January 1, 2019		Ps. 3,348	Ps. 26,850	Ps. 217,802	Ps. (491)	Ps. 1,891	Ps. 9,219	Ps. (1,566)	Ps. 257,053	Ps. 78,489	Ps. 335,542
Accounting standard adoption effects (IFRIC 23), net of tax		—	—	(93)	—	—	—	—	(93)	(69)	(162)
Adjusted balance at January 1, 2019		3,348	26,850	217,709	(491)	1,891	9,219	(1,566)	256,960	78,420	335,380
Consolidated net income		—	—	20,699	—	—	—	—	20,699	7,349	28,048
Other comprehensive income (loss), net		—	—	—	—	(562)	(6,647)	(1,205)	(8,414)	(4,552)	(12,966)
Total other comprehensive income (loss)		—	—	20,699	—	(562)	(6,647)	(1,205)	12,285	2,797	15,082
Dividends declared and paid	22,23	—	—	(9,692)	—	—	—	—	(9,692)	(3,945)	(13,637)
Issuance of share-based compensation plans	18	—	33	—	—	—	—	—	33	(12)	21
Other acquistions and remeasurements		—	—	—	—	—	—	—	—	32	32
Other acquisition of non-controlling interest	1,22	—	(8,721)	—	—	32	17	(3)	(8,675)	(3,530)	(12,205)
Other movements in equity method accounted investees, net of tax	10	—	—	1,078	—	—	—	—	1,078	—	1,078
Balances as of December 31, 2019		Ps. 3,348	Ps. 18,162	Ps. 229,794	Ps. (491)	Ps. 1,361	Ps. 2,589	Ps. (2,774)	Ps. 251,989	Ps. 73,762	Ps. 325,751
Balances as of January 1, 2020		3,348	18,162	229,794	(491)	1,361	2,589	(2,774)	251,989	73,762	325,751
Consolidated net income		—	—	(1,930)	—	—	—	—	(1,930)	5,686	3,756
Other comprehensive income (loss), net		—	—	—	(3,991)	1,306	1,673	(416)	(1,428)	(5,681)	(7,109)
Sale of Joint Venture		—	—	—	—	—	(100)	—	(100)	(112)	(212)
Total other comprehensive income (loss)		—	—	(1,930)	(3,991)	1,306	1,573	(416)	(3,458)	(107)	(3,565)
Dividends declared and paid	22,23	—	—	(10,360)	—	—	—	—	(10,360)	(5,524)	(15,884)
Issuance of share-based compensation plans	18	—	(275)	—	—	—	—	—	(275)	(64)	(339)
Acquisition of Envoy	4	—	(79)	—	—	—	—	—	(79)	1,377	1,298
Other movements in equity method accounted investees, net of tax	10	—	—	(74)	—	—	—	—	(74)	—	(74)
Balances as of December 31, 2020		Ps. 3,348	Ps. 17,808	Ps. 217,430	Ps. (4,482)	Ps. 2,667	Ps. 4,162	Ps. (3,190)	Ps. 237,743	Ps. 69,444	Ps. 307,187

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES
MONTERREY, N.L., MEXICO

For the years ended December 31, 2021, 2020 and 2019.
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.).

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Capital Stock	Additional paid-in capital	Retained earnings	Fair value in equity financial instrument	Valuation of the effective portion of derivative financial instrument	Exchange differences on the translation of foreign operations and equity accounted investees	Remeasurements of the net defined benefit liability	Total controlling interest	Non-controlling interest	Total equity
Balances as of January 1, 2021		Ps. 3,348	Ps. 17,808	Ps. 217,430	Ps. (4,482)	Ps. 2,667	Ps. 4,162	Ps. (3,190)	Ps. 237,743	Ps. 69,444	Ps. 307,187
Consolidated net income		—	—	28,495	—	—	—	—	28,495	9,183	37,678
Other comprehensive income (loss), net		—	—	—	5,165	1,563	(3,722)	922	3,928	(368)	3,560
Total other comprehensive income (loss)		—	—	28,495	5,165	1,563	(3,722)	922	32,423	8,815	41,238
Dividends declared and paid	22,23	—	—	(7,687)	—	—	—	—	(7,687)	(5,729)	(13,416)
Issuance of share-based compensation plans	18	—	54	—	—	—	—	—	54	(14)	40
Other movements in equity method accounted investees, net of tax	10	—	—	68	—	—	—	—	68	—	68
Balances as of December 31, 2021		Ps. 3,348	Ps. 17,862	Ps. 238,306	Ps. 683	Ps. 4,230	Ps. 440	Ps. (2,268)	Ps. 262,601	Ps. 72,516	Ps. 335,117

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. Y SUBSIDIARIAS.
MONTERREY, N.L., MÉXICO

For the years ended December 31, 2021, 2020 and 2019.
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.).

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOMENTO ECONÓMICO MEXICANO,
S.A.B. DE C.V. AND SUBSIDIARIES
MONTERREY, N.L., MEXICO

For the years ended December 31, 2021, 2020 and 2019.
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.).

[1] Convenience translation to U.S. dollars ($) – See Note 2.2.3

The accompanying notes are an integral part of these consolidated statements of cash flows.

	2021[1]	2021	2020	2019
OPERATING ACTIVITIES				
Income before income taxes and Share in the profit (loss) of equity method accounted investees	$ 2,533	Ps. 51,956	Ps. 18,575	Ps. 38,524
Non-cash items adjustments:				
Operating (income)	(92)	(1,884)	(1,544)	(1,279)
Depreciation	1,233	25,293	25,006	23,361
Amortization	131	2,694	3,043	2,449
(Gain) loss on sale of long-lived assets	(57)	(1,176)	(130)	68
Disposal of long-lived assets	28	579	1,290	861
Impairment of long-lived assets	70	1,427	5,102	1,018
Share of the profit of equity method accounted investees, net of taxes	(525)	(10,765)	736	(6,228)
Interest income	(71)	(1,464)	(2,100)	(3,168)
Interest expense	826	16,938	17,516	14,133
Foreign exchange loss (gain), net	(64)	(1,314)	(385)	2,467
Monetary position (gain), net	(36)	(738)	(384)	(260)
Market value (gain) loss on financial instruments	(2)	(38)	264	320
Net cash flow from operating activities before changes in operating accounts	3,974	81,508	66,989	72,266
Trade accounts receivable and other current assets	(295)	(6,050)	2,551	(2,818)
Other current financial assets	(36)	(743)	31	(268)
Inventories	(382)	(7,835)	(247)	(5,635)
Derivative financial instruments	(3)	(69)	124	41
Trade accounts payable and other accounts	972	19,931	(1,847)	10,230
Other non-current liabilities	—	3	901	345
Other current financial liabilities	36	732	1,015	158
Employee benefits paid	(38)	(771)	(981)	(790)
Net cash generated from operations	4,228	86,706	68,536	73,529
Income taxes paid	(664)	(13,616)	(15,363)	(11,891)
Net cash generated by operating activities	3,564	73,090	53,173	61,638

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOMENTO ECONÓMICO MEXICANO,
S.A.B. DE C.V. AND SUBSIDIARIES
MONTERREY, N.L., MEXICO

For the years ended December 31, 2021, 2020 and 2019.
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.).

[(1)] Convenience translation to U.S. dollars ($) – See Note 2.2.3

The accompanying notes are an integral part of these consolidated statements of cash flows.

	2021[(1)]	2021	2020	2019
INVESTING ACTIVITIES				
Acquisition of Envoy and other businesses, net of cash acquired (see Note 4)	(469)	(9,612)	(23,284)	—
Other acquisitions, net of cash acquired (see Note 4)	—	—	(137)	(7,136)
Equity method accounted investees	(32)	(662)	(2,095)	(2,516)
Other equity investments	—	—	(5,644)	(14,419)
(Purchase) disposal of investments	(1,146)	(23,504)	14,149	29,381
Interest received	84	1,715	2,106	3,253
Derivative financial instruments	10	213	(191)	(203)
Dividends received from equity method accounted investees	246	5,039	4,180	3,026
Property, plant and equipment acquisitions	(892)	(18,294)	(18,660)	(22,926)
Proceeds from disposal of property, plant and equipment	72	1,478	461	655
Acquisition of intangible assets	(98)	(2,005)	(1,482)	(2,197)
Proceeds from long-lived assets	48	976	—	—
Investment in other assets	(49)	(997)	(1,082)	(1,179)
Collections of other assets	10	213	526	415
Investment in other financial assets	(36)	(735)	(214)	(285)
Net cash (used in) by investing activities	(2,252)	(46,175)	(31,367)	(14,131)
FINANCING ACTIVITIES				
Proceeds from borrowings	1,944	39,888	129,371	18,280
Payments of bank loans	(1,889)	(38,747)	(63,278)	(26,301)
Interest paid	(462)	(9,469)	(9,615)	(6,503)
Derivative financial instruments	(158)	(3,245)	1,078	(690)
Dividends paid	(653)	(13,399)	(15,868)	(13,629)
Acquisition of non-controlling interest	—	—	(11,692)	(728)
Interest paid derived from leases	(246)	(5,038)	(4,568)	(4,498)
Payments of leases	(355)	(7,287)	(5,242)	(4,350)
Other financing activities	15	308	(611)	(15)
Net cash (used in) generated by financing activities	(1,804)	(36,989)	19,575	(38,434)
(Decrease) increase in cash and cash equivalents	(492)	(10,074)	41,381	9,073
Cash and cash equivalents at the beginning of the period	5,246	107,624	65,562	62,047
Effects of exchange rate changes and inflation effects on cash and cash equivalents held in foreign currencies	(6)	(143)	681	(5,558)
Cash and cash equivalents at the end of the period	$ 4,748	Ps. 97,407	Ps. 107,624	Ps. 65,562

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOMENTO ECONÓMICO MEXICANO,
S.A.B. DE C.V. AND SUBSIDIARIES
MONTERREY, N.L., MEXICO

For the years ended December 31, 2021, 2020 and 2019.
In millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.).

NOTE 1. COMPANY BUSINESS

Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries ("FEMSA," the Company or the Group), incorporated in 1936, is a public company established as a *Sociedad anónima bursátil de capital variable* under the Mexican laws leading subsidiaries that are direct and indirect sub-holding companies in businesses in which the Company operates in the beverage industry through Coca-Cola FEMSA; retail industry through FEMSA Comercio Proximity, Fuel and Health Divisions; beer industry through the Heineken investment; transport logistic services industry through Logistics and Distribution, and other businesses.

The following is a description of the Company's businesses, along with its interest ownership in each reportable segment:

Business	% Ownership 2021	% Ownership 2020	Activities
Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries ("Coca-Cola FEMSA")	47.2% (56.0% of the voting shares) [1]	47.2% (56.0% of the voting shares) [1]	Production, distribution and marketing of certain Coca-Cola trademark beverages in Mexico, Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, Brazil, Argentina and Uruguay (see Note 4). As of December 31, 2021, The Coca-Cola Company ("TCCC") indirectly owns 27.8% of Coca-Cola FEMSA's capital stock. In addition, shares representing 25% of Coca-Cola FEMSA's capital stock are traded on the Bolsa Mexicana de Valores (Mexican Stock Exchange "BMV") and the New York Stock Exchange, Inc. ("NYSE") in the form of American Depositary Shares ("ADS").
FEMSA Comercio – Proximity Division	100%	100%	Small-box retail chain format operations in Mexico, Colombia, Peru, Chile and Brazil, mainly under the trade name "OXXO."
FEMSA Comercio – Fuel Division	100%	100%	Retail service stations for fuels, motor oils, lubricants and car care products under the trade name "OXXO Gas" with operations in Mexico.
FEMSA Comercio – Health Division	100%	100%	Drugstores operations in Chile, Colombia and Ecuador, mainly under the trademark "Cruz Verde", "Fybeca" and "Sana Sana"; and in Mexico under various brands such as "YZA"," La Moderna" and "Farmacon."
Logistics and Distribution	Various [2]	Various [2]	Transport logistics services, specialized distribution and maintenance to subsidiary companies and third parties; with operations mainly in Mexico, the United States, Brazil, Colombia, among other countries in Latin America.
Heineken investment	14.8%	14.8%	Heineken N.V. and Heineken Holding N.V. shares, which represent an aggregate of 14.8% economic interest in both entities ("Heineken Group").
Other businesses	100%	100%	Production and distribution companies of chillers, commercial refrigeration equipment, plastic boxes, food processing, preservation and weighing equipment.

[1] The Company controls Coca-Cola FEMSA's relevant activities. On January 31, 2019, Coca-Cola FEMSA, S.A.B. de C.V. Extraordinary General Shareholders' Meeting approved the following: (i) an eight-for-one stock split (the "Stock Split") of each series of shares of the Company; (ii) the issuance of Series B ordinary shares with full voting rights; and (iii) the creation of units, comprised of 3 Series B shares and 5 Series L shares, to be listed for trading on the Mexican Stock Exchange and in the form of American depositary shares on the New York Stock Exchange.

[2] On May 15, 2020, the Company completed the acquisition of the specialized distribution business of cleaning products and consumables in the United States, through the controlling interest of NW Synergy, which includes WAXIE Sanitary Supply ("WAXIE") and North American Corporation ("North American"). Additionally, on December 31, 2020, the Company completed the acquisition of Southeastern Paper Group ("SEPG"). During 2021 the Company acquired other companies increasing its specialized distribution footprint in the United States. See Note 4.1.

NOTE 2. BASIS OF PREPARATION

2.1 Statement of compliance
The consolidated financial statements of the Company as of December 31, 2021, and 2020 and for the years ended December 31, 2021, 2020 and 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company's consolidated financial statements and notes were authorized for issuance to the Mexican Stock Exchange by the Company's Board of Directors on March 3, 2022 and subsequent events have been considered through that date (see Note 30). These consolidated financial statements and notes were then approved by the Company's Chief Executive Officer Daniel Rodríguez Cofré and the Chief Corporate Financial Officer Eugenio Garza y Garza on March 21, 2022. These consolidated financial statements and their accompanying notes will be presented at the Company's shareholder meeting on April 8, 2022. The Company's shareholders have the power to approve or modify the Company's consolidated financial statements.

2.2 Basis of measurement and presentation
COVID-19, an infectious disease caused by a new virus, was declared a world-wide pandemic by the WHO on March 11, 2020. The measures to slow the spread of COVID-19 have had a significant impact on the global economy.

The COVID-19 pandemic has also caused and continues to cause significant volatility in the financial markets, undermining investors' confidence in the growth of countries and businesses. Major stock markets have halted operations on several occasions as persistent market turmoil intensifies and new information becomes available. Currencies in many of the countries where we operate, including the Mexican peso, have suffered a significant depreciation against the U.S. dollar as compared to December 31, 2019, which has increased the cost of some of our raw materials, and therefore negatively affected our financial results. In addition, the long-term economic effects of the COVID-19 pandemic may include lower or negative growth rates in the markets where we operate and reduced demand for our products or a shift to lower-margin products. The COVID-19 pandemic has also increased the interest rates for short-term loans, and these market conditions, if persisting for an extended duration, could affect our costs of financing. Furthermore, the duration of the COVID-19 pandemic is uncertain, and we cannot predict whether the virus will continue spreading in the territories where we operate or when or if the pandemic will subside.

During the COVID-19 pandemic, governments have implemented several preventive measures such as social distancing and the temporary closure of certain points of sale considered as non-essential. As such measures were relaxed, most businesses were able to reopen and this allowed us to recover the accounts receivable. Given that the impact in this item was not material, the Company did not implement any relevant change to our models to estimate the receivables' provisions.

Regarding the above, the following are considerations that support our going concern basis of accounting:

- Consideration of the entity's business model and related risks.
- Whether the entity has sufficient cash and/or headroom in its credit facilities to support any downturn whilst noting that the evolving nature of the COVID-19 pandemic means that uncertainties will remain, and it may not be able to reasonably estimate the future impact.
- Actions the entity has taken to mitigate the risk that the going concern assumption is not appropriate such as activities to preserve liquidity.
- Any challenges of the underlying data and assumptions used to make the going concern assessment.

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

- Derivative financial instruments.
- Trust assets of post-employment and other long-term employee benefit plans.
- Investments in equity instruments and some financial liabilities.

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

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

2.2.1 Presentation of the consolidated income statement
The Company's consolidated income statement classifies its related costs and expenses by function according to the industry practices in which the Company operates.

2.2.2 Presentation of consolidated statements of cash flows
The Company's consolidated statement of cash flows is presented using the indirect method.

2.2.3 Convenience translation to U.S. dollars ($)
The consolidated financial statements are stated in millions of Mexican pesos ("Ps.") and rounded to the nearest million unless stated otherwise. However, solely for the convenience of the readers, the consolidated statement of financial position, as of December 31, 2021 the consolidated income statement, the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2021 were converted into U.S. dollars at the closing exchange rate of Ps. 20.5140 Mexican pesos per U.S. dollar as published by the Federal Reserve Bank of New York as of December 31, 2021. This arithmetic conversion should not be construed as a representation that amounts expressed in Mexican pesos may be converted into U.S. dollars at that or any other exchange rate.

As explained in Note 2.1 above, as of March 3, 2022, the exchange rate was Ps. 20.5272 per U.S. dollar, an appreciation of 0.3% since December 31, 2021.

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

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

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

2.3.1 Key sources of estimation uncertainty
The following are the assumptions and other sources of estimation uncertainty as of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the subsequent financial period. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes would be included in the assumptions when they occur.

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

The Company assesses at each reporting date whether there is an indication that a long-lived asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows expected to be generated from the use of the asset or CGU are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available.

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries, or other available fair value indicators.

Our forecasts assume our defensive profile and a recovery in the economic activity in the countries where we operate starting in 2021 and therefore, an improvement in sales volume. The worst effects of the pandemic were in 2020, with a recovery in the results this year, and we believe our industry will continue growing in the near term. Likewise, we will continue with the analyses of utilization levels of our assets, the recoverability of the accounts receivable, profitability of the business, etc. to identify any indications of impairment.

The key assumptions used to determine the recoverable amount for the Company's CGUs, including a sensitivity analysis, are further explained in Notes 3.20 and 13.

2.3.1.2 Useful lives of property, plant, and equipment and intangible assets with definite useful lives
Property, plant and equipment, including returnable bottles which are expected to provide benefits over more than one year, as well as intangible assets with definite useful lives are depreciated/amortized over their estimated useful lives. The Company bases its estimates on the experience of its technical personnel as well as its experience in the industry for similar assets, see Notes 3.15, 3.18, 11, and 13.

2.3.1.3 Post-employment and other non-current employee benefits
The Company regularly evaluates the reasonableness of the assumptions used in its post-employment and other long-term employee benefit computations. Information about such assumptions is described in Note 17.

2.3.1.4 Income taxes
Deferred income tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The Company recognizes deferred tax assets for unused tax losses and other credits and regularly reviews them for recoverability, based on its judgment regarding the probability of the timing and level of future taxable income, the expected timing of the reversals of existing taxable temporary differences and available tax planning strategies, see Note 25.

2.3.1.5 Tax, labor and legal contingencies and provisions

The Company is subject to various claims and contingencies related to tax, labor and legal proceedings as described in Note 26. Due to their nature, such legal proceedings involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions. Management periodically assesses the probability of loss for such contingencies and accrues a provision and/or discloses the relevant circumstances, as appropriate. If the potential loss of any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues a provision for the estimated loss. Management's judgment must be exercised to determine the likelihood of such a loss and an estimate of the amount, due to the subjective nature of the loss.

Management periodically evaluates positions taken in tax returns concerning situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

The Company operates in numerous tax jurisdictions and is subject to periodic tax audits, in the normal course of business, by local tax authorities on a range of tax matters in relation to corporate tax, transfer pricing and indirect taxes. The impact of changes in local tax regulations and ongoing inspections by local tax authorities could materially impact the amounts recorded in the financial statements. Where the amount of tax payable is uncertain, the Company establishes provisions based on management's estimates with respect to the likelihood of material tax exposures and the probable amount of the liability.

2.3.1.6 Valuation of financial instruments

The Company measures all derivative financial instruments at fair value.

The fair values of derivative financial instruments are determined considering quoted prices in recognized markets. If such instruments are not traded, fair value is determined by applying techniques based upon technical models supported by sufficient reliable and verifiable data, recognized in the financial sector. The Company bases its forward price curves upon market price quotations. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments, see Note 21.

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

2.3.1.7 Business combinations

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

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

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, *Income Taxes* and IAS 19, *Employee Benefits*, respectively;
- Liabilities or equity instruments related to share-based compensation arrangements of the acquiree or share-based compensation arrangements of the Company entered into to replace share-based compensation arrangements of the acquiree are measured in accordance with IFRS 2, *Share-based Payment* at the acquisition date, see Note 3.27;
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- Indemnifiable assets are recognized at the acquisition date on the same basis as the indemnified liability subject to any contractual limitations.

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

2.3.1.8 Equity method accounted investees

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

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the Company and the investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

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

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

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

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

a) Whether all the parties or a group of the parties, control the arrangement, considering the definition of joint control, as described in Note 3.14; and

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

2.3.1.9 Venezuela exchange rates and deconsolidation

Effective December 31, 2017, the Company deconsolidated its Coca-Cola FEMSA subsidiary's operations in Venezuela due to the political and economic environment in that country and began accounting for its investments under the fair value method. Consequently, beginning January 1, 2018, all changes in the fair value of the investment, including foreign currency translation differences are recognized for Venezuela's operations in "Other comprehensive income, net of tax."

2.3.1.10 Leases

The Company periodically evaluates the reasonableness of the assumptions used in the calculation of the right-of-use asset and lease liability. The results of these evaluations are recognized in the consolidated statement of financial position.

Information on assumptions and estimates that have a significant risk of resulting in an adjustment to the carrying value of right-of-use assets and lease liabilities, and the related statement of income accounts, include the following:

- If the Company is reasonably certain to exercise an option to extend a lease agreement or not to exercise an option to terminate a lease agreement before its termination date, considering all the facts and circumstances that create an economic incentive for the Company to exercise, or not, such options, taking into account whether the lease option is enforceable and when the Company has the unilateral right to apply the option in question.
- Determination of the non-cancellable period for evergreen contracts and lifelong leases, considering whether the Company is reasonably certain to terminate the lease and/or estimating a reasonable period for the use of the asset, based on significant leasehold improvements made on the leased properties that provide reasonable certainty to the Company about the remaining period to obtain the benefits of such improvements on leased properties.

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

2.4 Application of recently issued accounting standards

The Company has applied the following amendments to IFRS during 2021. None of the amendments had a significant impact on the company's financial statements:

2.4.1 Amendments to IFRS 16 COVID-19 Related Rent Concessions

The amendment allows an optional practical expedient that simplifies how tenants account for rental concessions, arising as a direct consequence of the COVID-19 pandemic.

The practical expedient can only be applied if:

- the new consideration is substantially equal to or lesser than the original consideration;
- the decrease in the lease payments refers to rental payments that occur before June 30, 2022; and
- no other substantive changes to the lease terms have been made.

Those lessees who apply this practical expedient must disclose:

- the fact that the practical expedient has been applied to all eligible rental concessions and, if applicable to some selected ones; the nature of the contracts to which they have applied it; and
- the amount recognized in results for the reporting period that arises from the application of the practical expedient.

This amendment does not provide a practical expedient for lessors. Lessors are required to continue evaluating whether the rental concessions are lease modifications and justify them accordingly. The company concluded this amendment did not have a material impact on 2021 consolidated financial statements.

2.4.2 Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

a) A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

b) Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.

c) Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments did not have a material impact on the consolidated financial statements of the Group since we only have a Cross-Currency Swap with an immaterial fair value amount linked to IBOR rates. The Group intends to use the practical expedients in future periods as they become applicable.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

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

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

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

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

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

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

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full-on consolidation.

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

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

3.1.1 Acquisitions of non-controlling interests
Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are measured at carrying amount and reflected in shareholders' equity as part of additional paid-in capital.

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

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

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

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

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

Sometimes obtaining control of an acquiree in which equity interest is held immediately before the acquisition date is considered as a business combination achieved in stages also referred to as a step acquisition. The Company remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss. Also, the changes in the value of equity interest in the acquiree recognized in other comprehensive income shall be recognized on the same basis as required if the Company had disposed directly of the previously held equity interest, see Note 3.14.

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

(a) The acquiree repurchases a sufficient number of its shares for the Company to obtain control.

(b) Minority veto rights lapse that previously kept the Company from controlling an acquiree in which it held the majority voting rights.

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

3.3 Foreign currencies, consolidation of foreign subsidiaries and accounting of equity method accounted investees
In preparing the financial statements of each subsidiary and accounting for equity method accounted investees, transactions in currencies other than the individual entity's functional currency (foreign currencies) are recognized at the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in the consolidated net income in the period in which they arise except for:

- The variations in the net investment in foreign subsidiaries generated by exchange rate fluctuation which are included in other comprehensive income, which is recorded in equity as part of cumulative translation adjustment within the accumulated other comprehensive income;
- Intercompany financing balances with foreign subsidiaries are classified as long-term investments when there is no plan to pay such financing in the foreseeable future. Exchange rate fluctuation regarding this financing is recorded in the exchange differences on translation of foreign operations within the accumulated other comprehensive income (loss) item, which is recorded in equity; and
- Exchange differences on transactions entered into to hedge certain foreign currency risks.

Foreign exchange differences on monetary items are recognized in profit or loss. Their classification in the income statement depends on their nature. Differences arising from fluctuations related to operating activities are presented in the "*other expenses*" line (see Note 20) while fluctuations related to non-operating activities such as financing activities are presented as part of the "foreign exchange gain (loss)" line in the income statement.

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

- For entities operating in hyperinflationary economic environments, the inflation effects of the origin country are recognized under IAS 29 Financial Reporting in Hyperinflationary Economies, and subsequently translated into Mexican pesos using the year-end exchange rate for the consolidated statements of financial position and consolidated income statement and comprehensive income; and

- For entities operating in non-hyperinflationary economic environments, assets and liabilities are translated into Mexican pesos using the year-end exchange rate, equity is translated into Mexican pesos using the historical exchange rate, and the income statement and comprehensive income are translated using the exchange rate at the date of each transaction. The Company uses the average exchange rate of each month if the exchange rate does not fluctuate significantly.

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

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

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

		Exchange Rates of Local Currencies Translated to Mexican Pesos [(1)]				
		Average Exchange Rate for			Exchange Rate as of	
Country or Zone	Functional / Recording Currency	2021	2020	2019	December 31, 2021	December 31, 2020
Guatemala	Quetzal	2.62	2.78	2.50	2.67	2.56
Costa Rica	Colon	0.03	0.04	0.03	0.03	0.03
Panama	U.S. dollar	20.28	21.49	19.26	20.58	19.95
Colombia	Colombian peso	0.01	0.01	0.01	0.01	0.01
Nicaragua	Cordoba	0.58	0.63	0.58	0.58	0.57
Argentina	Argentine peso	0.21	0.31	0.41	0.20	0.24
Brazil	Reais	3.76	4.18	4.89	3.69	3.84
Chile	Chilean peso	0.03	0.03	0.03	0.02	0.03
Euro Zone	Euro (€)	24.00	24.48	21.56	23.25	24.52
Peru	Nuevo Sol	5.22	6.15	5.77	5.15	5.51
Ecuador	U.S. dollar	20.28	21.49	19.26	20.58	19.95
United States	U.S. dollar	20.28	21.49	—	20.58	19.95
Uruguay	Uruguayan peso	0.47	0.51	0.55	0.46	0.47

[(1)] Exchange rates published by the Central Bank of each country where the Company operates.

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

The Company recognizes the effects of inflation on the financial information of its subsidiaries that operate in hyperinflationary economic environments (when cumulative inflation of the three preceding years is approaching, or exceeds, 100% or more in addition to other qualitative factors), which consists of:

- Using inflation factors to restate non-monetary assets, such as inventories, property, plant and equipment, net, intangible assets, net including related costs and expenses when such assets are consumed or depreciated;

- Applying the appropriate inflation factors to restate capital stock, additional paid-in capital, net income, retained earnings and items of other comprehensive income by the necessary amount to maintain the purchasing power equivalent in the currency of the subsidiary on the dates such capital was contributed, or income was generated up to the date the consolidated financial statements are presented; and

- Including the monetary position gain or loss in the consolidated net income.

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

As of December 31, 2021, 2020, and 2019, the operations of the Company are classified as follows:

Country	Cumulative Inflation 2019- 2021	Hyperinflationary Economy	Cumulative Inflation 2018- 2020	Hyperinflationary Economy	Cumulative Inflation 2017- 2019	Hyperinflationary Economy
Mexico	13.9%	No	11.2%	No	13.2%	No
Guatemala	11.7%	No	10.9%	No	11.8%	No
Costa Rica	5.8%	No	4.5%	No	5.8%	No
Panama	0.9%	No	(1.5)%	No	0.5%	No
Colombia	11.4%	No	8.8%	No	11.0%	No
Nicaragua	17.1%	No	13.5%	No	15.6%	No
Argentina (a)	216.1%	Yes	209.2%	Yes	179.4%	Yes
Brazil	20.0%	No	13.1%	No	11.1%	No
Euro Zone	5.8%	No	2.4%	No	3.6%	No
Chile	13.7%	No	8.8%	No	8.3%	No
Peru	10.6%	No	6.2%	No	5.2%	No
Ecuador	22.8%	No	(0.7)%	No	0.3%	No
United States	11.0%	No	3.7%	No	—	—
Uruguay	28.5%	No	28.5%	No	22.0%	No

a) Argentina

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

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

The Federacion Argentina de Consejos Profesionales de Ciencias Económicas ("FACPCE") approved on September 29, 2018 and published on October 5, 2018, a resolution which defines, among other things, that the index price to determine the restatement coefficient is based on a series that applies the NCPI from January 2017 with the IPIM until this date, and computing November and December 2015 using the CPI – of Ciudad del Gran Buenos Aires ("CGBA") variation.

3.5 Cash and cash equivalents and restricted cash

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

The Company also maintains restricted cash which is pledged as collateral to meet certain contractual obligations. Restricted cash is presented within other current financial assets given that, by their nature, the restrictions are short-term.

3.6 Investments

The investments include debt securities and bank deposits with a maturity of more than three months as of the acquisition date.

Management determines the appropriate classification of investments at the time of purchase and evaluates that classification at the date of each statement of financial position, see Notes 6 and 14.

3.7 Financial assets

Financial assets are classified within the following business models depending on management's objective: (i) "held to maturity to recover cash flows," (ii) "held to maturity and to sell financial assets" and (iii) "others or held for trading," including derivatives assigned in hedging instruments with efficient hedge, as appropriate. The classification depends on the nature and purpose of holding the financial assets and is determined at the time of initial recognition.

The Company performs a portfolio–level assessment of the business model in which a financial asset is managed to accomplish with the Company's risk management purposes. The information that is considered within the evaluation includes:

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

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

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

The fair value of an asset is measured using assumptions that would be used by market participants when valuing the asset, assuming that the transaction is orderly and takes place in the principal or the most advantageous market for the asset.

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

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

3.7.1 Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets the following two conditions and is not designated as fair value through profit and loss (“FVTPL”):

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

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

3.7.2 Effective interest rate method (“ERR”)

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

3.7.3 Financial assets at fair value with changes in other comprehensive income (“FVOCI”)

A financial asset is measured at FVOCI if it meets the following two conditions and is not designated as FVTPL:

- It’s managed within a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets; and
- The contractual terms are solely principal and interest payments.

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

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

3.7.4 Financial assets at fair value through profit or loss (FVTPL)

Financial assets designated as FVTPL include financial assets held for trading and financial assets designated at initial recognition as FVTPL. Financial assets are classified as held for trading if they are acquired to sell in the short-term. Derivatives, including embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined in IFRS 9. Financial assets designated as FVTPL are recorded in the balance sheet with changes in fair value presented as financial expense (net negative changes in fair value) or financial income (net positive changes in fair value) in profit or loss, including any dividend income.

3.7.5 Evaluation that contractual cash flows are solely principal and interest payments (“SPPI”)

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

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

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

3.7.6 Impairment of financial assets

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

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

Impairment losses on accounts receivable, contractual assets and leasing receivables are measured at the amount that equals the lifetime ECL, whether or not it has a significant financing component. The Company applies the criteria to all accounts receivable, contractual assets and leasing credits, together or separately.

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

- Debt instruments classified as low credit risk; and
- Other debt instruments in which the credit risk (irrecoverability risk over the financial instrument expected life) has not increased significantly since the initial recognition.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and estimating the ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. It includes qualitative and quantitative analysis based on Company's experience and credit assessment.

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

The Company evaluates if there was evidence of impairment on a regular basis or when impairment indicator exists. Some observable data that financial assets were impaired includes:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contracts, such as default or past due event;
- Granting concessions due to the borrower's financial difficulties which the Company would not consider in other circumstances;
- Indicators that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for a financial instrument because of financial difficulties; or
- Information indicating that there was a measurable decrease in the expected cash flows of a group of financial assets.

For an equity instrument, evidence of impairment includes a significant decrease in its fair value even lower than its carrying value.

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

3.7.7 Derecognition

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

- The rights to receive cash flows from the financial asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.7.8 Offsetting of financial instruments

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

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

3.8 Other financial assets

Other financial assets include long-term accounts receivable, derivative financial instruments and recoverable contingencies acquired from business combinations. Long-term accounts receivable with a stated term are measured at amortized cost using the effective interest method, less any impairment.

3.9 Derivative financial instruments

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

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

3.9.1 Hedge accounting

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

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

3.9.2 Cash flow hedges

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

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

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

3.9.2.1 Fair value hedges

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

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

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

3.9.2.2 Hedge of net investment in a foreign business

The Company designates debt securities as a hedge of certain net investment in foreign subsidiaries and applies hedge accounting to foreign currency differences arising between the functional currency of its investments abroad and the functional currency of the holding company (Mexican peso), regardless of whether the net investment is held directly or through a sub-holding company.

Differences in foreign currency that arise in the conversion of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income in the exchange differences in the translation of foreign operations and associates caption, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognized as market value gain or loss on financial instruments within the consolidated income statements. When part of the hedge of net investment is disposed, the corresponding accumulated foreign currency translation effect is recognized as part of the gain or loss on a disposal within the consolidated income statement.

3.10 Fair value measurement

The Company measures financial instruments, such as derivatives, and certain non-financial assets, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in Notes 14 and 19.

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

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

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

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

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

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

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

The Company determines the policies and procedures for both recurring fair value measurements, such as those described in Note 21 and unquoted liabilities such as debt described in Note 19.

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

3.11 Inventories and cost of goods sold

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

Inventories represent the acquisition or production cost that is incurred when purchasing or producing a product and are based on the weighted average cost formula. The operating segments of the Company use inventory costing methodologies to value their inventories, such as the weighted average cost method in Coca-Cola FEMSA, retail method (a method to estimate the average cost) in FEMSA Comercio – Proximity, FEMSA Comercio – Health Division; and acquisition method in FEMSA Comercio – Fuel Division, except for the distribution centers which are valued with the average cost method.

Cost of goods sold includes expenses related to the purchase of raw materials used in the production process, as well as labor costs (wages and other benefits), depreciation of production facilities, equipment and other costs, including fuel, electricity, equipment maintenance and inspection; expenses related to the purchase of goods and services used in the sale process of the Company's products and expenses related to the purchase of gasoline, diesel and all engine lubricants used in the sale process of the Company.

Management is required to make judgments regarding write-downs to determine the net realizable value of the inventory. These write-downs consider factors such as age and condition of goods as recent market data to assess the estimated future demand for goods. To date the COVID-19 pandemic has not had a material impact on the Company´s assessment of the net realizable value of the inventory, with inventory turns remaining similar since the commencement of the pandemic.

3.12 Loans and receivables

The instruments under this category include loans, trade receivables, and other accounts receivables measured at amortized cost which represents future cash flows discounted at the effective interest rate on the transaction date.

In addition, an expected credit loss model is applied to this category, which is reported net of this impairment allowance in the financial statements. The allowance amount is not significant because the trade accounts receivable are usually recovered in the short-term.

Interest income is recognized by applying the effective interest rate except for current receivables. However, for the years ended December 31, 2021, 2020 and 2019 there was no interest income on loans and receivables.

3.13 Other current assets

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

Prepaid assets principally consist of advances to suppliers of raw materials, advertising, promotional, leasing and insurance costs, and are recognized as other current assets at the time of the cash disbursement. Prepaid assets are recorded in to the appropriate caption in the income statement when inherent benefits and risks have already been transferred to the Company or services have been received.

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

Coca-Cola FEMSA has agreements with customers for the right to sell and promote Coca-Cola FEMSA's products over a certain period. The majority of these agreements have terms of more than one year, and the related costs are amortized using the straight-line method over the term of the contract, with amortization presented as a reduction of net sales. During the years ended December 31, 2021, 2020 and 2019, such amortization aggregated to Ps. 219, Ps. 213 and Ps. 273, respectively.

3.14 Equity method accounted investees

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

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

The consolidated financial statements include the Company's share of the consolidated net income and other comprehensive income, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

Profits and losses resulting from 'upstream' and 'downstream' transactions between the Company (including its consolidated subsidiaries) and an associate are recognized in the consolidated financial statements only to the extent of unrelated investors' interests in the associate. 'Upstream' transactions are, for example, sales of assets from an associate to the Company. 'Downstream' transactions are, for example, sales of assets from the Company to an associate. The Company's share in the associate's profits and losses resulting from these transactions is eliminated.

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

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

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

If an investment interest is reduced but continues to be classified as an associate, the Company reclassifies to profits or losses the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to the reduction in ownership interest if the gain or loss would be required to be reclassified to consolidated net income on the disposal of the related investment.

The Company reclassifies in each case proportionate to the interest disposed of the following amounts recognized in other comprehensive income: i) foreign exchange differences, ii) accumulated hedging gains and losses, iii) any other amount previously recognized that would have been recognized in net income if the associate had directly disposed of the asset to which it relates.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value.

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Company recognizes its interest in the joint ventures as an investment and accounts for that investment using the equity method. As of December 31, 2021 and 2020 the Company does not have an interest in joint operations.

If an investment interest is reduced but continues to be classified as joint arrangement, the Company reclassifies to profits or losses the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to the reduction in ownership interest if the gain or loss would be required to be reclassified to consolidated net income on the partial disposal of the related investment.

The Company reclassifies the proportion to the interest disposed of in joint ventures investment interest reduction. During the years ended December 31, 2021, 2020, and 2019 the Company did not have significant disposal or partial disposal in joint arrangements.

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

3.15 Property, plant and equipment

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

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

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

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

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

	Years
Buildings	25-50
Machinery and equipment	7-15
Distribution equipment	4-10
Refrigeration equipment	5-7
Returnable bottles	1.5-3
Leasehold improvements	The shorter of the lease term or 15 years
Information technology equipment	3-5
Other equipment	3-10

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

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

Returnable and non-returnable bottles:

Coca-Cola FEMSA has two types of bottles: returnable and non-returnable.

- Non-returnable bottles are recorded in the consolidated income statement at the time of the sale of the product.

- Returnable bottles are classified as long-lived assets as a component of property, plant and equipment. Returnable bottles are recorded at acquisition cost and for countries with hyperinflationary economies, restated according to IAS 29, Depreciation of returnable bottles is computed using the straight-line method over their estimated useful lives of the bottles.

There are two types of returnable bottles:

- Those that are in Coca-Cola FEMSA's control within its facilities, plants and distribution centers; and

- Those that have been placed in the hands of customers, and still belong to Coca-Cola FEMSA.

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

Coca-Cola FEMSA's returnable bottles are depreciated according to their estimated useful lives (three years for glass bottles and 1.5 years for PET bottles). Deposits received from customers are amortized over the same estimated useful lives of the bottles.

3.16 Leases

Under IFRS 16, the Company assesses at its inception whether a contract is, or contains, a lease when the contract conveys the right to control the use of an identified asset for a period in exchange for a consideration. The Company assesses whether a contract is a lease arrangement, when:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the lessor has substantive substitution rights, then the asset is not identified;

- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout use; and

- The Company has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. When the use of the asset is predetermined, the Company has the right to direct the use of the asset if either: i) it has the right to operate the asset; or ii) it designed the asset in a way that predetermines how and for what purpose it will be used.

The Company enters into leases mainly for land and buildings for its retail stores and other buildings for its offices. In general, lease agreements for retail stores last 15 years, and office space agreements last between three and five years.

As a lessee

Initial recognition

At the lease commencement date, the Company recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right-of-use asset considers any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments to be made over the lease term. The future lease payments are discounted using the Company's incremental borrowing rate, which is considered as the rate that the Company would negotiate when financing for a similar period, and with a similar guarantee, to obtain an asset of a similar value to the leased asset. For the Company, the discount rate used to measure the right of use asset and its lease liability is the rate related to the cost of financing for the Company from the consolidated perspective ("Ultimate Parent Company").

Lease payments included in the measurement of the lease liability, comprise the following:

- Fixed payments, including in-substance fixed payments, less any incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- The exercise price under a purchase option that the Company is reasonably certain to exercise, an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early; and
- Amounts expected to be payable to the lessor under residual value guarantees.

The Company does not recognize a right-of-use asset and a lease liability for short-term leases that have a lease term of 12 months or less and leases of low-value assets, mainly technological equipment used by the employees, such as computers, handheld devices, and printers. The Company recognizes the lease payments associated with these leases as an expense in the consolidated statement of income as they are incurred.

Subsequent measurement

The right-of-use asset is depreciated using the straight-line method from the commencement date to the shorter of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically adjusted for impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortized cost using the effective interest rate method. The Company remeasures the lease liability when there is a modification in the lease term or amounts of expected payments under a residual value guarantee and when it is arising from a change in an index or rate, without modifying the incremental borrowing rate (unless it results from a change in a floating rate). The lease liability is remeasured using a new incremental borrowing rate at the date of the modification when:

- An extension or termination option is exercised modifying the non-cancellable period of the contract; or
- The Company changes its assessment of whether it will exercise a purchase option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying value amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

A modification to the lease agreement is accounted for as a separate lease if both of the following conditions are met: i) the modification increases the scope of the lease by adding the right-to-use one or more underlying assets, and ii) the consideration for the lease increases by an amount proportional to the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

In the consolidated statement of income, the interest expense from the lease liability is recognized as a component of finance costs, unless it is directly attributable to qualifying assets, in which case it is capitalized in accordance with the Company's accounting policy on borrowing costs. Depreciation of the right-of-use asset is recognized in the consolidated statement of income.

Leasehold improvements on lease agreements are recognized as a part of property, plant and equipment in the consolidated financial statements and are amortized using the straight-line method over the shorter of either the useful life of the assets or the related lease term.

The Company has recognized a significant amount of right-of-use assets and a corresponding lease liability, see Note 12.

As a lessor

If the Company acts as a lessor, it determines at lease inception if each arrangement is either a finance lease or an operating lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases. The Company considers certain relevant indicators, amongst others, to determine if substantially all the risks and rewards are transferred, such as:

- Whether the lease is for the major part of the economic life of the asset, or
- Whether the present value of the minimum future lease payments amounts to substantially all of the fair value of the underlying asset.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of the consolidated statement of income, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The Company also recognizes costs, including depreciation of the leased assets, incurred in earning the lease revenue.

The Company initially recognizes an amount equal to the net investment of the lease, that is, the present value of future lease payments plus any guarantee of residual value that is granted; and it is classified between the current portion of the receivables with maturity less than or equal to a term of 12 months and the non-current receivables, that is, with maturity greater than 12 months; including:

(i) fixed payments, including those that are in substance fixed payments, which may involve variability, but that are unavoidable, less any lease incentive to be received;

(ii) payments for variable rent that depend on an index or a rate at the start date of the lease contract;

(iii) amounts payable by the lessee under residual value guarantees (if applicable);

(iv) the price related to a purchase option if the lessee is reasonably certain to exercise the option (if applicable); and

(v) payments for penalties derived from the termination of the lease, if the term of the lease reflects that the lessee will exercise an option to terminate the lease.

All intra-group right-of-use assets and lease liabilities, interest expenses, depreciation and cash flows relating to transactions between subsidiaries of the Company are eliminated on consolidation.

3.17 Borrowing costs

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

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

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

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

3.18 Intangible assets

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

Intangible assets with finite useful lives are amortized and mainly consist of:

- Customer relationships intangible assets acquired in a business combination, recognized on acquisition and recorded at fair value. After initial recognition, customer relationships intangible assets are stated at cost less accumulated amortization and any impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful economic lives which range from 10 to 25 years.
- Information technology and management system costs incurred during the development stage which are currently in use. Such amounts are capitalized and then amortized using the straight-line method over their expected useful lives, with a range in useful lives from 3 to 10 years. Expenditures that do not fulfill the requirements for capitalization are expensed as incurred.
- Long-term alcohol licenses are amortized using the straight-line method over their estimated useful lives, which range from 12 years, and are presented as part of intangible assets with finite useful lives.

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

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

The Company's intangible assets with an indefinite life mainly consist of rights to produce and distribute Coca-Cola trademark products in the Company's territories. These rights are contained in agreements that are standard contracts that The Coca-Cola Company has with its bottlers. Additionally, the Company's intangible assets with an indefinite life also consist of FEMSA Comercio – Health Division's trademark rights which consist of standalone beauty store retail banners, pharmaceutical distribution to third-party clients and the production of generic and bioequivalent pharmaceuticals. Finally, the Company's intangible assets with an indefinite life consist of trademark rights related to Other Business which consists of specialized distribution platform for cleaning products and consumables.

As of December 31, 2021, and in regards to a joint restructure with TCCC for the bottling agreements, Coca-Cola FEMSA had four bottler agreements in Mexico: (i) the agreements for the Valley of Mexico territory, which are up for renewal in June 2023, (ii) the agreement for the Southeast territory, which is up for renewal in June 2023, (iii) one agreement for the Bajio territory, which is up for renewal in May 2025 and (iv) the agreement for the Golfo territory, which is up for renewal in May 2025.

As of December 31, 2021, and in regards to a joint restructure with TCCC for the bottling agreements, Coca-Cola FEMSA had two bottler agreements in Brazil which are up for renewal in October 2027; and three bottler agreements in Guatemala, which are up for renewal in March 2025 and April 2028 under two contracts rather than the original three contracts.

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

As of December 31, 2021, Coca-Cola FEMSA's Venezuela investee (see Note 2.3.1.9) had one bottler agreement, which is up for renewal in August 2026.

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

3.19 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuous operational use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. In addition, the sale is considered highly probable if the following conditions are met:

- The appropriate level of management must be committed to a plan to sell the asset (or disposal group);
- An active program to locate a buyer and complete the plan must have been initiated;
- The asset (disposal group) must be actively marketed for sale at a price that is reasonable about its current fair value; and
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

Discontinued operations are results of operations and cash flows that can be distinguished, operationally and for financial reporting purposes, from the rest of the company's operations and cash flows, that either has been disposed of, or is classified as held for sale, and:

- Represents either a separate major line of business or geographical area of operations;
- Are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively to resell.

Discontinued operations are excluded from the continuing operations and are also presented as a single line item as earnings (loss) after income taxes of discontinued operations in the income statement. For the year ended on December 31, 2021, 2020 and 2019 the Company did not have discontinued operations.

3.20 Impairment of long-lived assets

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

For impairment testing goodwill acquired in a business combination, from the acquisition date, is allocated to each of the group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

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

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

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

For the years ended December 31, 2021, 2020 and 2019, the Company recognized impairment losses of Ps. 1,427, Ps. 5,451 and Ps. 1,018, respectively (see Note 20).

3.21 Financial liabilities and equity instruments

3.21.1 Classification as debt or equity

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

3.21.2 Equity instruments

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

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

3.21.3 Financial liabilities

Initial recognition and measurement

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

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

The Company's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments, see Note 3.9.

Subsequent measurement

The subsequent measurement of the Company's financial liabilities depends on their classification as described below.

3.21.4 Loans and borrowings

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest method. The effective interest method amortization is included in interest expense in the consolidated income statements, see Note 19.

3.21.5 Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated income statements.

3.22 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, the Company will probably be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

The Company recognizes a provision for a loss contingency when it is probable (i.e. the probability that the event will occur is greater than the probability that it will not) that certain effects related to past events, would materialize and can be reasonably quantified. These events and their financial impact are also disclosed as loss contingencies in the consolidated financial statements when the risk of loss is deemed to be other than remote. The Company does not recognize an asset for a gain contingency until the gain is realized, see Note 26.

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

3.23 Post-employment and other long-term employee benefits

Post-employment and other long-term employee benefits, which are considered to be monetary items, include obligations for pension and retirement plans, seniority premiums and postretirement medical services.

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

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

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

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

a) When it can no longer withdraw the offer of those benefits; or
b) When it recognizes costs for a restructuring that is within the scope of IAS 37 *"Provisions, Contingent Liabilities and Contingent Assets,"* and involves the payment of termination benefits.

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

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

3.24 Revenue recognition

The Company recognizes revenue when the control of performance obligations included in the contract is transferred to the customer. Control refers to the ability that the customer has to direct the use and also to obtain substantially all the benefits of the goods or services exchanged.

Management defined the following as indicators to analyze the timing and circumstances as well as the amount by which the revenues would be recognized:

- Identify the contract(s) with a customer (written, oral or any other according to business practices);
- Evaluating the goods and services promised in the customer contract and identifying how each performance obligation in the contract will be transferred to the customer;
- Considering the contractual terms jointly with business practices to determine the transaction price. The transaction price is the amount of the consideration the Company expects to receive in exchange for transferring the promised goods and services to the customer, excluding tax on sales. The expected consideration in a contract may include fixed amounts, variable amounts or both;
- Allocate the transaction price to each performance obligations in the contract (to each good and service that is different) for an amount that represents the consideration to which the entity expects to receive in exchange for the goods and services arranged with the customer; and
- Recognise revenue when (or as) the entity satisfies a performance obligation in exchange for promised goods and services.

All of the above conditions are typically met at the point in time that goods are delivered to the customer at the customers' facilities. Net sales reflect units delivered at list prices reduced by promotional allowances and discounts.

The benefits granted from suppliers to the Company as discounts and incentives are recognized as benefits in the cost of goods sold because the Company does not have a separate performance obligation.

The Company generates revenues for the following activities:

Sale of goods

Includes the sales of goods by all the subsidiaries of the Company, mainly the sale of beverages of the leading brand of Coca-Cola and the sale or consumption of goods in the small-format stores of the FEMSA Comercio – Proximity, FEMSA Comercio – Health and FEMSA Comercio – Fuel Divisions; in which the revenue is recognized at the point of time those products were sold to the customers. See Note 28.

Rendering of services
Includes the revenues of distribution services, maintenance services and packing of raw materials that the Company recognizes as revenues as the related performance obligation is satisfied. The Company recognizes revenues for the rendering of services during the period in which the performance obligation is satisfied when the following conditions are met:

- The customer receives and consumes simultaneously the benefits, as the Company satisfies the obligation;
- The customer controls the related assets, even if the Company improve them;
- The revenues can be measured reliably; and
- It is probable that economic benefits will flow to the Company.

Financial products
Includes interest income generated on accounts receivables recorded when the following conditions are met:

- The revenues can be measured reliably; and
- It is probable that economic benefits will flow to the Company.

In addition, the Company evaluates the revenue recognition based on the classification previously defined for the financial asset that generates the related financial product, according to the business models establishes for the financial instruments classified by the Company.

The main financial instruments of the Company that could generate a financial product are trade accounts receivables classified as financial assets held to maturity which are measured at amortized cost through the effective interest rate method, applying EIR, which is the rate that exactly discounts the collections of cash flows to the expected life of the related financial asset.

Rewards programs
The Company recognizes a provision for the obligation to award additional benefits to its customers. Management considers for those effects, the expectation that some percentage of its customers would not redeem their rewards points in the future based on previous experience.

Variable considerations granted to customers
The Company adjusts the transaction price based on its estimated amount of rebates and promotional allowances, among others. Those estimations include commercial commitments with customers and historical performance. The variable considerations are assigned to each related performance obligation.

Sales discounts are considered variable consideration and are reflected in the client's invoice; therefore discounts are recorded at the time of sale, that is, sales are recorded net of discounts.

In the Modern Channel, retail products are sold at a discount for volume, based on the total sales during the period, which is usually under 12 months, given the dynamics of displacement of the product in the market. Revenues on these sales is recognized based on the price established in the agreement, net of discounts for estimated volume. Accumulated experience is used to estimate and foresee discounts, using the expected value method. No element of financing is considered present, due to the fact that sales are, for the most part, made in cash for the Traditional Channel or with a credit term for the Modern Channel.

Contracts costs
The incremental costs to obtain a contract with a customer are recognized as an asset (capitalized) if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Company recognizes those costs as an expense in the income statement when the revenue associated with those costs is recognized for a period equal to or less than a year. Any other costs that are related to the fulfillment of a contract with a customer and not within the scope of another IFRS standard (e.g. IAS 2 inventories), is recorded as an asset if they meet the following criteria:

- The costs relate directly to a contractor or with a contract that the Company expects to identify specifically;
- The costs generate or improve the resources of the Company that will be applied to satisfy, or continue satisfying performance obligations in the future; and
- The costs are expected to be recovered.

The asset recognized is amortized progressively in the same manner as the goods and services are transferred to the customer. Accordingly, the asset is recognized in the income statement through its amortization in the same period in which the related revenue is recognized. For the years ended December 31, 2021, 2020 and 2019, contract costs were not significant.

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

Selling expenses include:
- Distribution: labor costs, outbound freight costs, warehousing costs of finished products, write-off of returnable bottles in the distribution process, depreciation and maintenance of trucks and other distribution facilities and equipment. For the years ended December 31, 2021, 2020 and 2019, these distribution costs amounted to Ps. 26,023, Ps. 24,190 and Ps. 25,068, respectively;
- Sales: labor costs and sales commissions paid to sales personnel; and
- Marketing: promotional expenses and advertising costs.

As consequence of the labor law reform there is an increase in the employee profit sharing to be paid to employees on a yearly basis. The increase is the result of transferring employees as obligated by the labor law from service companies to operating companies, where the profit margins are higher and therefore more profit sharing is to be paid. In addition, there is a cap on the payment of profit sharing of up to three months of salary per employee.

3.26 Income taxes

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

3.26.1 Current income taxes

Income taxes are recognized in the results of the period of the year in which they are incurred, however, in the case of inflationary effects, penalties and surcharges derived from income taxes from previous years, they are recognized within the line of other expenses and other products in accordance with IAS 37 before the income taxes line item in the consolidated income statement of the Company since Management considers that the aforementioned restatements, penalties and surcharges are not an integral part of the income taxes of the year (see Note 25.2).

3.26.2 Deferred income taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, including tax loss carryforwards and certain tax credits, to the extent that it is probable that future taxable profits and, reversal of existing taxable temporary differences and future tax planning strategies will create taxable profits that will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from initial recognition of goodwill (no recognition of deferred tax liabilities) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In the case of Brazil, where certain goodwill amounts are at times deductible for tax purposes, the Company recognizes in connection with the acquisition accounting a deferred tax asset for the tax effect of the excess of the tax basis over the related carrying value.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

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

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

In Mexico, the income tax rate was 30%, for 2021, 2020 and 2019, and it is expected to remain at 30% for the following years.

3.27 Share-based payments arrangements

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

Equity-settled share-based payments to these employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed and recognized based on the graded vesting method over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the consolidated income statements such that the cumulative expense reflects the revised estimate.

3.28 Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its shares. Basic EPS is calculated by dividing the net income attributable to controlling interest by the weighted average number of shares outstanding during the period adjusted for the weighted average of own shares purchased in the year. Diluted EPS is determined by adjusting the weighted average number of shares outstanding including the weighted average of own shares purchased in the year for the effects of all potentially dilutive securities, which comprise share rights granted to employees described above.

3.29 Issuance of subsidiary common shares

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

NOTE 4. MERGERS, ACQUISITIONS AND DISPOSALS

4.1 Mergers and acquisitions

The Company has consummated certain mergers and acquisitions during 2021, 2020 and 2019, which were recorded using the acquisition method of accounting. The results of the acquired operations have been included in the consolidated financial statements since the date on which the Company obtained control of the business, as disclosed below. Therefore, the consolidated income statements and the consolidated statements of financial position in the year of such acquisitions are not comparable with previous periods. The consolidated statements of cash flows for the years ended December 31, 2021, 2020 and 2019 show the cash outflow and inflow for the merged and acquired operations net of the cash acquired related to those mergers and acquisitions.

During 2020, the Company completed the acquisition through the controlling interest in NW Synergy Holdings LLC (now Envoy Solutions LLC, or Envoy) of 89.5%, which amounted to Ps. 20,233 fully paid in cash. This acquisition was primarily related to the following: on May 15, 2020, the Company completed the acquisitions of WAXIE and North American, a new platform within the Jan-San, packaging and specialized distribution industry in the United States, operating a network of 26 distribution centers across the country and serving more than 27,000 customers in various industries such as building service contractors, education, government, retail and hospitality, which is included in the Company's results since May 2020. As a result of the purchase price allocation, which was finalized in 2021, no additional fair value adjustments were recognized.

The final allocation on the aggregated purchase prices to the fair value of the net assets acquired is as follows:

		2020
Total current assets (including cash acquired of Ps. 138)	Ps.	2,162
Customer relationships and trademark		10,698
Other non-current assets		1,954
Total assets		14,814
Total liabilities		(3,523)
Net assets acquired		11,291
Goodwill		10,241
Non-controlling interest [1]		(1,299)
Total consideration transferred in cash		20,233
Cash acquired		138
Net cash paid	Ps.	20,095

[1] Non-controlling interests were measured using the net asset value method.

The Company expects to recover the amounts recorded as goodwill through its strategy of creating a national distribution platform in the US, building on FEMSA's capabilities by leveraging its expertise in the organization and management of supply chains and distribution systems in adjacent businesses. Additionally, this goodwill is deductible for US tax purposes in a period of 15 years.

The income statement information of this acquisition for the period from the acquisition date through to December 31, 2020 is as follows:

Income Statement		2020
Total revenues	Ps.	11,275
Income before income taxes		525
Net income	Ps.	498

4.1.1 Other acquisitions

During 2021, the Company (through Envoy Solutions, LLC) completed the acquisition of 100% of Daycon Products, Co. ("Daycon"), Penn Jersey Paper, Co. ("PJP"), Next-Gen Supply Group, Inc. ("Next-Gen"), Johnston Paper Company, Inc. ("Johnston Paper"), and other smaller acquisitions which amounted to Ps. 9,949 fully paid in cash, increasing its specialized distribution footprint in the United States.

Due to the timing of the acquisition in the fourth quarter of 2021, the purchase price allocation is preliminary with respect to the valuation of acquired assets, liabilities assumed (including income taxes), intangible assets, and goodwill. The Company continues to obtain the information to complete the purchase price allocation and will record adjustments, if any, during the 12 month measurement period.

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

		2021
Total current assets (including cash acquired of Ps. 337)	Ps.	2,930
Total non-current assets		1,313
Total assets		4,243
Total liabilities		2,234
Net assets acquired		2,009
Goodwill and intangible assets pending of allocation [1]		7,940
Total consideration transferred		9,949
Cash acquired		337
Net cash paid	Ps.	9,612

[1] Goodwill and intangible assets pending allocation would include customer relationships and trademarks which are expected to be approximately 48% of goodwill and intangible assets pending of allocation. The company estimate that the amortization expense of customer relationships during 2021 is not significant.

The Company expects to recover the amounts to be allocated as goodwill through its strategy of creating a national distribution platform in the US, building on FEMSA's capabilities by leveraging its expertise in the organization and management of supply chains and distribution systems in adjacent businesses.

The income statement information of these acquisitions for the period from the acquisition date through to December 31, 2021 is as follows:

Income Statement		2021
Total revenues	Ps.	2,187
Income before income taxes		46
Net income	Ps.	46

On December 31, 2020, the Company completed the acquisition of 100% of Southeastern Paper Group, Inc. ("SEPG"), which amounted to Ps. 2,984 fully paid in cash, increasing its specialized distribution footprint in the United States. As a result of the purchase price allocation, which was finalized in 2021, fair value adjustments have been recognized as follows: increase in customer relationships of Ps. 798, trademarks of Ps. 60, non-current assets amounted to Ps. 92, and decrease in goodwill of Ps. 944.

In 2020, the Company finalized the allocation of the purchase price to the fair values of the identifiable assets acquired and liabilities assumed for acquisitions completed during the prior year, with no significant variations to the preliminary allocation to the fair value of the net assets acquired, which were included in its audited annual consolidated financial statements as at and for the year ended December 31, 2019, primarily related to the following: (1) the acquisition of 100% of the Ecuadorian company Corporación Grupo FYBECA S.A. ("GPF") which is included in the Company's results since May, 2019; and (2) the acquisition of 100% of Brazilian company AGV Group ("AGV") which is included in the Company's results as of January, 2020.

The final allocation of the purchase prices to the fair value of the net assets acquired is as follows:

		2019
Total current assets (including cash acquired of Ps. 389)	Ps.	4,058
Total non-current assets		6,761
Total assets		10,819
Total liabilities		(8,178)
Net assets acquired		2,641
Goodwill [1]		5,219
Non-controlling interest [2]		(53)
Total consideration transferred		7,807
Amount to be paid		147
Cash acquired		389
Net cash paid		7,271

[1] As a result of the purchase price allocation which was finalized in 2020, additional fair value adjustments from those recognized in 2019 have been recognized as follows: an increase in total net assets of Ps. 1,460 (from which Ps. 908 are customer relationships and Ps. 389 trademark rights), a decrease in goodwill of Ps. 1,323 and an additional consideration transferred during 2020 of Ps. 137.

[2] Non-controlling interests were measured using the net asset value method.

During 2019, FEMSA Comercio has been allocated goodwill in the acquisitions in FEMSA Comercio-Health Division in Ecuador and Colombia. FEMSA Comercio expects to recover the amount recorded through synergies related to the adoption of the Company's economic current value proposition, the ability to apply the successful operational processes and expansion planning designed for each unit.

The income statement information of these acquisitions for the period from the acquisition date through to December 31, 2019 is as follows:

Income Statement		2019
Total revenues	Ps.	8,594
Income before income taxes		37
Net loss	Ps.	1

Unaudited Pro Forma Financial Data

The following unaudited consolidated pro forma financial data represent the Company's historical financial information, adjusted to give effect to (i) the acquisitions of Daycon, PJP, Next-Gen and Johnston Paper as if these acquisitions have occurred on January 1, 2021; and (ii) certain accounting adjustments mainly related to the pro forma depreciation of fixed assets of the acquired company.

Unaudited consolidated pro forma financial data for the acquisitions is as follows:

		For the year ended December 31, 2021
Total revenues	Ps.	565,838
Income before income taxes and share of the profit of equity method accounted investees		41,313
Net income		37,800
Basic net controlling interest income per share Series "B"	Ps.	1.43
Basic net controlling interest income per share Series "D"		1.78

The following unaudited consolidated pro forma financial data represent the Company's historical financial information, adjusted to give effect to (i) the acquisitions of Waxie and North American as if these acquisitions have occurred on January 1, 2020; and (ii) certain accounting adjustments mainly related to the pro forma depreciation of fixed assets of the acquired company.

Unaudited consolidated pro forma financial data for the acquisitions is as follows:

		For the year ended December 31, 2020
Total revenues	Ps.	508,367
Income before income taxes and share of the profit of equity method accounted investees		20,019
Net income		4,464
Basic net controlling interest income per share Series "B"	Ps.	(0.06)
Basic net controlling interest income per share Series "D"		(0.08)

The following unaudited consolidated pro forma financial data represent the Company's historical financial statements, adjusted to give effect to (i) the acquisitions of GPF and AGV as if these acquisitions has occurred on January 1, 2019; and (ii) certain accounting adjustments mainly related to the pro forma depreciation of fixed assets of the acquired company.

Unaudited consolidated pro forma financial data for the acquisitions is as follows:

		For the year ended December 31, 2019
Total revenues	Ps.	516,496
Income before income taxes and share of the profit of equity method accounted investees		33,823
Net income		29,516
Basic net controlling interest income per share Series "B"	Ps.	1.11
Basic net controlling interest income per share Series "D"		1.38

4.2. Disposals

4.2.1 Specialty's

Specialty's was a Café & Bakery business based in California, Washington and Illinois. The COVID-19 pandemic started to expand across the United States in the last weeks of March 2020, which triggered an economic crisis. In this context of this uncertainty and adverse environment, the Company had financial and economic setbacks with significant impacts in sales, as well as its profitability due to the government's contingency plans for the disease which included mobility restrictions. Therefore, on May 15, 2020, the Company announced its decision to close Specialty's operations. Such a decision was approved by the Company's board on the date previously specified. Consequently, on May 26, 2020, the Company's board approved the filing for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code, which was filed on May 27, 2020. As a result of filing under Chapter 7, the Company lost control over this subsidiary and consequently it was deconsolidated. The case is being handled in the California Northern Bankruptcy Court.

The effects in FEMSA's consolidated income statement in other income and expenses due to Specialty's closing are the following:

		2020
Impairment of long-lived assets	Ps.	2,021

NOTE 5. CASH AND CASH EQUIVALENTS

Includes cash on hand and in bank deposits and cash equivalents, which are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, with a maturity date of three months or less at their acquisition date. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statements of financial position and cash flows are comprised of the following:

		December 31, 2021		December 31, 2020
Cash and bank balances	Ps.	32,145	Ps.	43,990
Cash equivalents (see Note 3.5)		65,262		63,634
	Ps.	97,407	Ps.	107,624

NOTE 6. INVESTMENTS

As of December 31, 2021 and 2020, current investments with a maturity greater than three months but less than twelve months are carried at amortized cost, and their carrying value is similar to their fair value. The following is a detail of such investments:

Fixed rate **Corporate debt securities**		2021		2020
Acquisition cost	Ps.	24,396	Ps.	658
Accrued interest		19		4
Total investments	Ps.	24,415	Ps.	662

NOTE 7. TRADE ACCOUNTS RECEIVABLE, NET

		December 31, 2021		December 31, 2020
Trade accounts receivable	Ps.	30,564	Ps.	26,309
The Coca-Cola Company (see Note 15)		820		509
Loans to employees		118		118
Heineken Group (see Note 15)		1,191		1,167
Others		3,156		2,608
Allowance for expected credit losses		(1,951)		(2,462)
	Ps.	33,898	Ps.	28,249

7.1 Trade receivables

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

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

Because less than 5% of the trade accounts receivables are unrecoverable, the Company does not have customers classified as "high risk," which would be eligible to have special management conditions for the credit risk. As of December 31, 2021, the main customers of the Company represent, in aggregate form, the expected loss of 12%.

In 2020 and 2021, during the COVID-19 pandemic, governments implemented several preventive measures such as social distancing and the temporary closure of certain points of sale considered as non-essential. As such measures were relaxed, most businesses were able to reopen and this allowed us to recover the accounts receivable. Given that the impact in this item was not material, the Company did not implement any relevant change to our models to estimate the receivables' provisions.

The allowance is calculated under an expected loss model that recognizes the impairment losses throughout the life of the contract. For this particular case, because the accounts receivable are generally outstanding for less than one year, the Company defined an impairment estimation model under a simplified approach of expected loss through a parametric model.

The parameters used within the model are:

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

Aging of accounts receivable (days current or outstanding)

		December 31, 2021		December 31, 2020
Current	Ps.	28,523	Ps.	24,556
0-30 days		4,108		2,024
31-60 days		622		836
61-90 days		373		317
91-120 days		748		438
120+ days		1,475		2,540
Total	Ps.	35,849	Ps.	30,711

7.2 Changes in the allowance for expected credit losses

		2021		2020		2019
Balance at the beginning of the period	Ps.	2,462	Ps.	2,189	Ps.	2,114
Allowance for the period		496		591		709
Additions (write-offs) of uncollectible accounts		(821)		(613)		(269)
Addition from business combinations		—		273		—
Effects of changes in foreign exchange rates		(186)		22		(365)
Balance at the end of the period	Ps.	1,951	Ps.	2,462	Ps.	2,189

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and dispersed.

7.3 Payments from The Coca-Cola Company

The Coca-Cola Company participates in certain advertising and promotional programs as well as in Coca-Cola FEMSA's refrigeration equipment and returnable bottles investment program. Contributions received by Coca-Cola FEMSA for advertising and promotional incentives are recognized as a reduction in selling expenses and contributions received for the refrigeration equipment and returnable bottles investment program are recorded as a reduction in the carrying amount of refrigeration equipment and returnable bottles items. For the years ended December 31, 2021, 2020, and 2019 contributions due were Ps. 2,437, Ps. 1,482 and Ps. 2,274, respectively.

NOTE 8. INVENTORIES

		December 31, 2021		December 31, 2020
Finished products	Ps.	40,742	Ps.	36,603
Raw materials		6,138		4,756
Spare parts		1,109		1,118
Work in process		960		114
Inventories in transit		1,947		1,443
	Ps.	50,896	Ps.	44,034

For the years ended 2021, 2020 and 2019, the Company recognized write-downs of its inventories for Ps. 1,871, Ps. 2,046 and Ps. 2,992 to net realizable value, respectively.

For the years ended 2021, 2020 and 2019, changes in inventories are comprised of the following and included in the consolidated income statement under the cost of goods sold caption:

		2021		2020		2019
Changes in inventories of finished goods and work in progress	Ps.	246,134	Ps.	209,410	Ps.	221,540
Raw materials and consumables used		85,286		79,896		84,502
Total	Ps.	331,420	Ps.	289,306	Ps.	306,042

NOTE 9. OTHER CURRENT ASSETS AND OTHER CURRENT FINANCIAL ASSETS

9.1 Other current assets

		December 31, 2021		December 31, 2020
Prepaid expenses	Ps.	3,115	Ps.	2,424
Recoverable taxes		—		5
Agreements with customers		111		115
Licenses		218		261
Assets classified as held for sale		10		30
Other		77		84
	Ps.	3,531	Ps.	2,919

As of December 31, 2021 and 2020, Company's prepaid expenses are as follows:

		December 31, 2021		December 31, 2020
Advances for inventories	Ps.	2,110	Ps.	1,651
Advertising and promotional expenses paid in advance		105		93
Advances to service suppliers		81		30
Prepaid leases		118		93
Prepaid insurance		284		181
Others		417		376
	Ps.	3,115	Ps.	2,424

For the years ended December 31, 2021, 2020 and 2019, Company's advertising and promotional expenses amounted to Ps. 7,586, Ps. 7,471 and Ps. 8,840, respectively.

9.2 Other current financial assets

		December 31, 2021		December 31, 2020
Restricted cash	Ps.	688	Ps.	77
Derivative financial instruments (see Note 21)		1,629		573
Note receivables [1]		163		31
	Ps.	2,480	Ps.	681

[1] The carrying value approximates its fair value as of December 31, 2021 and 2020.

The Company has pledged part of its cash to fulfill the collateral requirements for the accounts payable in different currencies. As of December 31, 2021 and 2020, the restricted cash pledged was held in:

		December 31, 2021		December 31, 2020
U.S. Dollars	Ps.	685	Ps.	74
Chilean pesos		3		3
	Ps.	688	Ps.	77

The restricted cash in U.S. Dollars corresponds to operations in Brazil and consists of current deposits as requirements to guarantee the accounts payable.

NOTE 10. EQUITY METHOD ACCOUNTED INVESTEES

As of December 31, 2021 and 2020, Company's equity method accounted investees are as follows:

			Ownership Percentage		Carrying Value	
Investee	Principal Activity	Place of Incorporation	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Heineken [1] [2]	Beverages	The Netherlands	14.8%	14.8%	Ps. 96,349	Ps. 87,291
Coca-Cola FEMSA:						
Joint ventures:						
Dispensadoras de Café, S.A.P.I. de C.V.	Services	Mexico	50.0%	50.0%	183	181
Fountain Agua Mineral, L.T.D.A.	Beverages	Brazil	50.0%	50.0%	699	720
Planta Nueva Ecología de Tabasco, S.A. de C.V.	Recycling	Mexico	50.0%	—	18	—
Associates:						
Promotora Industrial Azucarera, S.A. de C.V. ("PIASA")	Sugar production	Mexico	36.4%	36.4%	3,348	3,335
Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA")	Canned bottling	Mexico	26.5%	26.5%	178	192
Industria Mexicana de Reciclaje, S.A. de C.V. ("IMER")	Recycling	Mexico	35.0%	35.0%	102	121
Jugos del Valle, S.A.P.I. de C.V.	Beverages	Mexico	28.8%	28.8%	2,128	1,945
Leao Alimentos e Bebidas, L.T.D.A.	Beverages	Brazil	24.7%	24.7%	404	446
TROP Frutas do Brasil S.A. ("TROP")	Beverages	Brazil	23.6%	23.6%	55	359
Alimentos de Soja S.A.U.	Beverages	Argentina	10.7%	10.7%	263	207
Other investments in Coca-Cola FEMSA's companies	Various	Various	Various	Various	116	117
FEMSA Comercio:						
Raizen Conveniências	Proximity	Brazil	50.0%	50.0%	2,567	2,763
Other investments [1] [3]	Various	Various	Various	Various	889	593
					Ps. 107,299	Ps. 98,270

[1] Associate.

[2] As of December 31, 2021 and 2020 comprised of 8.63% of Heineken, N.V. and 12.26% of Heineken Holding, N.V., which represents an economic interest of 14.76% in Heineken Group. The Company has significant influence, mainly, because it participates in the Board of Directors of Heineken Holding, N.V. and the Supervisory Board of Heineken N.V.; and for the material transactions between the Company and Heineken Group.

[3] Joint ventures.

During 2021 and 2020 Coca-Cola FEMSA received dividends from Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA") for the amount of Ps. 16 and Ps. 16, respectively. In 2020 Coca-Cola FEMSA received dividends from Promotora Mexicana de Embotelladores, S.A. de C.V. for the amount of Ps. 1.

In 2021 Coca-Cola FEMSA made capital contributions to Jugos del Valle, S.A.P.I. de C.V. for the amounts of Ps. 44 and there were no changes in the ownership percentage as a result of capital contributions made by the other shareholders. In 2021 Coca-Cola FEMSA made a capital reduction on Leao Alimentos y Bebidas LTDA. for the amount of Ps. 46, and there were no changes in the ownership percentage as a result of the capital reduction.

In 2021, Coca-Cola FEMSA recognized an impairment on its investment in Trop Frutas Do Brasil LTDA. for the amount of Ps. 250, which was included in the other expenses line.

During 2020 Coca-Cola FEMSA recognized impairments on its investment in Compañía Panameña de Bebidas, S.A.P.I. de C.V. and Leao Alimentos y Bebidas LTDA. for the amounts of Ps. 1,463 and Ps. 1,038, respectively. During 2019 the Company recognized an impairment on its investment in Compañía Panameña de Bebidas, S.A.P.I de C.V. for the amount of Ps. 948, which was included in other expenses line.

On September 30, 2020, Coca-Cola FEMSA announced that its joint venture with The Coca-Cola Company (Compañía Panameña de Bebidas, S.A.P.I. de C.V.) successfully sold 100% of its stock interest in Estrella Azul, a dairy products company in Panama. As part of the transaction, Coca-Cola FEMSA agreed with the buyer to receive payments in the future if the business of Estrella Azul achieves certain volume and EBITDA targets during the 2022-2027 period. Coca-Cola FEMSA estimated the amount of the payments to be received based on the forecasts of the business and calculated their net present value. As of December 31, 2021 and 2020, the financial asset recognized in the consolidated statement of financial position has a total value of Ps. 5 and Ps. 8, respectively. This transaction is presented in the other expenses line of the consolidated financial statements as Coca-Cola FEMSA concluded did not achieve the requirements to be considered as a discontinued operation under IFRS 5.

On April 30, 2010, the Company acquired an economic interest of 20% of Heineken Group. Heineken's main activities are the production, distribution and marketing of beer worldwide. On September 18, 2017, the Company concluded the sale of a portion of its investment, representing 5.2% combined economic interest, consisting of 22,485,000 Heineken N.V. shares and 7,700,000 Heineken Holding N.V. shares at the price of €. 84.50 and €. 78.00 per share, respectively. The Company recognized an equity income (loss) of Ps. 10,775, Ps. (434) and Ps. 6,428 net of taxes based on its economic interest in Heineken Group for the years ended December 31, 2021, 2020 and 2019, respectively. The economic interest as of December 31, 2021 and 2020 was 14.8%. The Company's share of the net income (loss) attributable to equity holders of Heineken Group exclusive of amortization of adjustments amounted to Ps. 11,635 (€.491 million), Ps. (842) (€. (30) million) and Ps. 6,885 (€.320 million), for the years ended December 31, 2021, 2020 and 2019, respectively. Summarized financial information in respect of the associate Heineken Group accounted for under the equity method is set out below.

	December 31, 2021			
Amounts in millions		Peso		Euro
Total current assets	Ps.	222,653	€.	9,578
Total non-current assets		912,929		39,272
Total current liabilities		281,141		12,094
Total non-current liabilities		396,489		17,056
Total equity		457,952		19,700
Equity attributable to equity holders		403,463		17,356
Total revenue and other income	Ps.	555,269	€.	23,462
Total cost and expenses		449,171		18,979
Net income (loss)	Ps.	83,662	€.	3,535
Net income (loss) attributable to equity holders		78,668		3,324
Other comprehensive income (loss)		31,713		1,340
Total comprehensive income (loss)	Ps.	115,375	€.	4,875
Total comprehensive income (loss) attributable to equity holders		107,968		4,562

	December 31, 2020			
Amounts in millions		Peso		Euro
Total current assets	Ps.	221,182	€.	9,020
Total non-current assets		824,210		33,612
Total current liabilities		266,497		10,868
Total non-current liabilities		425,984		17,372
Total equity		352,911		14,392
Equity attributable to equity holders		328,393		13,392
Total revenue and other income	Ps.	479,996	€.	19,771
Total cost and expenses		461,108		18,993
Net income (loss)	Ps.	(2,136)	€.	(88)
Net income (loss) attributable to equity holders		(4,953)		(204)
Other comprehensive income (loss)		(48,944)		(2,016)
Total comprehensive income (loss)	Ps.	(51,080)	€.	(2,104)
Total comprehensive income (loss) attributable to equity holders		(51,639)		(2,127)

Reconciliation from the equity of the associate Heineken Group to the investment of the Company.

Amounts in millions		December 31, 2021 Peso		Euro
Equity attributable to equity holders of Heineken	Ps.	403,463	€.	17,356
Economic ownership percentage		14.76%		14.76%
Investment in Heineken investment exclusive of goodwill and other adjustments	Ps.	59,534	€.	2,561
Effects of fair value determined by purchase price allocation		16,342		703
Goodwill		20,473		881
Heineken investment	Ps.	96,349	€.	4,145

Amounts in millions		December 31, 2020 Peso		Euro
Equity attributable to equity holders of Heineken	Ps.	328,393	€.	13,392
Economic ownership percentage		14.76%		14.76%
Investment in Heineken investment exclusive of goodwill and other adjustments	Ps.	48,471	€.	1,976
Effects of fair value determined by purchase price allocation		17,226		703
Goodwill		21,594		881
Heineken investment	Ps.	87,291	€.	3,560

As of December 31, 2021 and 2020, the fair value of the Company's investment in Heineken N.V. Holding and Heineken N.V. represented by shares equivalent to 14.8% of its outstanding shares amounted to Ps.181,059 (€. 7,779 million) and Ps. 176,718 (€. 7,255 million) based on quoted market prices of those dates. As of March 3, 2022, issuance date of these consolidated financial statements, fair value amounted to €. 6,708 million.

During the years ended December 31, 2021, 2020 and 2019, the Company received dividends distributions from Heineken Group, amounting to Ps. 2,005, Ps. 2,322 and Ps. 3,031, respectively.

For the years ended December 31, 2021, 2020 and 2019 the equity (loss) earnings recognized for associates of Coca-Cola FEMSA was Ps. 85, Ps. (124) and Ps. 84, respectively.

For the years ended December 31, 2021, 2020 and 2019 the equity (loss) earnings recognized for joint ventures of Coca-Cola FEMSA was Ps. 3, Ps. (157) and Ps. (215), respectively.

For the year ended December 31, 2021, 2020 and 2019, the Company's share of other comprehensive income from equity investees, net of taxes are as follows:

		2021		2020		2019
Items that may be reclassified to consolidated net income:						
Valuation of the effective portion of derivative financial instruments	Ps.	32	Ps.	(14)	Ps.	—
Exchange differences on translating foreign operations		2,893		(5,934)		1,058
Total	Ps.	2,925	Ps.	(5,948)	Ps.	1,058
Items that may not be reclassified to consolidated net income in subsequent periods:						
Remeasurements of the net defined benefit liability	Ps.	590	Ps.	(111)	Ps.	(389)

NOTE 11. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
Cost as of January 1, 2019	Ps. 9,568	Ps. 25,081	Ps. 76,204	Ps. 17,034	Ps. 14,749	Ps. 7,849	Ps. 21,559	Ps. 895	Ps. 172,939
Additions [1]	309	1,134	6,826	636	2,581	8,421	2,907	112	22,926
Additions from business acquisitions	146	806	686	—	—	—	466	—	2,104
Changes in the fair value of past acquisitions	142	227	50	(13)	—	—	7	(8)	405
Transfer of completed projects in progress	(253)	581	3,694	1,396	359	(6,284)	496	11	—
Transfer (to)/from assets classified as held for sale	—	—	(410)	—	—	—	—	(49)	(459)
Disposals	(15)	(254)	(3,195)	(1,032)	(1,056)	(33)	(170)	(38)	(5,793)
Effects of changes in foreign exchange rates	(329)	(1,147)	(2,463)	(961)	(833)	(370)	26	(130)	(6,207)
Changes in value on the recognition of inflation effects	114	366	1,254	241	352	18	—	—	2,345
Cost as of December 31, 2019	Ps. 9,682	Ps. 26,794	Ps. 82,646	Ps. 17,301	Ps. 16,152	Ps. 9,601	Ps. 25,291	Ps. 793	Ps. 188,260

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
Cost as of January 1, 2020	Ps. 9,682	Ps. 26,794	Ps. 82,646	Ps. 17,301	Ps. 16,152	Ps. 9,601	Ps. 25,291	Ps. 793	Ps. 188,260
Additions [1]	241	616	5,277	137	2,613	6,979	2,611	185	18,659
Additions from business acquisitions	158	—	200	—	—	3	46	81	488
Changes in the fair value of past acquisitions	—	—	59	—	—	—	—	—	59
Transfer of completed projects in progress	4	809	3,471	1,192	57	(5,644)	110	1	—
Transfer (to)/from assets classified as held for sale	—	—	449	—	—	—	—	—	449
Disposals	(13)	(122)	(3,358)	(1,073)	(561)	(12)	(808)	(58)	(6,005)
Specialty's disposal	—	—	(775)	—	—	(24)	(1,036)	—	(1,835)
Effects of changes in foreign exchange rates	(238)	(1,135)	(2,233)	(797)	(629)	(339)	310	(97)	(5,158)
Effects on the recognition of inflation effects	88	293	990	189	291	(30)	3	—	1,824
Cost as of December 31, 2020	Ps. 9,922	Ps. 27,255	Ps. 86,726	Ps. 16,949	Ps. 17,923	Ps. 10,534	Ps. 26,527	Ps. 905	Ps. 196,741

Cost		Land		Buildings		Machinery and Equipment		Refrigeration Equipment		Returnable Bottles		Investments in Fixed Assets in Progress [2]		Leasehold Improvements		Other		Total
Cost as of January 1, 2021	Ps.	9,922	Ps.	27,255	Ps.	86,726	Ps.	16,949	Ps.	17,923	Ps.	10,534	Ps.	26,527	Ps.	905	Ps.	196,741
Additions [1]		303		484		5,263		115		3,655		8,527		2,869		237		21,453
Additions from business acquisitions		—		—		86		—		—		—		—		—		86
Changes in the fair value of past acquisitions		—		—		55		—		—		—		3		—		58
Transfer of completed projects in progress		3		768		4,997		1,351		31		(7,384)		215		19		—
Transfer (to)/from assets classified as held for sale		—		—		60		—		—		—		(8)		4		56
Disposals		(93)		(205)		(7,196)		(1,614)		(2,300)		(190)		(1,771)		(32)		(13,401)
Effects of changes in foreign exchange rates		(162)		(657)		(1,487)		(556)		(364)		(752)		(76)		(82)		(4,136)
Effects on the recognition of inflation effects		140		464		1,580		318		487		1		—		—		2,990
Cost as of December 31, 2021	Ps.	10,113	Ps.	28,109	Ps.	90,084	Ps.	16,563	Ps.	19,432	Ps.	10,736	Ps.	27,759	Ps.	1,051	Ps.	203,847

[1] Total includes Ps. 3,784, Ps. 289 and Ps. 610 outstanding payment to suppliers, as of December 31, 2021, 2020 and 2019 respectively.

[2] Investments in fixed assets in progress are expected to be completed and transferred within other fixed assets categories within next twelve months.

Accumulated Depreciation		Land		Buildings		Machinery and Equipment		Refrigeration Equipment		Returnable Bottles		Investments in Fixed Assets in Progress		Leasehold Improvements		Other		Total
Accumulated Depreciation as of January 1, 2019	Ps.	—	Ps.	(6,179)	Ps.	(32,860)	Ps.	(8,174)	Ps.	(8,706)	Ps.	—	Ps.	(7,930)	Ps.	(488)	Ps.	(64,337)
Depreciation for the year		—		(937)		(7,862)		(1,862)		(2,734)		—		(1,985)		(88)		(15,468)
Transfer to/(from) assets classified as held for sale		—		—		262		—		—		—		—		—		262
Disposals		—		46		1,967		966		1,079		—		115		31		4,204
Effects of changes in foreign exchange rates		—		264		1,249		583		572		—		64		63		2,795
Changes in value on the recognition of inflation effects		—		(92)		(629)		(164)		(302)		—		(2)		(14)		(1,203)
Accumulated Depreciation as of December 31, 2019	Ps.	—	Ps.	(6,898)	Ps.	(37,873)	Ps.	(8,651)	Ps.	(10,091)	Ps.	—	Ps.	(9,738)	Ps.	(496)	Ps.	(73,747)

Accumulated Depreciation		Land		Buildings		Machinery and Equipment		Refrigeration Equipment		Returnable Bottles		Investments in Fixed Assets in Progress		Leasehold Improvements		Other		Total
Accumulated Depreciation as of January 1, 2020	Ps.	—	Ps.	(6,898)	Ps.	(37,873)	Ps.	(8,651)	Ps.	(10,091)	Ps.	—	Ps.	(9,738)	Ps.	(496)	Ps.	(73,747)
Depreciation for the year		—		(828)		(8,390)		(1,832)		(2,779)		—		(2,404)		(145)		(16,378)
Transfer to/(from) assets classified as held for sale		—		—		(282)		—		—		—		—		—		(282)
Disposals		—		38		2,707		989		536		—		492		38		4,800
Specialty's disposal		—		—		625		—		—		—		649		—		1,274
Effects of changes in foreign exchange rates		—		127		698		464		432		—		(123)		170		1,768
Changes in value on the recognition of inflation effects		—		(82)		(595)		(132)		(250)		—		(6)		(5)		(1,070)
Accumulated Depreciation as of December 31, 2020	Ps.	—	Ps.	(7,643)	Ps.	(43,110)	Ps.	(9,162)	Ps.	(12,152)	Ps.	—	Ps.	(11,130)	Ps.	(438)	Ps.	(83,635)

Accumulated Depreciation		Land		Buildings		Machinery and Equipment		Refrigeration Equipment		Returnable Bottles		Investments in Fixed Assets in Progress		Leasehold Improvements		Other		Total
Accumulated Depreciation as of January 1, 2021	Ps.	—	Ps.	(7,643)	Ps.	(43,110)	Ps.	(9,162)	Ps.	(12,152)	Ps.	—	Ps.	(11,130)	Ps.	(438)	Ps.	(83,635)
Depreciation for the year		—		(870)		(8,344)		(1,795)		(2,708)		—		(2,462)		(154)		(16,333)
Transfer to/(from) assets classified as held for sale		—		—		(38)		—		—		—		—		—		(38)
Disposals		—		80		5,312		1,493		2,391		—		1,649		31		10,956
Effects of changes in foreign exchange rates		—		151		864		372		222		—		417		88		2,114
Changes in value on the recognition of inflation effects		—		(139)		(946)		(208)		(427)		—		(6)		(38)		(1,764)
Accumulated Depreciation as of December 31, 2021	Ps.	—	Ps.	(8,421)	Ps.	(46,262)	Ps.	(9,300)	Ps.	(12,674)	Ps.	—	Ps.	(11,532)	Ps.	(511)	Ps.	(88,700)

Carrying Amount		Land		Buildings		Machinery and Equipment		Refrigeration Equipment		Returnable Bottles		Investments in Fixed Assets in Progress		Leasehold Improvements		Other		Total
As of December 31, 2019	Ps.	9,682	Ps.	19,896	Ps.	44,773	Ps.	8,650	Ps.	6,061	Ps.	9,601	Ps.	15,553	Ps.	297	Ps.	114,513
As of December 31, 2020	Ps.	9,922	Ps.	19,612	Ps.	43,616	Ps.	7,787	Ps.	5,771	Ps.	10,534	Ps.	15,397	Ps.	467	Ps.	113,106
As of December 31, 2021	Ps.	10,113	Ps.	19,688	Ps.	43,822	Ps.	7,263	Ps.	6,758	Ps.	10,736	Ps.	16,227	Ps.	540	Ps.	115,147

For the years ended December 31, 2021, 2020 and 2019, the Company did not recognize any capitalization of borrowing costs.

NOTE 12. LEASES

During 2021, the activity in the consolidated right-of-use assets reported in our financial statements was as follows:

		Land and Buildings	Other [1]	Total
Cost as of January 1, 2021	Ps.	52,764	1,983	54,747
Additions		7,485	386	7,871
Additions from business combinations		1,440	100	1,540
Disposals		(1,337)	(34)	(1,371)
Remeasurements		3,776	188	3,964
Depreciation		(8,363)	(597)	(8,960)
Effects of changes in foreign exchange rates and restatement effects associated with hyperinflationary economies		(821)	24	(797)
Right-of-use assets, net as of December 31, 2021	Ps.	54,944	2,050	56,994

[1] Other assets mainly include transportation equipment and servers.

As of December 31, 2021, the lease liabilities are integrated as follows:

		December 31, 2021
Maturity analysis – contractual undiscounted cash flows		
Less than one year	Ps.	11,428
One to five years		36,929
Five to ten years		27,580
More than ten years		13,180
Total undiscounted lease liabilities on December 31		89,117
Lease liabilities included in the statement of financial position on December 31		62,355
Current		7,306
Non-Current	Ps.	55,049

As December 31, 2021, the weighted average incremental borrowing rate was 7.77%.

The interest expense for leases reported in the income statement for the year ended December 31, 2021, was Ps. 5,118.

The expense relating to short-term leases and leases of low-value assets for the year ended December 31, 2021, was Ps. 112.

For the year ended December 31, 2021, the amounts recognized in the consolidated statement of cash flows related to leases paid, including interest paid derived from leases, are Ps. 12,325.

As of December 31, 2021, the accumulated amount of concessions, decreases or cancellations for rent, which arose as a direct consequence of COVID-19 were not material. The Company applied the practical expedient to all decreases that met the criteria of the amendment to IFRS 16 effective as of June 1, 2020.

During 2020, the activity in the consolidated right-of-use assets reported in our financial statements was as follows:

		Land and Buildings	Other [1]	Total
Cost as of January 1, 2020	Ps.	51,926	758	52,684
Additions		6,478	1,504	7,982
Additions from business combinations		1,414	351	1,765
Disposals [2]		(2,190)	(114)	(2,304)
Remeasurements		3,749	84	3,833
Depreciation		(8,138)	(491)	(8,629)
Effects of changes in foreign exchange rates and restatement effects associated with hyperinflationary economies		(475)	(109)	(584)
Right-of-use assets, net as of December 31, 2020	Ps.	52,764	1,983	54,747

[1] Other assets mainly include transportation equipment and servers.

[2] Includes Specialty's disposal for an amount of Ps. 690.

As of December 31, 2020, the lease liabilities are integrated as follows:

		December 31, 2020
Maturity analysis – contractual undiscounted cash flows		
Less than one year	Ps.	11,511
One to five years		36,172
Five to ten years		27,088
More than ten years		13,823
Total undiscounted lease liabilities on December 31		88,594
Lease liabilities included in the statement of financial position on December 31		58,308
Current		6,772
Non-Current	Ps.	51,536

As December 31, 2020, the weighted average incremental borrowing rate was 9.49%.

The interest expense for leases reported in the income statement for the year ended December 31, 2020 and 2019 was Ps. 5,074 and Ps. 4,774, respectively.

The expense relating to short-term leases and leases of low-value assets for the year ended December 31, 2020 and 2019 was Ps. 508 and Ps. 430, respectively.

For the year ended December 31, 2020 and 2019, the amounts recognized in the consolidated statement of cash flows related to leases paid, including interest paid derived from leases, are Ps. 9,810 and Ps. 8,848, respectively.

As of December 31, 2020, the accumulated amount of concessions, decreases or cancellations for rent, which arose as a direct consequence of COVID-19 were not material. The Company applied the practical expedient to all decreases that met the criteria of the amendment to IFRS 16 effective as of June 1, 2020.

12.1 Land and buildings leases

The Company leases land for construction of its retail stores mainly and some buildings for its office space. The leases of retail stores typically run for an average useful life of 15 years, and leases of office space for three to five years. Some leases include an option to renew the lease for an additional period at the end of the contract term.

Some leases provide for additional rent payments that are based on changes in the National Consumer and Price Index, or sales that the Company makes at the leased store in the period.

Variable lease payments based on sales

Some leases of retail stores contain variable lease payments that are based on sales that the Company makes at the store. Variable rental payments were not significant for the year ended December 31, 2021.

The Company expects the relative proportions of fixed and variable lease payments to remain broadly consistent in future years.

Extension options

Some leases of office buildings, cellars and retail stores contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by FEMSA and not by the lessor, in other words, the lessee has the unilateral right to exercise the extension option. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. FEMSA reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. Except for some business units, FEMSA considers that the “reasonably certain” criteria are met when a new lease contract is signed by both the Company and the lessor, which usually occurs within a short period of the expiration of the current lease term. Extension options on leases do not represent a significant impact on the right-of-use assets on December 31, 2021 and 2020.

12.2 Other leases

The Company leases vehicles, servers and equipment, with lease terms from three to five years. In some cases, the Company has options to purchase the assets at the end of the contract term. At the commencement date, the Company does not expect to exercise the purchase option.

FEMSA also leases IT equipment and machinery with contract terms from one to three years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these types of leases.

NOTE 13. INTANGIBLE ASSETS

	Rights to Produce and Distribute Coca-Cola Trademark Products	Goodwill	Trademark Rights	Other Indefinite Lived Intangible Assets	Total Unamortized Intangible Assets	Technology Costs and Management Systems	Customer Relationships	Alcohol Licenses	Other	Total Amortized Intangible Assets	Total Intangible Assets
Cost as of January 1, 2019	Ps. 87,617	Ps. 40,530	Ps. 6,694	Ps. 1,441	Ps. 136,282	Ps. 8,362	Ps. 2,125	Ps. 1,768	Ps. 2,433	Ps. 14,688	Ps. 150,970
Additions	—	—	—	208	208	823	—	191	975	1,989	2,197
Acquisitions from business combinations (see Note 4)	—	6,542	469	—	7,011	759	—	—	12	771	7,782
Changes in fair value of past acquisitions	(2,887)	2,903	—	153	169	(6)	—	—	(185)	(191)	(22)
Transfer of completed development systems	—	—	—	—	—	412	—	—	(412)	—	—
Disposals	—	—	(48)	—	(48)	(232)	—	(130)	—	(362)	(410)
Effect of movements in exchange rates	(3,475)	(2,068)	(515)	(100)	(6,158)	(552)	(113)	—	(286)	(951)	(7,109)
Changes in value on the recognition of inflation effects	—	—	—	—	—	—	—	—	(6)	(6)	(6)
Cost as of December 31, 2019	Ps. 81,255	Ps. 47,907	Ps. 6,600	Ps. 1,702	Ps. 137,464	Ps. 9,566	Ps. 2,012	Ps. 1,829	Ps. 2,531	Ps. 15,938	Ps. 153,402
Cost as of January 1, 2020	Ps. 81,255	Ps. 47,907	Ps. 6,600	Ps. 1,702	Ps. 137,464	Ps. 9,566	Ps. 2,012	Ps. 1,829	Ps. 2,531	Ps. 15,938	Ps. 153,402
Additions	1	—	—	—	1	771	—	111	604	1,486	1,487
Acquisitions from business combinations (see Note 4)	—	12,080	2,101	—	14,181	26	8,596	—	1	8,623	22,804
Changes in fair value of past acquisitions	—	(1,086)	285	—	(801)	—	745	—	22	767	(34)
Transfer of completed development systems	—	—	—	—	—	398	—	—	(398)	—	—
Disposals	—	(183)	(116)	(311)	(610)	(164)	—	(43)	(378)	(585)	(1,195)
Specialty's disposal	—	(1,194)	(215)	(11)	(1,420)	—	—	(5)	(5)	(1,425)	
Effect of movements in exchange rates	(4,607)	(4,704)	(8)	(4)	(9,323)	276	(1,503)	—	(65)	(1,292)	(10,615)
Changes in value on the recognition of inflation effects	—	—	—	—	—	—	—	—	38	38	38
Cost as of December 31, 2020	Ps. 76,649	Ps. 52,820	Ps. 8,647	Ps. 1,376	Ps. 139,492	Ps. 10,873	Ps. 9,850	Ps. 1,897	Ps. 2,350	Ps. 24,970	Ps. 164,462

(1) Includes customer relationships related to the acquisition through the controlling interest in NW Synergy Holdings LLC disclosed in Note 4.

	Rights to Produce and Distribute Coca-Cola Trademark Products	Goodwill	Trademark Rights	Other Indefinite Lived Intangible Assets	Total Unamortized Intangible Assets	Technology Costs and Management Systems	Customer Relationships [1]	Alcohol Licenses	Other	Total Amortized Intangible Assets	Total Intangible Assets
Cost as of January 1, 2021	Ps. 76,649	52,820	Ps. 8,647	Ps. 1,376	Ps. 139,492	Ps. 10,873	Ps. 9,850	Ps. 1,897	Ps. 2,350	Ps. 24,970	Ps. 164,462
Additions	2	—	—	127	129	1,140	—	145	1,103	2,388	2,517
Acquisitions from business combinations (see Note 4)	—	7,940	65	—	8,005	—	873	—	1	874	8,879
Transfer of completed development systems	—	—	—	—	—	262	—	—	(262)	—	—
Disposals	—	(12)	—	(10)	(22)	(973)	—	(36)	(102)	(1,111)	(1,133)
Effect of movements in exchange rates	(1,255)	(2,303)	(584)	(80)	(4,222)	(641)	77	—	(682)	(1,246)	(5,468)
Changes in value on the recognition of inflation effects	—	—	—	—	—	—	—	—	62	62	62
Impairment	—	(1,094)	(55)	—	(1,149)	—	—	—	—	—	(1,149)
Cost as of December 31, 2021	Ps. 75,396	Ps. 57,351	Ps. 8,073	Ps. 1,413	Ps. 142,233	Ps. 10,661	Ps. 10,800	Ps. 2,006	Ps. 2,470	Ps. 25,937	Ps. 168,170

[1] Includes customer relationships related to the acquisitions through Envoy disclosed in Note 4.

Amortization and Impairment Losses	Rights to Produce and Distribute Coca-Cola Trademark Products	Goodwill	Trademark Rights	Other Indefinite Lived Intangible Assets	Total Unamortized Intangible Assets	Technology Costs and Management Systems	Customer Relationships	Alcohol Licenses	Other	Total Amortized Intangible Assets	Total Intangible Assets
Amortization as of January 1, 2019	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. (4,064)	Ps. (306)	Ps. (544)	Ps. (451)	Ps. (5,365)	Ps. (5,365)
Amortization expense	—	—	—	—	—	(1,338)	(112)	(123)	(239)	(1,812)	(1,812)
Disposals	—	—	—	—	—	97	—	30	—	127	127
Effect of movements in exchange rates	—	—	—	—	—	160	25	—	53	238	238
Changes in value on the recognition of inflation effects	—	—	—	—	—	(29)	—	—	1	(28)	(28)
Amortization as of December 31, 2019	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. (5,174)	Ps. (393)	Ps. (637)	Ps. (636)	Ps. (6,840)	Ps. (6,840)
Amortization as of January 1, 2020	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. (5,174)	Ps. (393)	Ps. (637)	Ps. (636)	Ps. (6,840)	Ps. (6,840)
Amortization expense	—	—	—	—	—	(1,537)	(467)	(99)	(362)	(2,465)	(2,465)
Disposals	—	—	—	—	—	129	—	—	48	177	177
Effect of movements in exchange rates	—	—	—	—	—	142	32	—	21	195	195
Changes in value on the recognition of inflation effects	—	—	—	—	—	(29)	1	—	—	(28)	(28)
Amortization as of December 31, 2020	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. (6,469)	Ps. (827)	Ps. (736)	Ps. (929)	Ps. (8,961)	Ps. (8,961)
Amortization as of January 1, 2021	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. (6,469)	Ps. (827)	Ps. (736)	Ps. (929)	Ps. (8,961)	Ps. (8,961)
Amortization expense	—	—	—	—	—	(1,473)	(791)	(102)	(328)	(2,694)	(2,694)
Disposals	—	—	—	—	—	789	—	—	101	890	890
Effect of movements in exchange rates	—	—	—	—	—	792	10	—	(15)	787	787
Changes in value on the recognition of inflation effects	—	—	—	—	—	(53)	—	—	(1)	(54)	(54)
Amortization as of December 31, 2021	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. (6,414)	Ps. (1,608)	Ps. (838)	Ps. (1,172)	Ps. (10,032)	Ps. (10,032)
Carrying Amount											
As of December 31, 2019	Ps. 81,255	Ps. 47,907	Ps. 6,600	Ps. 1,702	Ps. 137,464	Ps. 4,392	Ps. 1,619	Ps. 1,192	Ps. 1,895	Ps. 9,098	Ps. 146,562
As of December 31, 2020	Ps. 76,649	Ps. 52,820	Ps. 8,647	Ps. 1,376	Ps. 139,492	Ps. 4,404	Ps. 9,023	Ps. 1,161	Ps. 1,421	Ps. 16,009	Ps. 155,501
As of December 31, 2021	Ps. 75,396	Ps. 57,351	Ps. 8,073	Ps. 1,413	Ps. 142,233	Ps. 4,247	Ps. 9,192	Ps. 1,168	Ps. 1,298	Ps. 15,905	Ps. 158,138

For the years ended December 31, 2021, 2020 and 2019, the Company did not recognize any capitalization of borrowing costs.

For the years ended 2021, 2020 and 2019, allocation for amortization expense is as follows:

		2021		2020		2019
Cost of goods sold	Ps.	254	Ps.	288	Ps.	317
Administrative expenses		1,630		1,412		953
Selling expenses		810		765		542
	Ps.	2,694	Ps.	2,465	Ps.	1,812

The average remaining period for the Company's intangible assets that are subject to amortization is as follows:

	Years
Technology Costs and Management Systems	2 - 10
Customer Relationships	10 - 25
Alcohol Licenses	12 - 12

Coca-Cola FEMSA Impairment Tests for cash-generating Units Containing Goodwill and Distribution Rights

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

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

		December 31, 2021		December 31, 2020
Mexico	Ps.	56,352	Ps.	56,352
Guatemala		1,735		1,755
Nicaragua		438		433
Costa Rica		1,407		1,425
Panama		1,238		1,200
Colombia		3,798		4,414
Brazil		30,608		31,741
Argentina		395		312
Uruguay		2,332		2,450
Total	Ps.	98,303	Ps.	100,082

Goodwill and distribution rights are tested for impairments annually or when impairment indicator exists throughout the year. The recoverable amounts are based on value in use calculations. The value in the use of a CGU is determined based on the discounted cash flows method generated from the continuing use of the CGU.

The foregoing forecasts reflect the outcomes that Coca-Cola FEMSA consider most likely to occur based on the current situation of each of the CGUs including the macroeconomic situation in each CGU including the potential continued impacts of the COVID-19 pandemic which has heightened the inherent uncertainty in such estimations, the foregoing forecasts could differ from the results obtained over time.

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

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

The estimated discount rates to perform the impairment test for each CGU consider market participants' assumptions. Market participants were selected taking into consideration the size, operations and characteristics of the businesses that are similar to those of Coca-Cola FEMSA.

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

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

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

- Cash flows were projected based on actual operating results and the five-year business plan.
- A WACC per each CGU was applied as a hurdle rate to discount cash flows to get the recoverable amount of the units; the calculation assumes size premium adjustments.

The key assumptions by CGU for impairment test as of December 31, 2021 were as follows:

CGU	Pre-tax WACC	Post-tax WACC	Expected Annual Long-Term Inflation 2022-2031	Expected Volume Growth Rates 2022-2031
Mexico	6.8%	4.9%	3.7%	2.8%
Colombia	8.7%	5.8%	3.0%	8.4%
Costa Rica	13.5%	9.2%	3.1%	6.5%
Guatemala	7.9%	6.1%	4.2%	10.7%
Nicaragua	18.3%	10.6%	4.3%	6.4%
Panama	8.5%	6.5%	2.2%	7.0%
Argentina	19.7%	14.5%	35.9%	5.4%
Brazil	9.1%	5.8%	3.3%	7.7%
Uruguay	8.5%	6.1%	5.0%	4.0%

The key assumptions by CGU for impairment test as of December 31, 2020 were as follows:

CGU	Pre-tax WACC	Post-tax WACC	Expected Annual Long-Term Inflation 2021-2030	Expected Volume Growth Rates 2021-2030
Mexico	7.4%	5.3%	3.9%	2.0%
Colombia	11.0%	7.3%	2.8%	4.1%
Costa Rica	15.3%	10.8%	2.7%	4.3%
Guatemala	10.6%	8.3%	3.1%	6.8%
Nicaragua	20.6%	13.9%	3.7%	7.1%
Panama	8.8%	6.8%	1.5%	7.9%
Argentina	26.3%	20.4%	30.1%	3.9%
Brazil	9.1%	6.0%	3.0%	2.4%
Uruguay	9.9%	7.1%	7.8%	2.0%

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

Sensitivity to Changes in Assumptions

On December 31, 2021, Coca-Cola FEMSA performed an additional impairment sensitivity calculation, taking into account an adverse change in post-tax WACC, according to the country risk premium, using for each country the relative standard deviation between equity and sovereign bonds and an additional sensitivity to the volume of 100 basis points and concluded that no impairment would be recorded.

CGU	Change in WACC	Change in Volume Growth CAGR [1]	Effect on Valuation
Mexico	0.2%	-1.0%	Passes by 6.8x
Colombia	0.2%	-1.0%	Passes by 4.2x
Costa Rica	0.4%	-1.0%	Passes by 3.1x
Guatemala	0.2%	-1.0%	Passes by 54.5x
Nicaragua	0.5%	-1.0%	Passes by 1.0x
Panama	0.1%	-1.0%	Passes by 8.2x
Argentina	0.8%	-1.0%	Passes by 10.0x
Brazil	0.2%	-1.0%	Passes by 2.7x
Uruguay	0.1%	-1.0%	Passes by 4.4x

[1] Compound Annual Growth Rate ("CAGR").

FEMSA Comercio – Proximity Division, FEMSA Comercio – Health Division and FEMSA Comercio – Fuel Division Impairment Test for cash-generating Units Containing Goodwill

For the purpose of impairment testing, goodwill is allocated and monitored on an individual country basis by operating segment. The Company has integrated its cash-generating units as follows: (i) FEMSA Comercio – Proximity Division is integrated as Mexico, and (ii) FEMSA Comercio – Health Division are integrated as Mexico, Chile, Colombia and Ecuador for each of them and (iii) FEMSA Comercio – Fuel Division includes only Mexico.

As of December 31, 2021 in FEMSA Comercio – Health Division there is a significant carrying amount of goodwill allocated in Chile and Colombia as a cash-generating unit (South America) with a total carrying amount of Ps. 7,785.

The recoverable amounts are based on the value in use. The value in use of CGUs is determined based on the method of discounted cash flows. The key assumptions used in projecting cash flows are: sales, expected annual long-term inflation, and the weighted average cost of capital ("WACC") used to discount the projected cash flows. The cash flow forecasts could differ from the results obtained over time; however, the Company prepares its estimates based on the current situation of each of the CGUs or group of CGUs.

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

The estimated discount rates to perform the IAS 36 "Impairment of assets," impairment test for each CGU or group of CGUs consider market participants' assumptions. Market participants were selected taking into consideration the size, operations and characteristics of the businesses that are similar to those of FEMSA Comercio –Health Division.

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

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

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

- Cash flows were projected based on actual operating results and the five-year business plan. The Company believes that this forecasted period is justified due to the non-current nature of the business and past experiences.
- Cash flows projected based on actual operating results and five-year business plan were calculated using a perpetual growth rate equal to the expected annual population growth, to calculate the terminal recoverable amount.
- A per CGU-specific WACC was applied by FEMSA Comercio – Health Division as a hurdle rate to discount cash flows to get the recoverable amount of the units; the calculation assumes size premium adjustments.

The key assumptions by CGU for impairment test as of December 31, 2021 were as follows:

CGU	Pre-tax WACC	Post-tax WACC	Expected Annual Long-Term Inflation 2022-2031	Expected Volume Growth Rates 2022-2031
South America (FEMSA Comercio – Health Division)	7.3%	5.3%	3.4%	0.3%

The key assumptions by CGU for impairment test as of December 31, 2020 were as follows:

CGU	Pre-tax WACC	Post-tax WACC	Expected Annual Long-Term Inflation 2021-2030	Expected Volume Growth Rates 2021-2030
South America (FEMSA Comercio – Health Division)	8.3%	5.8%	2.8%	0.2%

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

Sensitivity to Changes in Assumptions

On December 31, 2021, the Company performed an additional impairment sensitivity calculation, taking into account an adverse change in post-tax WACC, according to the country risk premium, using for each country the relative standard deviation between equity and sovereign bonds and a sensitivity analysis of sales that would be affected considering a contraction in economic conditions as a result of lower purchasing power of customers, which based on management estimation considered to be reasonably possible an effect of 50 basis points in the sale's compound annual growth rate ("CAGR"), concluding that no impairment would be recognized.

CGU	Change in WACC	Change in Sales Growth CAGR [(1)]	Effect on Valuation
FEMSA Comercio – Health Division (South America)	+0.1%	(0.5)%	Passes by 1.60x

[(1)] Compound Annual Growth Rate ("CAGR").

Envoy Solutions Impairment Test for Cash-Generating Units Containing Goodwill and trademark rights

For impairment testing, goodwill and trademark rights are allocated and monitored on an individual country basis, which is considered to be a CGU. The Company has integrated its cash-generating units as a specialized distribution platform for cleaning products and consumables, located in the United States.

As of December 31, 2021 in specialized distribution there is a significant carrying amount of final allocated goodwill and trademark rights as a cash-generating unit with a total carrying amount of Ps. 9,662. Goodwill and trademark rights are tested for impairments annually.

The recoverable amounts are based on the value in use. The value in use of CGUs is determined based on the method of discounted cash flows. The key assumptions used in projecting cash flows are: sales, expected annual long-term inflation, and the weighted average cost of capital ("WACC") used to discount the projected cash flows. The cash flow forecasts could differ from the results obtained over time; however, the Company prepares its estimates based on the current situation of each of the CGUs or group of CGUs.

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

The estimated discount rates to perform the IAS 36 "Impairment of assets," impairment test for each CGU or group of CGUs consider market participants' assumptions. Market participants were selected taking into consideration the size, operations and characteristics of the businesses that are similar to those of specialized distribution.

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

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

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

- Cash flows were projected based on actual operating results and the five-year business plan. The Company believes that this forecasted period is justified due to the non-current nature of the business and past experiences.
- Cash flows projected based on actual operating results and five-year business plan were calculated using a perpetual growth rate equal to the expected annual population growth, to calculate the terminal recoverable amount.
- A per CGU-specific WACC was applied by specialized distribution as a hurdle rate to discount cash flows to get the recoverable amount of the units; the calculation assumes size premium adjustments.

The key assumptions by CGU for impairment test as of December 31, 2021 were as follows:

CGU	Pre-tax WACC	Post-tax WACC	Expected Annual Long-Term Inflation 2022-2026	Expected Volume Rates Growth 2022-2026
United States (Specialized Distribution)	5.7%	4.9%	2.4%	2.0%

The key assumptions by CGU for impairment test as of December 31, 2020 were as follows:

CGU	Pre-tax WACC	Post-tax WACC	Expected Annual Long-Term Inflation 2021-2025	Expected Volume Growth Rates 2021-2025
United States (Specialized Distribution)	8.2%	6.0%	2.0%	1.7%

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

Sensitivity to Changes in Assumptions

On December 31, 2021, the Company performed an additional impairment sensitivity calculation, taking into account an adverse change in post-tax WACC, according to the country risk premium, using for each country the relative standard deviation between equity and sovereign bonds and sensitivity analysis of sales that would be affected considering a contraction in economic conditions as a result of lower purchasing power of customers, which based on management estimation considered to be reasonably possible an effect of 50 basis points in the sale's compound annual growth rate ("CAGR"), concluding that no impairment would be recognized.

CGU	Change in Sales Growth CAGR [1]	Effect on Valuation
United States (Specialized Distribution)	(0.5)%	Passes by 1.13x

[1] Compound Annual Growth Rate ("CAGR").

NOTE 14. OTHER ASSETS AND OTHER FINANCIAL ASSETS

14.1 Other non-current assets

		December 31, 2021		December 31, 2020
Agreement with customers	Ps.	759	Ps.	731
Long-term prepaid advertising expenses		213		333
Guarantee deposits [1]		1,532		2,009
Prepaid bonuses		283		239
Advances to acquire property, plant and equipment		460		184
Recoverable taxes		1,687		1,701
Indemnifiable assets from business combinations		1,554		1,609
Others		912		720
	Ps.	7,400	Ps.	7,526

[1] As it is customary in Brazil, the Company is required to guarantee tax, legal and labor contingencies by guarantee deposits including those related to business acquisitions. See Note 26.7

14.2 Other non-current financial assets

		December 31, 2021		December 31, 2020
Non-current accounts receivable	Ps.	1,245	Ps.	983
Derivative financial instruments (see Note 21)		16,710		14,283
Others		674		334
Other investments in equity instruments [1]		22,442		16,786
	Ps.	41,071	Ps.	32,386

[1] Corresponds to the acquisition of a minority stake in Jetro Restaurant Depot as of November 8, 2019. On October 9, 2020, the Company acquired an additional minority stake in Jetro. Refer to Note 3.7.3.

As of December 31, 2021 and 2020, non-current accounts receivable includes mainly receivables measured at its fair value for to Ps. 1,178 and Ps. 699, respectively. The fair value is calculated based on the discounted value of contractual cash flows whereby the discount rate is estimated using rates currently offered for receivables of similar amounts and maturities, which is considered to be level 2 in the fair value hierarchy.

NOTE 15. BALANCES AND TRANSACTIONS WITH RELATED PARTIES AND AFFILIATED COMPANIES

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

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

		December 31, 2021		December 31, 2020
Balances				
Due from The Coca-Cola Company (see Note 7) [1][6]	Ps.	820	Ps.	509
Balance with BBVA Bancomer, S.A. de C.V. [2]		8,076		1,092
Balance with Grupo Scotiabank Inverlat, S.A. [2]		6,585		2,016
Due from Heineken Group [1][5]		2,001		2,512
Other receivables [1]		190		746
Due to The Coca-Cola Company [4][6]	Ps.	1,444	Ps.	3,513
Due to BBVA Bancomer, S.A. de C.V. [3]		1,847		1,062
Due to Heineken Group [4][5]		3,144		3,273
Due to Grupo Financiero Scotiabank Inverlat, S.A. [4]		132		105
Other payables [4]		1,557		2,060

[1] Presented within accounts receivable.

[2] Presented within cash and cash equivalents.

[3] Recorded within bank loans and notes payable.

[4] Recorded within accounts payable.

[5] Associates.

[6] Non-controlling interest.

Balances due from related parties are considered to be recoverable. Accordingly, for the years ended December 31, 2021, 2020 and 2019, there was no expense resulting from uncollectible balances due from related parties.

Transactions	2021	2020	2019
Income:			
Services to Heineken Group [1]	Ps. 2,530	Ps. 3,181	Ps. 3,380
Logistic services to Jugos del Valle [1]	514	532	553
Interest revenues from BBVA Bancomer, S.A. de C.V. [3]	2,146	1,825	1,456
Interest revenues from Grupo Financiero Scotiabank Inverlat, S.A. [3]	302	295	447
Other revenues from related parties	814	764	404
Expenses:			
Purchase of concentrate from The Coca-Cola Company [2]	Ps. 37,213	Ps. 32,222	Ps. 34,063
Purchases of beer from Heineken Group [1][5]	19,552	23,233	25,215
Purchase of baked goods and snacks from Grupo Bimbo, S.A.B. de C.V. [3]	4,417	5,774	6,194
Advertisement expense paid to The Coca-Cola Company [2][4]	1,482	865	1,756
Purchase of juices from Jugos del Valle, S.A.P.I. de C.V. [1]	4,102	4,055	4,477
Purchase of sugar from Promotora Industrial Azucarera, S.A. de C.V. [1]	2,213	2,123	2,728
Interest expense and fees paid to BBVA Bancomer, S.A. de C.V. [3]	72	232	144
Purchase of sugar from Beta San Miguel [3]	938	1,023	655
Purchase of canned products from IEQSA [1]	234	226	682
Purchases to AdeS Alimentos y Bebidas [1]	—	338	497
Purchase of inventories to Leao Alimentos e Bebidas, L.T.D.A. [1]	1,320	1,253	1,867
Purchases of Material with Ecolab, Inc [3]	450	340	—
Advertising paid to Grupo Televisa, S.A.B. [3]	167	148	115
Insurance premiums for policies with Grupo Nacional Provincial, S.A.B. [3]	1	7	—
Donations to Fundación FEMSA, A.C. [3]	144	171	195
Donations to Difusión y Fomento Cultural, A.C. [3]	32	55	61
Donations to ITESM [3]	208	310	215
Purchases of resine to IMER [1]	416	308	281
Other expenses with related parties	206	311	38

[1] Associates.

[2] Non-controlling interest.

[3] Members of the board of directors in FEMSA participate in the board of directors of this entity.

[4] Net of the contributions from The Coca-Cola Company of Ps. 2,437, Ps. 1,482 and Ps. 2,274, for the years ended in 2021, 2020 and 2019, respectively.

[5] Favorable resolution of Arbitration in Brazil on October 31, 2019, the arbitration tribunal in charge of the arbitration proceeding between Coca-Cola FEMSA and Cervejarias Kaiser Brasil, S.A., a subsidiary of Heineken, N.V. ("Kaiser"), issued an award confirming that the distribution agreement under which Coca-Cola FEMSA distribute Kaiser's portfolio in the country, including Heineken beer, shall continue in full force and effect through March 19, 2022.

Commitments with related parties

Related Party	Commitment	Conditions
Heineken Group	Supply	Supply of all beer products in Mexico's OXXO stores. The contract may be renewed for five years or additional periods. At the end of the contract OXXO will not hold an exclusive contract with another supplier of beer for the next 3 years. Commitment term, January 1st, 2010 to June 30, 2020.

On February 26, 2019, the Company through its subsidiary Cadena Comercial OXXO, S.A. de C.V. ("OXXO") signed an agreement with HEINEKEN Group ("Cervezas Cuauhtémoc Moctezuma, S.A. de C.V.") and both companies agreed to an extension of their existing commercial relationship with certain important changes. Under the terms of the agreement, signed in April 2019 and following a gradual process, OXXO started selling the beer brands of Grupo Modelo in certain regions of Mexico, covering the entire Mexican territory by the end of 2022.

The aggregate compensation paid to executive officers and senior management of the Company were as follows:

	2021	2020	2019
Short-term employee benefits paid	Ps. 1,934	Ps. 2,112	Ps. 2,163
Postemployment benefits	52	45	48
Termination benefits	36	373	411
Share-based payments	853	575	610

NOTE 16. BALANCES AND TRANSACTIONS IN FOREIGN CURRENCIES

Assets, liabilities and transactions denominated in foreign currencies are those realized in a currency different than the functional currency of the Company. For the three years ended on December 31, 2021, 2020 and 2019, the assets, liabilities and transactions denominated in foreign currencies, expressed in Mexican pesos (contractual amounts) are as follows:

	Assets		Liabilities	
Balances	Short-Term	Long-Term	Short-Term	Long- Term
As of December 31, 2021				
U.S. dollars	Ps. 74,994	Ps. 983	Ps. 6,310	Ps. 125,447
Euros	74	—	355	27,896
Other currencies	46	1,325	557	—
Total	Ps. 75,114	Ps. 2,308	Ps. 7,222	Ps. 153,343
As of December 31, 2020				
U.S. dollars	Ps. 69,612	Ps. 1,143	Ps. 5,590	Ps. 122,000
Euros	479	—	458	24,521
Other currencies	46	1,349	21	—
Total	Ps. 70,137	Ps. 2,492	Ps. 6,069	Ps. 146,521

Transactions		Revenues		Other Operating Revenues		Purchases of Raw Materials		Interest Expense		Consulting Fees		Asset Acquisitions		Other
For the year ended December 31, 2021														
U.S. dollars	Ps.	4,261	Ps.	2,107	Ps.	20,009	Ps.	3,466	Ps.	826	Ps.	180	Ps.	2,908
Euros		14		—		81		1,371		16		8		1
Other currencies		7		14		—		—		1		—		64
Total	Ps.	4,282	Ps.	2,121	Ps.	20,090	Ps.	4,837	Ps.	843	Ps.	188	Ps.	2,973
For the year ended December 31, 2020														
U.S. dollars	Ps.	4,213	Ps.	1,478	Ps.	16,398	Ps.	13,660	Ps.	480	Ps.	79	Ps.	2,413
Euros		—		—		35		0		20		—		1
Other currencies		125		52		3		532		3		—		103
Total	Ps.	4,338	Ps.	1,530	Ps.	16,436	Ps.	14,192	Ps.	503	Ps.	79	Ps.	2,517
For the year ended December 31, 2019														
U.S. dollars	Ps.	5,487	Ps.	5,612	Ps.	17,941	Ps.	2,183	Ps.	718	Ps.	3,388	Ps.	4,348
Euros		—		—		538		397		33		5		2
Other currencies		1		982		—		—		2		—		132
Total	Ps.	5,488	Ps.	6,594	Ps.	18,479	Ps.	2,580	Ps.	753	Ps.	3,393	Ps.	4,482

Mexican peso exchange rates effective at the dates of the consolidated statements of financial position and the issuance date of the Company's consolidated financial statements were as follows:

	December 31,		March 3,
	2021	2020	2022
U.S. dollar	20.5835	19.9487	20.5272
Euro	23.2753	24.5213	22.9527

NOTE 17. EMPLOYEE BENEFITS

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

17.1 Assumptions

The Company annually evaluates the reasonableness of the assumptions used in its labor liability for post-employment and other non-current employee benefits computations.

Actuarial calculations for pension and retirement plans, seniority premiums and post-retirement medical benefits, as well as the associated cost for the period, were determined using the following long-term assumptions for Mexico:

Mexico	December 31, 2021	December 31, 2020	December 31, 2019
Financial:			
Discount rate used to calculate the defined benefit obligation	8.00%	7.20%	7.50%
Salary increase	4.50%	4.50%	4.50%
Future pension increases	3.50%	3.50%	3.50%
Healthcare cost increase rate	5.10%	5.10%	5.10%
Biometric:			
Mortality [1]	EMSSA 2009	EMSSA 2009	EMSSA 2009
Disability [2]	IMSS-97	IMSS-97	IMSS-97
Normal retirement age	60 years	60 years	60 years
Employee turnover table [3]	BMAR 2007	BMAR 2007	BMAR 2007

Measurement date December:

[1] EMSSA. Mexican Experience of social security.

[2] IMSS. Mexican Experience of Instituto Mexicano del Seguro Social.

[3] BMAR. Actuary experience.

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

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

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

		Pension and Retirement Plans		Seniority Premiums		Post-Retirement Medical Services		Total
2022	Ps.	754	Ps.	201	Ps.	22	Ps.	977
2023		317		156		23		497
2024		346		149		25		520
2025		421		140		26		587
2026		419		137		27		583
2027 to 2031		3,039		681		162		3,882

17.2 Balances of the liabilities for employee benefits

		December 31, 2021		December 31, 2020
Pension and Retirement Plans:				
Defined benefit obligation	Ps.	8,015	Ps.	7,679
Pension plan funds at fair value		(2,952)		(2,788)
Net defined benefit liability	Ps.	5,063	Ps.	4,891
Seniority Premiums:				
Defined benefit obligation	Ps.	2,108	Ps.	1,763
Seniority premium plan funds at fair value		(133)		(137)
Net defined benefit liability	Ps.	1,975	Ps.	1,626
Postretirement Medical Services:				
Defined benefit obligation	Ps.	647	Ps.	812
Medical services funds at fair value		(85)		(76)
Net defined benefit liability	Ps.	562	Ps.	736
Total Employee Benefits	Ps.	7,600	Ps.	7,253

17.3 Trust assets

Trust assets consist of fixed and variable return financial instruments recorded at fair value (Level 1), which are invested as follows:

	December 31, 2021	December 31, 2020
Fixed return:		
Traded securities	17%	27%
Bank instruments	10%	9%
Federal government instruments of the respective countries	35%	29%
Variable return:		
Publicly traded shares	38%	35%
	100%	100%

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

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

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

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

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

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

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

		December 31, 2021		December 31, 2020
Debt:				
El Puerto de Liverpool, S.A.B. de C.V.	Ps.	30	Ps.	30
Grupo Industrial Bimbo, S.A.B. de C. V.		5		5
BBVA Bancomer, S.A de C.V.		9		10
Grupo Financiero Scotiabank Inverlat, S.A. de C.V.		10		10
Equity:				
CEMEX, S.A.B. de C.V.		—		8
Grupo Financiero Banorte, S.A.B. de C.V.		—		8
Alfa, S.A.B. de C.V.		2		3
Grupo Industrial Bimbo, S.A.B. de C.V.		1		—
Grupo Aeroportuario del Sureste, S.A.B. de C.V.		1		2
Others		4		4

For the years ended December 31, 2021, 2020 and 2019, the Company did not make significant contributions to the plan assets and does not expect to make material contributions to the plan assets during the following fiscal year. There are no restrictions placed on the trustee's ability to sell those securities. As of December 31, 2021 and 2020, the plan assets did not include securities of the Company in portfolio funds.

17.4 Amounts recognized in the consolidated income statements and the consolidated statement of comprehensive income

	Income Statement				AOCI [1]
	Current Service Cost	Past Service Cost	Gain or Loss on Settlement or Curtailment	Net Interest on the Net Defined Benefit Liability	Remeasurements of the Net Defined Benefit Liability
December 31, 2021					
Pension and retirement plans	Ps. 390	Ps. 39	Ps. (55)	Ps. 319	Ps. 1,757
Seniority premiums	290	1	(3)	114	853
Postretirement medical services	44	2	(24)	52	202
Total	Ps. 724	Ps. 42	Ps. (82)	Ps. 485	Ps. 2,812
December 31, 2020					
Pension and retirement plans	Ps. 372	Ps. 73	Ps. —	Ps. 305	Ps. 2,024
Seniority premiums	239	—	—	91	483
Postretirement medical services	44	—	—	54	342
Total	Ps. 656	Ps. 73	Ps. —	Ps. 450	Ps. 2,849
December 31, 2019					
Pension and retirement plans	Ps. 279	Ps. (45)	Ps. 2	Ps. 290	Ps. 1,608
Seniority premiums	139	161	—	57	162
Postretirement medical services	15	—	—	32	396
Total	Ps. 433	Ps. 116	Ps. 2	Ps. 379	Ps. 2,166

[1] Amounts accumulated in other comprehensive income as of the end of the period.

For the years ended December 31, 2021, 2020 and 2019, labor costs of Ps. 766, Ps. 729 and Ps. 549 have been included in the consolidated income statements in costs of goods sold, administrative expenses, and selling expenses.

Remeasurements of the net defined benefit liability recognized in accumulated other comprehensive income are as follows:

	December 31, 2021	December 31, 2020	December 31, 2019
Amount accumulated in other comprehensive income as of the beginning of the period, net of tax	Ps. 2,099	Ps. 1,624	Ps. 475
Actuarial (gains) arising from exchange rates	11	(6)	(30)
Remeasurements during the year, net of tax	744	312	100
Actuarial losses and (gains) arising from changes in financial assumptions	(776)	139	1,071
Actuarial losses and (gains) arising from changes in demographic assumptions	—	27	—
Effect on settlement	—	3	8
Amount accumulated in other comprehensive income as of the end of the period, net of tax	Ps. 2,078	Ps. 2,099	Ps. 1,624

Remeasurements of the net defined benefit liability include the following:

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

17.5 Changes in the balance of the defined benefit obligation for post-employment

	December 31, 2021	December 31, 2020	December 31, 2019
Pension and Retirement Plans:			
Initial balance	Ps. 7,679	Ps. 7,193	Ps. 6,189
Current service cost	390	372	279
Past service (credit) cost	(3)	73	(45)
Interest expense	527	506	530
Settlement / Curtailment	—	—	2
Remeasurements of the net defined benefit obligation	(42)	326	859
Foreign exchange loss (gain)	28	37	(69)
Benefits paid	(564)	(828)	(582)
Acquisitions	—	—	30
Ending balance	Ps. 8,015	Ps. 7,679	Ps. 7,193
Seniority Premiums:			
Initial balance	Ps. 1,763	Ps. 1,237	Ps. 772
Current service cost	290	239	139
Past service cost	836	—	161
Interest expense	124	101	68
Settlement	(839)	13	—
Remeasurements of the net defined benefit obligation	112	309	230
Benefits paid	(178)	(136)	(133)
Ending balance	Ps. 2,108	Ps. 1,763	Ps. 1,237
Postretirement Medical Services:			
Initial balance	Ps. 812	Ps. 797	Ps. 418
Current service cost	44	44	15
Past service cost	236	—	—
Interest expense	57	61	38
Curtailment / Settlement	(271)	—	—
Remeasurements of the net defined benefit obligation	(191)	(59)	356
Benefits paid	(40)	(31)	(30)
Ending balance	Ps. 647	Ps. 812	Ps. 797

17.6 Changes in the balance of plan assets

	December 31, 2021	December 31, 2020	December 31, 2019
Total Plan Assets:			
Initial balance	Ps. 3,001	Ps. 2,880	Ps. 2,680
Actual return on trust assets	152	113	174
Foreign exchange loss (gain)	—	3	2
Life annuities	17	5	24
Ending balance	Ps. 3,170	Ps. 3,001	Ps. 2,880

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

17.7 Variation in assumptions

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

- Discount rate: The rate that determines the value of the obligations over time.
- Salary increase rate: The rate that considers the salary increase which implies an increase in the benefit payable.
- Healthcare cost increase rate: The rate that considers the trends of health care costs which implies an impact on the postretirement medical service obligations and the cost for the year.

The following table presents the amount of defined benefit plan expense and OCI impact in absolute terms of a variation of 1% in the assumptions on the net defined benefit liability associated with the Company's defined benefit plans. The sensitivity of this 1% on the significant actuarial assumptions is based on projected long-term discount rates for Mexico and a yield curve projection of long-term Mexican government bonds - CETES:

+1%:	Income Statement			OCI [1]
Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability	Current Service Cost	Gain or Loss on Settlement or Curtailment	Effect of Net Interest on the Net Defined Benefit Liability (Asset)	Remeasurements of the Net Defined Benefit Liability (Asset)
Pension and retirement plans	Ps. 394	Ps. (54)	Ps. 232	Ps. 1,858
Seniority premiums	266	(3)	100	440
Postretirement medical services	39	(19)	41	120
Total	Ps. 699	Ps. (76)	Ps. 373	Ps. 2,418
Expected salary increase				
Pension and retirement plans	Ps. 467	Ps. (56)	Ps. 362	Ps. 2,039
Seniority premiums	302	(4)	119	682
Postretirement medical services	46	(24)	52	148
Total	Ps. 815	Ps. (84)	Ps. 533	Ps. 2,869
Assumed rate of increase in healthcare costs				
Postretirement medical services	Ps. 52	Ps. (26)	Ps. 56	Ps. 149

[1] Amounts accumulated in other comprehensive income as of the end of the period.

-1%: Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability	Income Statement: Current Service Cost	Income Statement: Gain or Loss on Settlement or Curtailment	Income Statement: Effect of Net Interest on the Net Defined Benefit Liability (Asset)	OCI [1]: Remeasurements of the Net Defined Benefit Liability (Asset)
Pension and retirement plans	Ps. 465	Ps. (56)	Ps. 384	Ps. 2,086
Seniority premiums	307	(3)	124	660
Postretirement medical services	51	(26)	57	149
Total	Ps. 823	Ps. (85)	Ps. 565	Ps. 2,895
Expected salary increase				
Pension and retirement plans	Ps. 390	Ps. (54)	Ps. 276	Ps. 1,883
Seniority premiums	267	(3)	102	425
Postretirement medical services	46	(24)	52	148
Total	Ps. 703	Ps. (81)	Ps. 430	Ps. 2,456
Assumed rate of increase in healthcare costs				
Postretirement medical services	Ps. 39	Ps. (19)	Ps. 42	Ps. 120

[1] Amounts accumulated in other comprehensive income as of the end of the period.

17.8 Employee benefits expense

For the years ended December 31, 2021, 2020 and 2019, employee benefits expenses recognized in the consolidated income statements as cost of goods sold, administrative and selling expenses are as follows:

	2021	2020	2019
Wages and salaries	Ps. 70,238	Ps. 68,312	Ps. 64,776
Social security costs	11,737	11,595	11,494
Employee profit sharing	2,035	1,112	1,205
Post-employment benefits	1,176	1,002	795
Share-based payments	854	575	200
Termination benefits	259	201	169
	Ps. 86,299	Ps. 82,797	Ps. 78,639

NOTE 18. BONUS PROGRAMS

18.1 Quantitative and qualitative objectives

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

The quantitative objectives represent approximately 50% of the bonus and are based on the Economic Value Added ("EVA") methodology. The objective established for the executives at each entity is based on a combination of the EVA generated per entity and the EVA generated by the Company, calculated at approximately 70% and 30%, respectively. The qualitative objectives and special projects represent the remaining 50% of the annual bonus and are based on the critical success factors established at the beginning of the year for each executive.

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

18.2 Share-based payment bonus plan

The Company has implemented a stock incentive plan for the benefit of its senior executives. As discussed above, this plan uses as its main evaluation metric the EVA. Under the EVA stock incentive plan, eligible employees are entitled to receive a special annual bonus (fixed amount), to be paid in shares of FEMSA or Coca-Cola FEMSA, as applicable or stock options (the plan considers providing stock options to employees; however, since inception only shares of FEMSA or Coca-Cola FEMSA have been granted).

The plan is managed by FEMSA's chief executive officer ("CEO"), with the support of the board of directors, together with the CEO of the respective sub-holding company. FEMSA's Board of Directors is responsible for approving the plan's structure, and the annual amount of the bonus. Each year, FEMSA's CEO in conjunction with the Evaluation and Compensation Committee of the board of directors and the CEO of the respective sub-holding company determines the employees eligible to participate in the plan and the bonus formula to determine the number of shares to be received. Until 2015 the shares were vested ratably over a six years period, beginning with January 1, 2016 onwards they ratably vest over a four year period, with retrospective effects, on existing grants recognized in 2016. FEMSA accounts for its share-based payment bonus plan as an equity-settled share-based payment transaction as it will ultimately settle its obligations with its employees by issuing its own shares or those of its subsidiary Coca-Cola FEMSA.

The Company contributes the individual employee's special bonus (after taxes) in cash to the Administrative Trust (which is controlled and consolidated by FEMSA), who then uses the funds to purchase FEMSA or Coca-Cola FEMSA shares (as instructed by the Administrative Trust's Technical Committee), which are then allocated to such employee. The Administrative Trust tracks the individual employees' account balance. FEMSA created the Administrative Trust to conduct the purchase of FEMSA and Coca-Cola FEMSA shares by each of its subsidiaries with eligible executives participating in the stock incentive plan. The Administrative Trust's objectives are to acquire FEMSA shares or shares of Coca-Cola FEMSA and to manage the shares granted to the individual employees based on instructions set forth by the Technical Committee. Once the shares are acquired following the Technical Committee's instructions, the Administrative Trust assigns to each participant their respective rights. As the trust is controlled and therefore consolidated by FEMSA, shares purchased in the market and held within the Administrative Trust are presented as treasury stock (as it relates to FEMSA's shares) or as a reduction of the noncontrolling interest (as it relates to Coca-Cola FEMSA's shares) in the consolidated statement of changes in equity, on the line issuance (purchase) of shares associated with share-based payment plans. Should an employee leave prior to their shares vesting, such employee would lose the rights to such shares, which would then remain within the Administrative Trust and be able to be reallocated to other eligible employees as determined by the Company. The incentive plan target is expressed in months of salary, and the final amount payable is computed based on a percentage of compliance with the goals established every year. For the years ended December 31, 2021, 2020 and 2019, the compensation expense recorded in the consolidated income statement amounted to Ps.853, Ps. 575 and Ps. 610, respectively.

All shares held in the Administrative Trust are considered outstanding for diluted earnings per share purposes and dividends on shares held by the trust are charged to retained earnings.

As of December 31, 2021 and 2020, the changes in the number of shares held by the trust associated with the Company's share-based payment plans are as follows:

	Number of Shares			
	FEMSA UBD		KOF UBL	
	2021	2020	2021	2020
Beginning balance	3,414,900	2,249,665	1,360,158	752,847
Shares acquired by the administrative trust to employees	2,221,136	2,445,983	921,125	985,535
Shares released from administrative trust to employees upon vesting	(1,963,450)	(1,280,748)	(580,209)	(378,224)
Ending balance	3,672,586	3,414,900	1,701,074	1,360,158

The fair value of the shares held by the trust as of the end of December 31, 2021 and 2020 was Ps. 706 and Ps. 638, respectively, based on quoted market prices of those dates.

NOTE 19. BANK LOANS AND NOTES PAYABLE

(in millions of Mexican pesos)	On December 31, [1] 2022	2023	2024	2025	2026	2027 and Thereafter	Carrying Value at December 31, 2021	Fair Value at December 31, 2021	Carrying Value at December 31, 2020 [1]
Short-term debt:									
Fixed-rate debt:									
Colombian pesos									
Bank loans	Ps. 311	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. 311	Ps. 311	Ps. 168
Interest rate	2.5%	—	—	—	—	—	2.5%	—	2.1%
Argentine pesos									
Bank loans	461	—	—	—	—	—	461	461	711
Interest rate	41.0%	—	—	—	—	—	41.0%	—	44.7%
Chilean pesos									
Bank loans	261	—	—	—	—	—	261	261	1,027
Interest rate	0.7%	—	—	—	—	—	0.7%	—	1.9%
U.S. dollars									
Bank loans	—	—	—	—	—	—	—	—	1,150
Interest rate	—	—	—	—	—	—	—%	—	2.0%
Uruguayan pesos									
Bank loans	184	—	—	—	—	—	184	184	498
Interest rate	6.0%	—	—	—	—	—	6.0%	—	15.1%
Guatemalan quetzal									
Bank loans	26	—	—	—	—	—	26	26	63
Interest rate	6.3%	—	—	—	—	—	6.3%	—	6.3%
Variable-rate debt:									
Mexican pesos									
Bank loans	760	—	—	—	—	—	760	760	360
Interest rate	5.9%	—	—	—	—	—	5.9%	—	5.2%
Colombian pesos									
Bank loans	—	—	—	—	—	—	—	—	492
Interest rate	—	—	—	—	—	—	—	—	3.0%
Total short-term debt	Ps. 2,003	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. 2,003	Ps. 2,003	Ps. 4,469

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

(in millions of Mexican pesos)	On December 31, [1] 2022	2023	2024	2025	2026	2027 and Thereafter	Carrying Value at December 31, 2021	Fair Value at December 31, 2021	Carrying Value at December 31, 2020 [1]
Long-term debt:									
Fixed-rate debt:									
Euro									
Senior unsecured notes	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. 27,646	Ps. 27,646	Ps. 27,321	Ps. 24,469
Interest rate	—	—	—	—	—	0.7%	0.7%	—	1.7%
U.S. dollars									
Yankee bond	—	—	—	—	—	52,255	52,255	56,147	50,597
Interest rate	—	—	—	—	—	3.1%	3.1%	—	3.1%
Bank of NY (FEMSA USD 2023)	—	6,170	—	—	—	—	6,170	6,323	5,975
Interest rate [1]	—	2.9%	—	—	—	—	2.9%	—	2.9%
Bank of NY (FEMSA USD 2043)	—	—	—	—	—	14,262	14,262	16,991	13,805
Interest rate [1]	—	—	—	—	—	4.4%	4.4%	—	4.4%
Bank of NY (FEMSA USD 2050)	—	—	—	—	—	51,174	51,174	53,707	49,549
Interest rate [1]	—	—	—	—	—	3.5%	3.5%	—	3.5%
Bank loans	—	—	2,352	—	—	—	2,352	2,352	2,293
Interest rate	—	—	3.6%	—	—	—	3.6%	—	3.7%
Mexican pesos									
Domestic senior notes	—	7,498	—	—	—	18,449	25,947	24,722	21,483
Interest rate	—	5.5%	—	—	—	7.6%	7.0%	—	7.0%
Bank loans	82	75	68	65	15	—	305	305	165
Interest rate	6.5%	6.1%	5.6%	5.3%	1.1%	—	5.7%	—	9.3%
Brazilian reais									
Bank loans	48	28	18	—	—	—	94	94	157
Interest rate	6.0%	6.4%	6.6%	—	—	—	6.2%	—	6.1%
Chilean pesos									
Bank loans	—	338	—	—	—	—	338	338	15
Interest rate	—	1.2%	—	—	—	—	1.2%	—	3.2%
Uruguayan pesos									
Bank loans	256	930	—	—	—	—	1,186	1,186	1,031
Interest rate	8.0%	6.3%	—	—	—	—	6.7%	—	10.8%
Subtotal	Ps. 386	Ps. 15,039	Ps. 2,438	Ps. 65	Ps. 15	Ps. 163,786	Ps. 181,729	Ps. 189,486	Ps. 169,539

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

(in millions of Mexican pesos)	On December 31, [1] 2022	2023	2024	2025	2026	2027 and Thereafter	Carrying Value at December 31, 2021	Fair Value at December 31, 2021	Carrying Value at December 31, 2020 [1]
Variable-rate debt:									
Mexican pesos									
Domestic senior notes	Ps. 1,499	Ps. —	Ps. —	Ps. 1,726	Ps. 2,425	Ps. —	Ps. 5,650	Ps. 5,540	Ps. 3,181
Interest rate [1]	5.5%	—	—	5.3%	5.3%	—	5.4%	—	4.6%
Bank loans	170	72	48	29	11	—	330	330	9,771
Interest rate [1]	6.2%	6.6%	6.9%	6.9%	6.8%	—	6.5%	—	8.4%
Brazilian reais									
Bank loans	5	—	—	—	—	—	5	5	47
Interest rate	9.0%	—	—	—	—	—	9.0%	—	8.1%
Colombian pesos									
Bank loans	10	—	—	—	—	—	10	10	25
Interest rate	4.5%	—	—	—	—	—	4.5%	—	4.4%
Chilean pesos									
Bank loans	567	291	—	—	—	—	858	858	1,633
Interest rate	1.8%	1.8%	—	—	—	—	1.8%	—	3.5%
Subtotal	Ps. 2,251	Ps. 363	Ps. 48	Ps. 1,755	Ps. 2,436	Ps. —	Ps. 6,853	Ps. 6,743	Ps. 14,657
Total long-term debt	Ps. 2,637	Ps. 15,402	Ps. 2,486	Ps. 1,820	Ps. 2,451	Ps. 163,786	Ps. 188,582	Ps. 196,229	Ps. 184,196
Current portion of long-term debt							(2,637)		(4,332)
							Ps. 185,945		Ps. 179,864

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

Hedging Derivative Financial Instruments [1]	2022	2023	2024	2025	2027 and 2026	Thereafter	Total 2021	Total 2020
(notional amounts in millions of Mexican pesos)								
Cross-currency swaps:								
U.S. dollars to Mexican pesos								
Fixed to a variable [3]	Ps. —	Ps. 11,403	Ps. —	Ps. —	Ps. —	—	Ps. 11,403	Ps. 20,979
Interest pay rate	—	7.0%	—	—	—	—	7.0%	7.5%
Interest receive rate	—	4.0%	—	—	—	—	4.0%	3.9%
Fixed to fixed	—	3,120	—	10,000	—	11,115	24,235	23,835
Interest pay rate	—	7.2%	—	8.2%	—	8.9%	8.4%	8.1%
Interest receive rate	—	3.1%	—	3.5%	—	3.6%	3.5%	3.3%
Fixed to fixed [2]								
Interest pay rate	—	—	—	—	—	9.4%	9.4%	8.8%
Interest receive rate	—	—	—	—	—	4.4%	4.4%	4.2%
U.S. dollars to Euro								
Fixed to fixed	—	—	—	—	—	15,078	15,078	—
Interest pay rate	—	—	—	—	—	1.9%	1.9%	—
Interest receive rate	—	—	—	—	—	3.5%	3.5%	—
U.S. dollars to Brazilian reais								
Fixed to variable	—	—	—	—	5,146	—	5,146	—
Interest pay rate	—	—	—	—	9.9%	—	9.9%	—
Interest receive rate	—	—	—	—	2.1%	—	2.1%	—
Fixed to fixed	—	9,880	—	—	—	—	9,880	—
Interest pay rate	—	9.5%	—	—	—	—	9.5%	—
Interest receive rate	—	3.9%	—	—	—	—	3.9%	—
Colombian pesos								
Fixed to fixed	—	—	—	—	—	—	—	404
Interest pay rate	—	—	—	—	—	—	—	5.0%
Interest receive rate	—	—	—	—	—	—	—	2.4%
Interest rate swaps:								
Fixed to variable rate:	—	—	—	—	—	6,175	6,175	—
Interest pay rate	—	—	—	—	—	0.4%	0.4%	—
Interest receive rate	—	—	—	—	—	1.9%	1.9%	—
Variable to a fixed rate:	131	726	2,367	—	—	—	3,225	4,716
Interest pay rate	6.6%	5.8%	3.6%	—	—	—	4.2%	5.0%
Interest receive rate	2.4%	1.8%	1.9%	—	—	—	1.9%	2.9%
Variable to fixed rate [3]:								
Interest pay rate	—	7.2%	—	—	—	—	7.2%	7.2%
Interest receive rate	—	7.0%	—	—	—	—	7.0%	5.7%

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

[2] Cross Currency swaps which covers U.S. dollars to Mexican pesos with a notional of Ps.8,869, that have a starting date in 2023; receiving a fixed rate of 4.4% and pay a fixed rate of 9.4%.

[3] Interest rate swaps with a notional amount of Ps.11,403 that receive a variable rate of 7.0% and pay a fixed rate of 7.2%; joined with a cross-currency swap, which covers U.S. dollars to Mexican pesos, that receives a fixed rate of 4.0% and pay a variable rate of 7.0%.

For the years ended December 31, 2021, 2020 and 2019, the interest expense is comprised as follows:

	2021	2020	2019
Interest on debts and borrowings	Ps. 9,356	Ps. 10,789	Ps. 6,434
Finance charges for employee benefits, net	476	456	382
Derivative instruments	1,970	1,428	2,300
Finance operating charges	18	(231)	243
Finance charges payable for leases	5,118	5,074	4,774
	Ps. 16,938	Ps. 17,516	Ps. 14,133

On March 14, 2016, the Company issued long-term debt on the Irish Stock Exchange ("ISE") in the amount of €. 1,000 million, which was made up of senior notes with a maturity of 7 years, a fixed interest rate of 1.75%, and a spread of 155 basis points over the relevant benchmark mid-swap, for a total yield of 1.824%. The Company designated this non-derivative financial liability as a hedge on the net investment in Heineken. These senior notes were prepaid in May 2021, with a settlement price of €. 1,042 million, which includes accrued expenses. The difference between the settlement price and the book value of the debt at the date of prepayment was recognized in the income statement. As a result of this transaction, the net investment hedge was discontinued without any effects in the income statement. For the year ended December 31, 2021, up to the prepayment date, a foreign exchange gain, net of tax, has been recognized as part of the exchange differences on translation of foreign operations within the cumulative other comprehensive income of Ps. 232. The foreign exchange effects accumulated up to the prepayment date of the senior notes will be recognized in the income statement with the corresponding currency translation effect when a partial or total disposal of Heineken shares occurs.

On January 16, 2020, the Company issued U.S. $1,500 million 3.500% Senior Unsecured Notes at an annual rate of 130 basis points over the relevant benchmark. In addition, on February 12, 2020, the Company placed a re-tap to its US-denominated SEC-registered Senior Unsecured Notes due 2050 and issued U.S. $300 million 3.500% at an annual rate of 137.5 basis points over the relevant benchmark, raising the total outstanding balance to U.S. $1,800 million with an implied yield to maturity of 3.577%. In June 2020, the Company issued U.S. $700 million 3.500% Senior Unsecured Notes due 2050 with an implicit weighted performance of 3.358%. The Company has designated a portion of these non-derivative financial liabilities as a hedge on the net investment. For the year ended December 31, 2021, a foreign exchange loss, net of tax, has been recognized as part of the income on hedge of net investments in foreign operations within the cumulative other comprehensive income of Ps. 722.

In April 2021, the Company issued €. 500 and €. 700 million in debt certificates at a fixed rate of 1.0%, maturing in 2033 and 0.5% maturing in 2028, respectively. On May 21, 2021, this non-derivative financial liability was designated as a hedge on the net investment in Heineken. Since the hedge-designation date up to December 31, 2021, a foreign exchange gain, net of tax, has been recognized as part of the income on the hedge of net investments in foreign operations within the cumulative other comprehensive income of Ps. 840.

In March 2020, we entered into certain short-term bank loans in Mexican pesos for an aggregate principal amount of Ps.15,000 million.

Coca-Cola FEMSA has the following bonds:

a) registered with the Mexican stock exchange:

i) Ps. 7,500 (nominal value), maturing in 2023 and a fixed interest rate of 5.46%; ii) Ps. 1,500 (nominal value) maturing in 2022 and with a floating interest rate of TIIE + 0.25; iii) Ps. 8,500 (nominal value) with a maturity in 2027 and a fixed interest rate of 7.87%; iv) Ps. 3,000 (nominal value) with a maturity date in 2028 and a fixed interest rate of 7.35%; v) Ps. 1,727 (nominal value) with a maturity date in 2025 and a floating interest rate of TIIE + 0.08%; vi) Ps. 6,965 (nominal value) with a maturity date in 2028 and a fixed interest rate of 7.36%; vii) Ps. 2,435 (nominal value) with a maturity date in 2026 and a floating interest rate of TIIE + 0.05%.

b) registered with the SEC:

i) Senior notes of U.S. $ 1,250 with a fixed interest rate of 2.75% and maturity on January 22, 2030; ii) Senior notes of U.S. $ 600 with a fixed interest rate of 5.25% and maturity on November 26, 2043, and iii) Senior notes of $ 705 with interest at a fixed rate of 1.85% and maturity on September 1, 2032.

The mentioned senior notes are guaranteed by Coca-Cola FEMSA subsidiaries: Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Distribuidora y Manufacturera del Valle de Mexico, S. de R.L. de C.V (as successor guarantor of Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V.) and Yoli de Acapulco, S. de R.L. de C.V. (“Guarantors”).

In 2019 Coca-Cola FEMSA celebrated bank loans in Mexico for an amount of Ps. 9,400 at an interest rate of 8.39% and 7.91%, such loans were used to settled bank loans denominated in USD and for general corporate purposes. Additionally, the Company obtained during 2019 bank loans in Uruguay, Colombia and Argentina for an amount of Ps. 1,670.

During 2020, Coca-Cola FEMSA obtained (and paid off) bank loans to build liquidity in light of the recent COVID-19 pandemic: in Mexico for an amount of Ps. 15,650 at a weighted interest rate of 6.04%, in Argentina and Colombia for an amount of Ps. 1,184. Similarly, on January 22, 2020, Coca-Cola FEMSA prepaid senior notes during the same year in Mexico of US. $ 900, and on February 18, 2020, Coca-Cola FEMSA paid the total balance of its senior notes in of US. $ 500.

In addition, Coca-Cola FEMSA celebrated bank loans in Argentine and Uruguayan peso with some banks for Ps. 711 and Ps. 759, respectively.

During the third quarter of 2021, Coca-Cola FEMSA: i) issued the first bonds linked to the sustainability of the Mexican market for a total of Ps. 9,400 in the modality of communicating vessels with maturities in 2026 and 2028 and with those resources ii) prepaid bilateral loans denominated in Mexican pesos of: i) Ps. 3,760 with a maturity date of February 2025 and ii) Ps. 5,640 with an expiration date of August 2026.

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

19.1 Reconciliation of liabilities arising from financing activities

			Non-Cash Effects				
	Carrying Value at January 1, 2021	Cash Flows	Acquisition	New Leases	Foreign Exchange Income (Loss)	Others [1]	Carrying Value at December 31, 2021
Bank loans	Ps. 19,430	Ps. (11,015)	Ps. —	Ps. —	Ps. (939)	Ps. 104	Ps. 7,580
Notes payable	169,235	12,156	—	—	1,614	—	183,005
Total liabilities from financing activities	188,665	1,141	—	—	675	104	190,585
Financial leases	58,308	(12,325)	1,540	7,871	(798)	7,759	62,355
Total financing activities	Ps. 246,973	Ps. (11,184)	Ps. 1,540	Ps. 7,871	Ps. (123)	Ps. 7,863	Ps. 252,940

[1] Includes mainly remeasurements of leases, and amortization of transaction costs.

	Carrying Value at January 1, 2020	Cash Flows	Non-Cash Effects: Acquisition	Non-Cash Effects: New Leases	Non-Cash Effects: Foreign Exchange Income (Loss)	Non-Cash Effects: Others [(1)]	Carrying Value at December 31, 2020
Bank loans	Ps. 20,807	Ps. (1,286)	Ps. —	Ps. —	Ps. 221	Ps. (312)	Ps. 19,430
Notes payable	97,144	67,379	—	—	4,813	(101)	169,235
Total liabilities from financing activities	117,951	66,093	—	—	5,034	(413)	188,665
Financial leases	54,679	(9,810)	1,765	7,982	(584)	4,276	58,308
Total liabilities from financing activities	172,630	Ps. 56,283	Ps. 1,765	Ps. 7,982	Ps. 4,450	Ps. 3,863	Ps. 246,973

(1) Includes mainly remeasurements of leases, and amortization of transaction costs.

	Carrying Value at January 1, 2019	Cash Flows	Non-Cash Effects: Acquisition	Non-Cash Effects: New Leases	Non-Cash Effects: Foreign Exchange Income (Loss)	Non-Cash Effects: Others [(1)]	Carrying Value at December 31, 2019
Bank loans	Ps. 22,944	Ps. (2,999)	Ps. 1,917	Ps. —	Ps. (397)	Ps. (658)	Ps. 20,807
Notes payable	105,720	(5,022)	—	—	(1,244)	(2,310)	97,144
Total liabilities from financing activities	128,664	(8,021)	1,917	—	(1,641)	(2,968)	117,951
Lease liabilities	50,220	(8,848)	2,187	7,490	(10)	3,640	54,679
Total liabilities from financing activities	178,884	(16,869)	4,104	7,490	(1,651)	672	172,630

NOTE 20. OTHER INCOME AND EXPENSES

	2021	2020	2019
Gain on sale of other assets	Ps. 968	Ps. —	Ps. —
Gain on sale of long-lived assets	208	130	—
Sale of waste material	25	20	21
Insurance rebates	71	35	—
Foreign exchange gain	—	112	26
Other investment in shares [5]	3,245	2,011	—
Recycling of cumulative gain on sale of joint venture	—	212	—
Recoveries of prior years [1]	881	594	896
Others	489	229	70
Other income	Ps. 5,887	Ps. 3,343	Ps. 1,013
Contingencies associated with prior acquisitions or disposals	Ps. —	Ps. —	Ps. 149
Loss on sale of property, plant and equipment	—	—	67
Recoveries of prior years	41	—	44
Impairment of long-lived assets [2]	1,427	5,102	1,018
Loss in write-off of intangible assets	—	375	—
Disposal of long-lived assets [3]	579	915	861
Contingencies	187	804	589
Severance payments [4]	305	465	1,207
Donations	433	605	489
Legal fees and other expenses from past acquisitions	127	—	17
Foreign exchange loss	86	—	—
Items without tax requirements	172	—	—
Effect of taxes paid on previous years [6]	—	3,253	—
Other	370	862	464
Other expenses	Ps. 3,727	Ps. 12,381	Ps. 4,905

[1] Following a favorable decision from Brazilian tax authorities received during 2020 and 2019, Coca-Cola FEMSA has been entitled to reclaim indirect tax payments made in prior years in Brazil, resulting in the recognition of a tax credit and a positive effect on the operating revenues and other income captions of the condensed consolidated income statements. See Note 25.1.1.

[2] Includes impairment loss related to Corporación Grupo FYBECA S.A. (FEMSA Comercio – Health Division) and Campo Verde (Coca-Cola FEMSA), for an amount of Ps. 1,170 and Ps. 256, respectively in 2021. Likewise, includes impairment loss related to Compañía Panameña de Bebibas, S.A.P.I. de C.V., for an amount of Ps. 1,463 and Ps. 948 million in 2020 and 2019, respectively. Additionally, includes impairment loss related to Leao Alimentos e Bebidas, L.T.D.A., for an amount of Ps. 1,038 million in 2020. (see Note 10). Also, includes impairment loss related to Specialty's, and Doña Tota in 2020 for an amount of Ps. 2,021 and Ps. 576, respectively. The impairment losses in 2020 were mainly driven by mobility restrictions that impacted customer behavior and the economic crisis generated by the COVID-19 pandemic.

[3] Charges related to fixed assets retirement from ordinary operations and other long-lived assets.

[4] During 2019, the Company incurred restructuring costs related to some of its operations as part of an efficiency program.

[5] During 2021 and 2020, the Company received a dividend income related to its investment in Jetro Restaurant Depot.

[6] Interest and penalties associated with taxes paid from previous years.

NOTE 21. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The Company's financial assets and liabilities that are measured at fair value are based on level 1 and 2 applying the income approach method, which estimates the fair value based on expected cash flows discounted to net present value. The following table summarizes the Company's financial assets and liabilities measured at fair value, as of December 31, 2021, and 2020:

	December 31, 2021		December 31, 2020	
	Level 1	Level 2	Level 1	Level 2
Financial instrument (current asset)	764	865	488	85
Financial instrument (non-current asset)	3,170	39,152	3,002	31,069
Financial instrument (current liability)	35	103	83	1,045
Financial instrument (non-current liability)	—	1,635	—	3,743

21.1 Total debt

The fair value of bank loans is calculated based on the discounted value of contractual cash flows whereby the discount rate is estimated using rates currently offered for the debt of similar amounts and maturities, which is considered to be level 2 in the fair value hierarchy. The fair value of the Company's publicly traded debt is based on quoted market prices as of December 31, 2021 and 2020, which is considered to be level 1 in the fair value hierarchy.

	2021	2020
Carrying value	Ps. 190,585	Ps. 188,665
Fair value	198,232	208,134

21.2 Interest rate swaps

The Company uses interest rate swaps to offset the interest rate risk associated with its borrowings, under which it pays amounts based on a fixed rate and receives amounts based on a floating rate. These instruments have been designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value. The fair value is estimated using formal technical models. The valuation method involves discounting to present value the expected cash flows of interest, calculated from the rate curve of the cash flow currency, and expresses the net result in the reporting currency. Changes in fair value are recorded in cumulative other comprehensive income, net of taxes until the hedged amount is recorded in the consolidated income statements.

On December 31, 2021, the Company has the following outstanding interest rate swap agreements:

Maturity Date	Notional Amount	Fair Value Liability December 31, 2021	Fair Value Asset December 31, 2021
2022	Ps. 131	Ps. (1)	Ps. —
2023	12,129	—	177
2024	2,367	(39)	—
2032	6,175	—	170

On December 31, 2020, the Company has the following outstanding interest rate swap agreements:

Maturity Date	Notional Amount	Fair Value Liability December 31, 2020	Fair Value Asset December 31, 2020
2021	Ps. 449	Ps. (6)	Ps. —
2022	458	(16)	—
2023	12,918	(492)	—
2024	2,294	(126)	—

The net effect of expired contracts treated as hedges is recognized as interest expense within the consolidated income statements.

21.3 Forward agreements to purchase foreign currency

The Company has entered into forward agreements to reduce its exposure to the risk of exchange rate fluctuations between the Mexican peso and other currencies. Foreign exchange forward contracts measured at fair value are designated hedging instruments in cash flow hedges of forecast inflows in euros and forecast purchases of raw materials in U.S. dollars. These forecast transactions are highly probable.

These instruments have been designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value which is determined based on prevailing market exchange rates to terminate the contracts at the end of the period. The price agreed in the instrument is compared to the current price of the market forward currency and is discounted to the present value of the rate curve of the relevant currency. Changes in the fair value of these forwards are recorded as part of cumulative other comprehensive income, net of taxes. Net gain/loss on expired contracts is recognized as part of the cost of goods sold when the raw material is included in sale transactions, and as a part of foreign exchange when the inflow in euros is received.

On December 31, 2021, the Company had the following outstanding forward agreements to purchase foreign currency:

Maturity Date		Notional Amount		Fair Value Liability December 31, 2021		Fair Value Asset December 31, 2021
2022	Ps.	6,384	Ps.	(104)	Ps.	78
2023		23		(2)		—
2024		2		—		—

On December 31, 2020, the Company had the following outstanding forward agreements to purchase foreign currency:

Maturity Date		Notional Amount		Fair Value Liability December 31, 2020		Fair Value Asset December 31, 2020
2021	Ps.	9,042	Ps.	(1,040)	Ps.	4
2022		66		(41)		—
2023		23		(2)		—
2024		2		—		—

21.4 Cross-currency swaps

The Company has contracted for several cross-currency swaps to reduce the risks of exchange rate and interest rate fluctuations associated with its borrowings denominated in U.S. dollars and other foreign currencies. Cross-currency swaps contracts are designated as hedging instruments through which the Company changes the debt profile to its functional currency to reduce exchange exposure.

These instruments are recognized in the consolidated statement of financial position at their estimated fair value which is estimated using formal technical models. The valuation method involves discounting to present value the expected cash flows of interest, calculated from the rate curve of the cash foreign currency, and expresses the net result in the reporting currency. These contracts are designated as financial instruments at fair value through profit or loss. The fair values changes related to those cross-currency swaps are recorded under the caption "market value gain (loss) on financial instruments," net of changes related to the long-term liability, within the consolidated income statements.

The Company has cross-currency contracts designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value. Changes in fair value are recorded in cumulative other comprehensive income, net of taxes until such time as the hedge amount is recorded in the consolidated income statement.

On December 31, 2021, the Company had the following outstanding cross–currency swap agreements:

Maturity Date		Notional Amount		Fair Value Liability December 31, 2021		Fair Value Asset December 31, 2021
2022	Ps.	4,872	Ps.	—	Ps.	982
2023		24,403		—		12,379
2024		1,400		—		438
2025		10,667		(1,564)		154
2026		6,348		(1)		220
2027		7,204		—		366
2029		16,389		(21)		655
2030		3,911		(8)		404
2043		8,869		—		1,553

On December 31, 2020, the Company had the following outstanding cross–currency swap agreements:

Maturity Date		Notional Amount		Fair Value Liability December 31, 2020		Fair Value Asset December 31, 2020
2021	Ps.	4,575	Ps.	(5)	Ps.	169
2022		376		—		23
2023		24,103		—		10,808
2024		1,577		(9)		264
2025		10,750		(2,481)		—
2027		6,982		(464)		80
2029		1,519		—		122
2030		3,790		(107)		192
2043		8,869		—		2,706

21.5 Commodity price contracts

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

The fair value of expired commodity price contracts was recorded in the cost of goods sold where the hedged item was recorded also in the cost of goods sold.

On December 31, 2021, Coca-Cola FEMSA had the following sugar price contracts:

Maturity Date		Notional Amount		Fair Value Liability December 31, 2021		Fair Value Asset December 31, 2021
2022	Ps.	2,020	Ps.	(7)	Ps.	502
2023		769		—		195

On December 31, 2020, Coca-Cola FEMSA had the following sugar price contracts:

Maturity Date		Notional Amount		Fair Value Liability December 31, 2020		Fair Value Asset December 31, 2020
2021	Ps.	1,260	Ps.	(18)	Ps.	275
2022		366		—		70

On December 31, 2021, Coca-Cola FEMSA had the following aluminum price contracts:

Maturity Date		Notional Amount		Fair Value Asset December 31, 2021
2022	Ps.	102	Ps.	62

On December 31, 2020, Coca-Cola FEMSA had the following aluminum price contracts:

Maturity Date		Notional Amount		Fair Value Asset December 31, 2020
2021	Ps.	695	Ps.	125
2022		99		17

On December 31, 2021, Coca-Cola FEMSA had the following PX+MEG (resine) contracts:

Maturity Date		Notional Amount		Fair Value Liability December 31, 2021		Fair Value Asset December 31, 2021
2022	Ps.	470	Ps.	(28)	Ps.	5

On December 31, 2020, Coca-Cola FEMSA had the following PX+MEG (resine) contracts:

Maturity Date		Notional Amount		Fair Value Liability December 31, 2020
2021	Ps.	729	Ps.	(65)

21.6 Disposal of Estrella Azul

On September 30, 2020, Coca-Cola FEMSA announced that its joint venture with The Coca-Cola Company (Compañía Panameña de Bebidas, S.A.P.I. de C.V.) successfully sold 100% of its stock interest in Estrella Azul, a dairy products company in Panama. As part of the transaction, the company agreed with the buyer that we could receive payments in the future if the business of Estrella Azul achieves certain volume and EBITDA targets during the 2022-2027 period. The Company estimated the amount of the payments to be received based on the forecasts of the business (level 3 inputs) and calculated their net present value. As of December 31, 2021 and 2020, the financial assets recognized in the consolidated statement of financial position have a total value of Ps. 5 and Ps. 8, respectively.

21.7 Net effects of expired contracts that met hedging criteria

	Impact in Consolidated Income Statement		2021		2020		2019
Cross-currency swaps [(1)]	Interest expense	Ps.	—	Ps.	(109)	Ps.	199
Cross-currency swaps [(1)]	Foreign exchange		—		1,212		480
Interest rate swaps	Interest expense		—		(163)		515
Forward agreements to purchase foreign currency	Foreign exchange		41		(167)		(116)
Commodity price contracts	Cost of goods sold		1,245		(129)		(391)
Options to purchase foreign currency	Cost of goods sold		—		8		(63)
Forward agreements to purchase foreign currency	Cost of goods sold		(788)		839		(163)
Treasury locks	Interest expense		—		153		—

[(1)] This amount corresponds to the settlement of cross-currency swaps portfolio in Brazil presented as part of the other financial activities.

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

Derivative	Impact in Consolidated Income Statement		2021		2020		2019
Embedded derivatives	Market value gain on financial statements	Ps.	—	Ps.	—	Ps.	4
Cross-currency swaps	Market value gain (loss) on financial statements		80		(212)		(293)

21.9 Net effect of expired contracts that did not meet the criteria for hedge accounting purposes

Type of Derivatives	Impact in Consolidated Income Statement		2021		2020		2019
Cross-currency swaps	Market value loss on financial instruments	Ps.	—	Ps.	(212)	Ps.	(293)
Embedded derivatives	Market value gain on financial instruments		—		—		4

21.10 Risk management

The Company has exposure to the following financial risks:

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

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

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

- The effect of the credit risk of the counterparty and the Company on the fair value of foreign currency forward contracts; and
- Changes in the periods covered.

21.10.1 Market risk

Market risk is the risk that the fair value or the future cash flow of a financial instrument will fluctuate because of changes in market prices. Market prices include currency risk and commodity price risk.

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

- Forward agreements to purchase foreign currency to reduce its exposure to the risk of exchange rate fluctuations.
- Cross-currency swaps to reduce its exposure to the risk of exchange rate fluctuations.
- Commodity price contracts to reduce its exposure to the risk of fluctuation in the costs of certain raw materials.

The Company tracks the fair value (mark to market) of its derivative financial instruments and its possible changes using scenario analyses.

The following disclosures provide a sensitivity analysis of the market risks management considered to be reasonably possible at the end of the reporting period based on a stress test of the exchange rates according to an annualized volatility estimated with historic prices obtained for the underlying asset over a period, in the cases of derivative financial instruments related to foreign currency risk, which the Company is exposed to as it relates to in its existing hedging strategy:

Foreign Currency Risk	Change in Exchange Rate		Effect on Equity
2021			
FEMSA [1]	+11% MXN/USD	Ps.	4
	-11% MXN/USD		(4)
	+16% BRL/USD		37
	-16% BRL/USD		(37)
Coca-Cola FEMSA	+11% MXN/USD		298
	-11% MXN/USD		(298)
	+16% BRL/USD		284
	-16% BRL/USD		(284)
	+4% UYU/USD		7
	-4% UYU/USD		(7)
	+11% COP/USD		81
	-11% COP/USD		(81)
	+1% ARS/USD		3
	-1% ARS/USD		(3)
	+3% CRC/USD		10
	-3% CRC/USD		(10)
2020			
FEMSA [1]	+19% MXN/USD	Ps.	327
	-19% MXN/USD		(327)
	+21% BRL/USD		240
	-21% BRL/USD		(240)
Coca-Cola FEMSA	+19% MXN/USD		884
	-19% MXN/USD		(884)
	+21% BRL/USD		357
	-21% BRL/USD		(357)
	+9% UYU/USD		21
	-9% UYU/USD		(21)
	+16% COP/USD		142
	-16% COP/USD		(142)
	+2% ARS/USD		2
	-2% ARS/USD		(2)

Foreign Currency Risk	Change in Exchange Rate	Effect on Equity
2019		
FEMSA [1]	+9% MXN/EUR	Ps. 57
	-9% MXN/EUR	(57)
Coca-Cola FEMSA	+13% BRL/USD	202
	-13% BRL/USD	(202)
	+9% MXN/USD	739
	-9% MXN/USD	(739)
	+13% BRL/USD	155
	-13% BRL/USD	(155)
	+5% UYU/USD	23
	-5% UYU/USD	(23)
	+10% COP/USD	54
	-10% COP/USD	(54)
	+25% ARS/USD	88
	-25% ARS/USD	(88)

[1] Does not include Coca-Cola FEMSA.

Cross Currency Swaps [1][2]	Change in Exchange Rate	Effect on Equity	Effect on Profit or Loss
2021			
FEMSA [3]	+13% CLP/USD	Ps. —	Ps. 552
	-13% CLP/USD	—	(552)
	+11% MXN/USD	—	3,404
	-11% MXN/USD	—	(3,404)
	+11% COP/USD	—	235
	-11% COP/USD	—	(235)
	+15% MXN/BRL	—	123
	-15% MXN/BRL	—	(123)
	+6% EUR/USD	—	1,049
	-6% EUR/USD	—	(1,049)
Coca-Cola FEMSA	+11% MXN/USD	1,645	—
	-11% MXN/USD	(1,645)	—
	+16% BRL/USD	2,300	—
	-16% BRL/USD	(2,300)	—

Cross Currency Swaps [1][2]	Change in Exchange Rate	Effect on Equity	Effect on Profit or Loss
2020			
FEMSA [3]	+13% CLP/USD	Ps. —	Ps. 717
	-13% CLP/USD	—	(717)
	+19% MXN/USD	—	6,381
	-19% MXN/USD	—	(6,381)
	+16% COP/USD	—	426
	-16% COP/USD	—	(426)
	+19% MXN/BRL	—	238
	-19% MXN/BRL	—	(238)
Coca-Cola FEMSA	+19% MXN/USD	5,507	—
	-19% MXN/USD	(5,507)	—
	+21% BRL/USD	2,161	—
	-21% BRL/USD	(2,161)	—
2019			
FEMSA [3]	+11% CLP/USD	Ps. —	Ps. 546
	-11% CLP/USD	—	(546)
	+9% MXN/USD	—	1,805
	-9% MXN/USD	—	(1,805)
	+10% COP/USD	—	286
	-10% COP/USD	—	(286)
	+13% MXN/BRL	—	177
	-13% MXN/BRL	—	(177)
Coca-Cola FEMSA	+9% MXN/USD	2,315	—
	-9% MXN/USD	(2,315)	—
	+13% BRL/USD	645	—
	-13% BRL/USD	(645)	—

[1] The sensitivity analysis effects include all subsidiaries of the Company.

[2] Includes the sensitivity analysis effects of all derivative financial instruments related to foreign exchange risk.

[3] Does not include Coca-Cola FEMSA.

Net Cash in Foreign Currency [1]	Change in Exchange Rate		Effect on Profit or Loss
2021			
FEMSA [2]	+10% EUR/ +11% USD	Ps.	4,931
	-10% EUR/ -11% USD		(4,931)
Coca-Cola FEMSA	+11% USD		3,200
	-11% USD		(3,200)
2020			
FEMSA [2]	+18% EUR/ +19 % USD	Ps.	8,827
	-18% EUR/ -19 % USD		(8,827)
Coca-Cola FEMSA	+18% USD		5,755
	-18% USD		(5,755)
2019			
FEMSA [2]	+9% EUR/ +9 % USD	Ps.	3,833
	-9% EUR/ -9 % USD		(3,833)
Coca-Cola FEMSA	+8% USD		940
	-8% USD		(940)

[1] The sensitivity analysis effects include all subsidiaries of the Company.

[2] Does not include Coca-Cola FEMSA.

Commodity Price Contracts [1]	Change in U.S.$ Rate		Effect on Equity
2021			
Coca-Cola FEMSA	Sugar - 28%	Ps.	(714)
	Aluminum - 24%	Ps.	(39)
2020			
Coca-Cola FEMSA	Sugar - 32%	Ps.	(515)
	Aluminum - 16%	Ps.	(289)
2019			
Coca-Cola FEMSA	Sugar - 24%	Ps.	(255)
	Aluminum - 15%	Ps.	(1,164)

[1] Effects on commodity price contracts are only in Coca-Cola FEMSA.

21.10.2 Interest rate risk

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

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

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

Interest Rate Swap [1]	Change in Bps.		Effect on Equity
2021			
FEMSA [2]	(100 Bps.)	Ps.	(212)
2020			
FEMSA [2]	(100 Bps.)	Ps.	(354)
2019			
FEMSA [2]	(100 Bps.)	Ps.	(432)
Coca-Cola FEMSA	(100 Bps.)		(37)

[1] The sensitivity analysis effects include all subsidiaries of the Company.

[2] Does not include Coca-Cola FEMSA.

Interest Effect of Unhedged Portion Bank Loans		2021		2020		2019
Change in interest rate		+100 Bps.		+100 Bps.		+100 Bps.
Effect on profit loss	Ps.	(627)	Ps.	(110)	Ps.	(50)

21.10.3 Liquidity risk

Each of the Company's sub-holding companies generally finances its operational and capital requirements on an independent basis. As of December 31, 2021 and 2020, 47.4% and 50.2%, respectively of the Company's outstanding consolidated total indebtedness was at the level of its sub-holding companies. This structure is attributable, in part, to the inclusion of third parties in the capital structure of Coca-Cola FEMSA. Currently, the Company's management expects to continue financing its operations and capital requirements (e.g., acquisitions, investments or capital expenditures) when it is considering domestic funding at the level of its sub-holding companies, otherwise; it is generally more convenient that its foreign operations would be financed directly through the Company because of more favorable terms of its financing market conditions. Nonetheless, sub-holdings companies may decide to incur indebtedness in the future to finance their operations and capital requirements of the Company's subsidiaries or significant acquisitions, investments or capital expenditures. As a holding company, the Company depends on dividends and other distributions from its subsidiaries to service the Company's indebtedness.

The Company's principal source of liquidity has generally been cash generated from its operations. The Company has traditionally been able to rely on cash generated from operations because a significant majority of the sales of Coca-Cola FEMSA and FEMSA Comercio – Proximity, FEMSA Comercio – Health and FEMSA Comercio – Fuel Divisions are on a cash or short-term credit basis, and FEMSA Comercio's OXXO stores can finance a significant portion of their initial and ongoing inventories with supplier credit. The Company's principal use of cash has generally been for capital expenditure programs, acquisitions, debt repayment and dividend payments.

Ultimate responsibility for liquidity risk management rests with the Company's board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity requirements. The Company manages liquidity risk by maintaining adequate cash reserves and continuously monitoring the forecast and actual cash flows, and with a low concentration of maturities per year.

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

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

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

The Company's sub-holding companies generally incur short-term indebtedness if they are temporarily unable to finance operations or meet any capital requirements with cash from operations. A significant decline in the business of any of the Company's sub-holding companies may affect the sub-holding company's ability to fund its capital requirements. A significant and prolonged deterioration in the economies in which we operate or in the Company's businesses may affect the Company's ability to obtain short-term and long-term credit or to refinance existing indebtedness on terms satisfactory to the Company's management.

The Company presents the maturity dates associated with its long-term financial liabilities as of December 31, 2021, see Note 19. The Company generally makes payments associated with its long-term financial liabilities with cash generated from its operations.

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. It includes expected net cash outflows from derivative financial liabilities that are in place as of December 31, 2021. Such expected net cash outflows are determined based on each particular settlement date of an instrument. The amounts disclosed are undiscounted net cash outflows for the respective upcoming fiscal years, based on the earliest date on which the Company could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on economic conditions (like interest rates and foreign exchange rates) existing on December 31, 2021.

	2022	2023	2024	2025	2026	2027 and Thereafter
Non-derivative financial liabilities:						
Notes and bonds	Ps. 4,439	Ps. 17,183	Ps. 2,918	Ps. 4,551	Ps. 5,271	Ps. 233,001
Loans from Banks	3,428	1,941	2,732	79	28	—
IFRS 16 lease obligation	55	44	32	25	1	—
Derivative financial liabilities	993	1,233	404	1,672	147	(11,787)

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

21.10.4 Credit risk

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

The Company has a high receivable turnover; hence management believes credit risk is minimal due to the nature of its businesses, which have a large portion of their sales settled in cash. The Company's maximum exposure to credit risk for the components of the statement of financial position at December 31, 2021 and 2020 is the carrying amounts, see Note 7.

The Company manages the credit risk related to its derivative portfolio by only entering into transactions with reputable and credit-worthy counterparties as well as by maintaining in some cases a Credit Support Annex ("CSA") that establishes margin requirements, which could change upon changes to the credit ratings given to the Company by independent rating agencies. As of December 31, 2021, the Company concluded that the maximum exposure to credit risk related to derivative financial instruments is not significant given the high credit rating of its counterparties.

21.11 Cash flows hedges

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

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

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

As of December 31, 2021, the Company's financial instruments used to hedge its exposure to foreign exchange rates and interest rates are as follows:

	Maturity		
	1-6 months	6-12 months	More than 12
Foreign exchange currency risk			
Foreign exchange currency forward contracts			
Net exposure	1,996	1,068	25
Average exchange rate MXN/USD	20.90	21.43	24.33
Net exposure	1,171	593	—
Average exchange rate BRL/USD	5.44	5.97	—
Net exposure	497	191	—
Average exchange rate COP/USD	3,858	3,952	—
Net exposure	280	—	—
Average exchange rate ARS/USD	122.56	—	—
Net exposure	165	48	—
Average exchange rate URY/USD	45.51	46.30	—
Net exposure	211	120	—
Average exchange rate CRC/USD	646.33	650.71	—
Foreign exchange currency swap contracts			
Net exposure	—	—	44,507
Average exchange rate MXN/USD	—	—	16.41
Net exposure	—	—	15,026
Average exchange rate BRL/USD	—	—	4.47
Net exposure	—	—	885
Average exchange rate BRL/MXN	—	—	0.22
Net exposure	1,038	321	2,384
Average exchange rate COP/USD	3,207.80	3,240.00	3,431.99
Net exposure	—	3,514	1,311
Average exchange rate CLP/USD	—	696.02	677.00
Net exposure	—	—	15,078
Average exchange rate EUR/USD	—	—	0.86
Interest rate risk			
Interest rate swaps			
Net exposure	—	—	6,175
Interest rate average BRL	—	—	0.09%
Net exposure	—	—	11,403
Interest rate average MXN	—	—	7.17%
Net exposure	—	131	726
Interest rate average CLP	—	6.55%	5.79%
Net exposure	—	—	2,367
Interest rate average USD	—	—	3.57%
Commodities risk			
Aluminum	67	35	—
Average price (USD/Ton)	1,722	1,777	—
Sugar	1,366	653	769
Average price (USD cent/Lb)	15.22	14.76	14.74
PX+MEG	337	134	—
Average price (USD /Ton)	934	866	—

As of December 31, 2020, the Company's financial instruments used to hedge its exposure to foreign exchange rates and interest rates are as follows:

	Maturity		
	1-6 months	6-12 months	More than 12
Foreign exchange currency risk			
Foreign exchange currency forward contracts			
Net exposure	Ps. 2,887	Ps. 1,892	Ps. 2
Average exchange rate MXN/USD	23.26	23.46	20.01
Net exposure	910	601	43
Average exchange rate BRL/USD	5.33	5.20	4.53
Net exposure	511	212	—
Average exchange rate COP/USD	3,750	3,740	—
Net exposure	96	—	—
Average exchange rate ARS/USD	92.97	—	—
Net exposure	225	58	—
Average exchange rate URY/USD	45.92	45.69	—
Foreign exchange currency swap contracts			
Net exposure	—	—	44,107
Average exchange rate MXN/USD	—	—	14.70
Net exposure	58	—	9,652
Average exchange rate BRL/USD	5.15	—	4.00
Net exposure	—	71	981
Average exchange rate BRL/MXN	—	0.26	0.26
Net exposure	404	709	1,688
Average exchange rate COP/USD	3,454	2,992	3,296
Net exposure	—	3,333	1,519
Average exchange rate CLP/USD	—	696.02	677.00
Interest rate risk			
Interest rate swaps			
Net exposure	—	—	11,403
Interest rate average MXN	—	—	7.17%
Net exposure	—	—	4,716
Interest rate average CLP	—	—	4.95%
Commodities risk			
Aluminum	325	370	99
Average price (USD/Ton)	1,654	1,720	1,740
Sugar	869	391	365
Average price (USD cent/Lb)	12.13	11.87	12.17
PX+MEG	364	364	—
Average price (USD /Ton)	730	730	—

As of December 31, 2021, a reconciliation per category of equity components and an analysis of OCI components, net of tax; generated by the cash flow hedges were as follows:

		Hedging Reserve
Balances at beginning of the period	Ps.	1,580
Cash flows hedges		
Fair value changes:		
Foreign exchange currency risk – Purchase of stock		77
Foreign exchange currency risk – Other stock		3,511
Interest rate risk		584
Commodity price contracts – Purchase of stock		1,244
The amounts reclassified to profit and loss:		
Foreign exchange currency risk – Other stock		(1,526)
Interest rate risk		(1)
The amounts included in non-financial costs:		
Foreign exchange currency risk – Purchase of stock		785
Commodity price contracts – Purchase of stock		(1,141)
Taxes due to changes in reserves during the period		(992)
Balances at the end of the period	Ps.	4,121

Impact of hedging on equity

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

	Foreign exchange forward contracts	Foreign currency option	Cross-currency swaps	Interest rate swaps	Treasury Lock contracts	Commodity price contracts	Total holders of the parent	Non-controlling interest	Total
As at January 1, 2020	Ps. (156)	Ps. —	Ps. 679	Ps. (32)	Ps. 34	Ps. 11	Ps. 534	Ps. (608)	Ps. (74)
Financial instruments – purchases	(445)	1	(2,069)	—	—	166	(2,347)	(117)	(2,465)
Change in fair value of financial instruments recognized in OCI	(223)	—	5,247	(639)	—	4	4,389	1,819	6,208
Amount reclassified from OCI to profit or loss	117	(1)	1,540	46	(48)	(17)	1,637	1,142	2,779
Foreign currency revaluation of the net foreign operations	—	—	(1,694)	—	—	—	(1,694)	(2,424)	(4,118)
Effects of changes in foreign exchange rates	3	—	43	7	—	(4)	50	71	121
Tax effect	164	—	(1,016)	176	15	(51)	(713)	(158)	(871)
As at December 31, 2020	Ps. (541)	Ps. —	Ps. 2,729	Ps. (442)	Ps. —	Ps. 109	Ps. 1,854	Ps. (274)	Ps. 1,580
Financial instruments – purchases	33	—	1,040	—	—	202	1,274	541	1,816
Change in fair value of financial instruments recognized in OCI	(13)	—	2,036	584	—	390	2,998	2,088	5,086
Amount reclassified from OCI to profit or loss	568	—	(1,587)	—	—	(539)	(1,558)	(325)	(1,883)
Foreign currency revaluation of the net foreign operations	—	—	(654)	—	—	—	(654)	(836)	(1,490)
Effects of changes in foreign exchange rates	3	—	4	—	—	(4)	3	2	5
Tax effect	(175)	—	(165)	(175)	—	(16)	(531)	(460)	(992)
As at December 31, 2021	Ps. (124)	Ps. —	Ps. 3,403	Ps. (34)	Ps. —	Ps. 141	Ps. 3,385	Ps. 736	Ps. 4,121

NOTE 22. NON-CONTROLLING INTEREST IN CONSOLIDATED SUBSIDIARIES

An analysis of FEMSA's non-controlling interest in its consolidated subsidiaries as of December 31, 2021 and 2020 is as follows:

		December 31, 2021		December 31, 2020
Coca-Cola FEMSA	Ps.	69,692	Ps.	66,800
Other		2,824		2,644
	Ps.	72,516	Ps.	69,444

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

		2021		2020		2019
Balance at beginning of the period	Ps.	69,444	Ps.	73,762	Ps.	78,489
Net income of non-controlling interest		9,183		5,686		7,349
Other comprehensive income (loss):		(368)		(5,793)		(4,552)
Exchange differences on translation of foreign operation		(1,342)		(5,958)		(3,833)
Remeasurements of the net defined benefits liability		(36)		(169)		(271)
Valuation of the effective portion of derivative financial instruments		1,010		334		(448)
Dividends		(5,729)		(5,524)		(3,945)
Share based payment		(14)		(64)		(12)
Acquisition of Socofar non-controlling interest		—		—		(3,530)
Acquisition of Envoy Solutions non-controlling interest (see Note 4.1)		—		1,298		—
Other acquisitions and remeasurements		—		79		32
Accounting standard adoption effects ("IFRIC 23 and IFRS 9")		—		—		(69)
Balance at end of the period	Ps.	72,516	Ps.	69,444	Ps.	73,762

Non-controlling interest's accumulated other comprehensive income is comprised as follows:

		December 31, 2021		December 31, 2020
Exchange differences on translation foreign operation	Ps.	(7,999)	Ps.	(6,657)
Remeasurements of the net defined benefits liability		(595)		(559)
Valuation of the effective portion of derivative financial instruments		733		(277)
Accumulated other comprehensive income	Ps.	(7,861)	Ps.	(7,493)

Coca-Cola FEMSA shareholders, especially the Coca-Cola Company which holds Series D shares, have some protective rights about investing in or disposing of significant businesses. However, these rights do not limit the continued normal operations of Coca-Cola FEMSA.

Summarized financial information in respect of Coca-Cola FEMSA is set out below:

		December 31, 2021		December 31, 2020
Total current assets	Ps.	80,364	Ps.	72,440
Total non-current assets		191,203		190,626
Total current liabilities		46,221		42,845
Total non-current liabilities		97,774		97,764
Total revenue	Ps.	194,804	Ps.	183,615
Consolidated net income		16,331		10,368
Consolidated comprehensive income for the year, net of tax	Ps.	15,764	Ps.	3,050
Net cash flows generated from operating activities		32,721		35,147
Net cash flows (used in) investing activities		(9,547)		(10,508)
Net cash flows (used in) / obtained from financing activities		(20,263)		417

22.1 Options embedded from past acquisitions

FEMSA Comercio – Health Division entered into option transactions regarding the remaining 40% non-controlling interest not held by FEMSA Comercio – Health Division.

On December 13, 2019, the former controlling shareholders of Socofar exercised their put option to sell the remaining 40% non-controlling interest to FEMSA Comercio – Health Division at the fair value of the interest. As of December 31, 2019, the Company recognized a loss in the consolidated statements of changes in equity and Socofar has been included 100% in the consolidated statements of financial position.

The former controlling shareholders of Open Market retain a put for their remaining 20% non-controlling interest that can be exercised (i) at any time after the acquisition date (December 27, 2016) upon the occurrence of certain events and (ii) annually from January through April, after the third anniversary of the acquisition date. In any event, the Company through one of its subsidiaries can call the remaining 20% non-controlling interest annually from January through April, after the fifth anniversary of the acquisition date. Both options would be exercisable at the then fair value of the interest and shall remain indefinitely.

For the 90 days beginning the fifth anniversary of the closing of the purchase of the 89.5% controlling interest of NW Synergy Holdings, LLC (the purchase of NW Synergy, now Envoy Solutions LLC), and for a period of 90 days beginning from the sixth to tenth anniversary of the purchase of NW Synergy, the Company shall have the right to require any non-controlling member or both to sell their entire interest in the partnership at a price equal to the market value, provided that, the Company does not exercise such right during the fifth and sixth anniversary of the closing date of the purchase. Considering that this option can be exercised at fair value at the date of the event, its intrinsic value is not significantly different from zero as of December 31, 2021.

NOTE 23. EQUITY

23.1 Equity accounts

The capital stock of FEMSA is comprised of 2,161,177,770 BD units and 1,417,048,500 B units. As of December 31, 2021 and 2020, the common stock of FEMSA was comprised of 17,891,131,350 common shares, without par value and with no foreign ownership restrictions. Fixed capital stock amounts to Ps. 300 (nominal value) and the variable capital may not exceed 10 times the minimum fixed capital stock amount.

The characteristics of the common shares are as follows:

- Series "B" shares, with unlimited voting rights, which at all times must represent a minimum of 51% of total capital stock;
- Series "L" shares, with limited voting rights, which may represent up to 25% of total capital stock; and
- Series "D" shares, with limited voting rights, which individually or jointly with series "L" shares may represent up to 49% of total capital stock.

The Series "D" shares are comprised as follows:

- Subseries "D-L" shares may represent up to 25% of the series "D" shares;
- Subseries "D-B" shares may comprise the remainder of outstanding series "D" shares; and
- The non-cumulative premium dividend to be paid to series "D" shareholders will be 125% of any dividend paid to series "B" shareholders.

The Series "B" and "D" shares are linked together in related units as follows:

- "B units" each of which represents five series "B" shares, and which are traded on the BMV; and
- "BD units" each of which represents one series "B" share, two subseries "D-B" shares and two subseries "D-L" shares, and which are traded both on the BMV and the NYSE.

As of December 31, 2021 and 2020, FEMSA's capital stock is comprised as follows:

	"B" Units	"BD" Units	Total
Units	1,417,048,500	2,161,177,770	3,578,226,270
Shares:			
Series "B"	7,085,242,500	2,161,177,770	9,246,420,270
Series "D"	—	8,644,711,080	8,644,711,080
Subseries "D-B"	—	4,322,355,540	4,322,355,540
Subseries "D-L"	—	4,322,355,540	4,322,355,540
Total shares	7,085,242,500	10,805,888,850	17,891,131,350

The net income of the Company is subject to the legal requirement that 5% thereof be transferred to a legal reserve until such reserve equals 20% of common stock at nominal value. This reserve may not be distributed to shareholders during the existence of the Company, except as a stock dividend. As of December 31, 2021 and 2020, this reserve amounted to Ps. 596.

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

Dividends paid more than CUFIN are subject to income tax at a grossed-up rate based on the current statutory rate. Since 2003, this tax may be credited against the income tax of the year in which the dividends are paid, and in the following two years against the income tax and estimated tax payments. A new Income Tax Law ("LISR") went into effect on January 1, 2014; such law no longer includes the tax consolidation regime which allowed calculating the CUFIN on a consolidated basis; therefore, beginning in 2014, distributed dividends must be taken from the individual CUFIN balance of FEMSA, which can be increased with the subsidiary companies' individual CUFINES through the transfers of dividends. The sum of the individual CUFIN balances of FEMSA and its subsidiaries as of December 31, 2021 amounted to Ps. 262,843. Dividends distributed to its stockholders who are individuals and foreign residents must withhold 10% for LISR purposes, which will be paid in Mexico. The foregoing will not be applicable when distributed dividends arise from the accumulated CUFIN balances as of December 31, 2013.

At an ordinary shareholders' meeting of FEMSA held on March 22, 2019, the shareholders approved a dividend of Ps 9,692 that was paid 50% on May 7, 2019 and the other 50% on November 5, 2019; and a reserve for share repurchase of a maximum of Ps. 7,000. As of December 31, 2019, the Company has not repurchased shares. Treasury shares resulting from the share-based payment bonus plan are disclosed in Note 18.

At an ordinary shareholders' meeting of Coca-Cola FEMSA held on March 14, 2019, the shareholders approved a dividend of Ps. 7,437 that was paid 50% on May 3, 2019, and the other 50% on November 1, 2019. The corresponding payment to the non-controlling interest was Ps. 3,925.

At an ordinary shareholders' meeting of FEMSA held on March 20, 2020, the shareholders approved a dividend of Ps. 10,360 that was paid 50% on August 20, 2020, and the other 50% on November 5, 2020; and a reserve for share repurchase of a maximum of Ps. 17,000. As of December 31, 2020, the Company has not repurchased shares. Treasury shares resulted from share-based payment bonus plan are disclosed in Note 18.

At an ordinary shareholders' meeting of Coca-Cola FEMSA held on March 17, 2020, the shareholders approved a dividend of Ps. 10,210 that was paid 50% on May 5, 2020 and other 50% on November 3, 2020. The corresponding payment to the non-controlling interest was Ps. 5,389.

At an ordinary shareholders' meeting of FEMSA held on March 24, 2021, the shareholders approved a dividend of Ps. 7,687 that was paid 50% on May 6, 2021, and the other 50% on November 5, 2021; and a reserve for share repurchase of a maximum of Ps. 17,000. As of December 31, 2021, the Company has not repurchased shares. Treasury shares resulting from the share-based payment bonus plan are disclosed in Note 18.

At an ordinary shareholders' meeting of Coca-Cola FEMSA held on March 19, 2021, the shareholders approved a dividend of Ps. 10,588 that was paid 50% on May 4, 2021, and the other 50% on November 3, 2021. The corresponding payment to the non-controlling interest was Ps. 5,588.

For the years ended December 31, 2021, 2020 and 2019 the dividends declared and paid by the Company and Coca-Cola FEMSA were as follows:

		2021		2020		2019
FEMSA	Ps.	7,687	Ps.	10,360	Ps.	9,692
Coca-Cola FEMSA (100% of dividend)		10,588		10,210		7,437

For the years ended December 31, 2021, 2020 and 2019 the dividends declared and paid per share by the Company are as follows:

Series of Shares		2021		2020		2019
"B"	Ps.	0.38333	Ps.	0.51667	Ps.	0.48333
"D"		0.47917		0.64583		0.60417

23.2 Capital management

The Company manages its capital to ensure that its subsidiaries will be able to continue as going concerns while maximizing the return to shareholders through the optimization of its debt and equity balance to obtain the lowest cost of capital available. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2021 and 2020.

The Company is not subject to any externally imposed capital requirements, other than the legal reserve (see Note 23.1) and debt covenants (see Note 19).

The Company's Finance, Planning and the Corporate Practices Committees review the capital structure of the Company on a quarterly basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. In conjunction with this objective, the Company seeks to maintain the highest credit rating both national and international, currently rated as of December 31, 2021 AAA and A- respectively, which requires it to have a debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio lower than 1.5. As a result, before entering into new business ventures, acquisitions or divestitures, management evaluates the optimal ratio of debt to EBITDA to maintain its credit rating.

NOTE 24. EARNINGS PER SHARE

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

Diluted earnings per share amounts are calculated by dividing consolidated net income for the year attributable to controlling interest by the weighted average number of shares outstanding during the period adjusted for the effects of dilutive potential shares (originated by the Company's share-based payment program).

	2021		2020		2019	
	Per Series "B" Shares	Per Series "D" Shares	Per Series "B" Shares	Per Series "D" Shares	Per Series "B" Shares	Per Series "D" Shares
(in millions of shares)						
Weighted average number of shares for basic earnings per share	9,242.88	8,630.54	9,243.59	8,633.38	9,244.16	8,635.65
Effect of dilution associated with non-vested shares for share based payment plans	3.54	14.17	2.83	11.33	2.26	9.06
Weighted average number of shares adjusted for the effect of dilution (Shares outstanding)	9,246.42	8,644.71	9,246.42	8,644.71	9,246.42	8,644.71
Dividend rights per series (see Note 23.1)	100%	125%	100%	125%	100%	125%
Weighted average number of shares further adjusted to reflect dividend rights	9,246.42	10,805.89	9,246.42	10,805.89	9,246.42	10,805.89
Basic earnings per share	1.42	1.78	(0.10)	(0.12)	1.03	1.29
Diluted earnings per share	1.42	1.78	(0.10)	(0.12)	1.03	1.29
Allocation of earnings, weighted	46.11%	53.89%	46.11%	53.89%	46.11%	53.89%
Net controlling interest income allocated	Ps. 13,139	Ps. 15,356	Ps. (890)	Ps. (1,040)	Ps. 9,545	Ps. 11,154

NOTE 25. TAXES

25.1 Recoverable taxes

Recoverable taxes are mainly the result of higher provisional payments of value added tax and income tax in Mexico during 2021 in comparison to the current year provision, which will be compensated in future years. The operations in Guatemala, Panama, Nicaragua and Colombia are subject to a minimum tax. In Guatemala and Colombia this tax is recoverable under certain circumstances only. Guatemala's tax basis is determined considering the highest between total assets and net income; in Colombia the tax basis is equity.

25.1.1 Exclusion of the State VAT (ICMS) on the federal sale taxes (PIS / COFINS) calculate basis

On March 15, 2017 the Brazilian Federal Supreme Court (STF) ruled that the inclusion of the VAT (ICMS) on federal sales taxes (PIS and COFINS) taxable basis is unconstitutional. During 2019, our companies in Brazil obtained conclusive favorable motions over this exclusion of VAT (ICMS) over PIS / COFINS calculation. The net favorable effects of each case are to be recorded at the time all formalities and legal procedures are finalized and recovery of the taxes paid becomes virtually certain. During 2020 and 2019, it was concluded the administrative formalities for one of the motions and the recoverable taxes for this motion were recorded in the income statement.

As of December 31, 2021 and 2020 the amount of recoverable taxes in Brazil including PIS and COFINS is Ps.1,243 and Ps. 2,523.

25.2 Tax Reforms

Chile

In 2020 Corporate Income Tax rate in Chile remains 27%. The Chilean tax authority included an instant depreciation regime of 50% for the acquisition of new assets acquired between January 1st, 2019 and December 31, 2021, with the possibility to apply accelerated depreciation to the 50% residual basis.

Mexico

In April of 2021 a Labor reform with tax implications was approved, in which was established that companies may only contract services from specialized personnel that is not directly associated with their core business or their main activity and impose several compliance requirements to support the tax deduction as well as the ability to credit the value-added tax generated. This reform was enacted on September 1, 2021.

As a consequence of the labor law reform there is an impact regarding an increase on the profit sharing to be paid to employees on a yearly basis, the increase is the result of transferring employees as obligated by the labor law from service companies to operating companies, where the profit margins are higher and therefore more Profit Sharing is to be paid, there is a cap in the payment of profit sharing of up to three months of salary per employee.

In January of 2021 a modification of the Mexican Federal Tax Code to increase the number of events that may trigger the joint and several liabilities of partners, shareholders, directors, managers or any other person responsible for the management of a business, added a new disclosure obligation of certain reportable transactions to tax authorities, and increase the tax authorities' discretion to limit tax benefits or attributes in situations where authorities consider that merely a tax benefit, rather than a business reason or an alternative economic benefit, is the primary factor behind a transaction or legal structure.

On January 1, 2020, a new tax regime in Mexico was effective regarding foreign transparent vehicles and changes were made to the preferential tax regime. As a result of such changes, the dividends from Heineken Group are subject to a 30% income tax in Mexico when received.

Starting January 1, 2020, the excise tax increased from 5.0% to 7.0% to carbonated beverages added with sugar or any caloric sweetener. Drinkable foods based on dairy products, grains or cereals, nectars, fruit juices and vegetables with natural fruit concentrates are exempt from this tax.

In addition to the above, on October 30, 2019, Mexico approved a new Tax Reform, which was effective on January 1, 2020.

The most relevant changes are: (i) Taxpayers have been limited to a net interest deduction equal to 30% of the entity's Adjusted Taxable Income (ATI). ATI is determined similarly to EBITDA (earnings before interest, taxes, depreciation and amortization). A $20,000,000 pesos (approximately USD 1M) exception applies for deductible interest at a Mexican group level. The non-deductible interests that exceed the limitation could be carried forward for the subsequent 10 tax years; (ii) The reform modifies the excise tax (IEPS) of 1.17 pesos to 1.2616 per liter on the production, sale and import of beverages with added sugar and HFCS (High-fructose corn syrup) for flavored beverages and starting January 1, 2021, this tax is subject to an annual increase based on the inflation of the previous year; (iii) The excise tax of 25% on energized beverages is applicable whenever the beverages include a mixture of caffeine with any other stimulating effects substances; (iv) Federal Fiscal Code (FFC) was modified to attribute joint liability to partners, shareholders, directors, managers or any other responsible of the management of the business; (v) added a disclosure obligation of certain reportable transactions to tax authorities; and (vi) increased the tax authorities' discretion to limit tax benefits or attributes in situations where authorities understand there is a lack of business reason and no economic benefit obtained, other than the tax benefit.

On January 1, 2019, the Mexican government eliminated the right to offset any tax credit against any payable tax (general offset or "compensación universal" in spanish). As of such date, the right to offset any tax credit is against taxes of the same nature and payable by the same person (not being able to offset tax credits against taxes payable by third parties). Additionally, by Executive Decree, certain tax benefits related to the value-added tax and income tax were provided to businesses located on the northern border of Mexico. Due to the territories where we operate, this last provision does not apply to our business.

Colombia
In 2021 a new tax reform in Colombia increased the income tax rate from 30% to 35% for 2022 onwards and limited to 50% the possibility to deduct the municipality sales tax against income tax.

On January 1, 2019, a new tax reform became effective in Colombia. This reform reduced the income tax rate from 33.0% for 2019 to 32.0% for 2020, to 31.0% for 2021 and to 30.0% for 2022. The minimum assumed income tax (renta presuntiva sobre el patrimonio) was also reduced from 3.5% for 2018 to 1.5% for 2019 and 2020, and to 0.0% for 2021. In addition, the thin capitalization ratio was adjusted from 3:1 to 2:1, and was modified to apply only to transactions between related parties. Commencing on January 1, 2019, value-added tax, which was applied only to the first sale in the supply chain before December 31, 2018, began to be applied and transferred throughout the entire supply chain, which in our case results in charging value-added tax on the sales price of our finished goods (applicable to our Colombian subsidiary located in the free trade zone). For companies located in free trade zones, the value-added tax is charged on the cost of imported raw materials of national and foreign origin, which we can credit against the value-added tax on the sales price of our products. The municipality sales tax is 50.0% deductible against payable income tax for 2019 and will be 100.0% deductible in 2020. Finally, the value-added tax paid on acquired fixed assets will be credited against income tax or the minimum assumed income tax. Additionally, this tax reform increased the tax rate on dividends paid to foreign individuals and non-resident entities from 5.0% to 7.5%. The tax reform also imposed a tax rate of 7.5% on dividends paid to Colombian companies. This tax is charged only on the first distribution of dividends from one Colombian corporate entity to another, and a credit resulting from the tax withholding is carried forward until a Colombian company makes a distribution to a shareholder that is an individual residing in Colombia or a non-resident individual or entity.

In October 2019, the Colombian courts declared the tax reform that became effective on January 1, 2019 unconstitutional. On December 27, 2019, the Colombian government enacted a new tax reform, which became effective on January 1, 2020. In general, the reform maintained the provisions introduced on the previous tax reform and included some additional changes, as follows: (i) the minimum assumed income tax rate (renta presuntiva sobre el patrimonio) was reduced from 1.5% to 0.5% for 2020 and reduced to 0.0% for the year 2021 and beyond; (ii). the tax rate on dividends paid to Colombian resident individuals was reduced from 15.0% to 10.0%; (iii) the tax rate on dividends paid to foreign individuals and non-resident entities was increased from 7.5% to 10.0%; (iv) the possibility to deduct 100% of the municipality sales tax against payable income tax was postponed to 2022; and (v) taxpayers were granted more flexibility to credit or recover the value-added tax of imported goods from free trade zones.

Costa Rica
On July 1, 2019, a tax reform became effective in Costa Rica. This reform allowed tax credits on sales taxes to be recorded on goods, administrative services, and general expenses. The value-added tax rate of 13.0% on services provided within Costa Rica now applies to both domestic and foreign service providers. Capital gains taxes are now imposed at a rate of 15.0% on sales of assets located in Costa Rica. New income tax withholding rates are now imposed on salaries and other employee benefits at the rates of 25.0% and 20.0%, depending on the salary bracket. Finally, a new thin capitalization rule provides that interest expenses paid to entities other than members of the Costa Rican financial system that exceed 20.0% of a company's EBITDA are not deductible for income tax purposes.

Panama
Until November 17, 2019, Panama imposed an excise tax of 5.0% on carbonated beverages and imported non-carbonated beverages and a 10.0% selective consumption tax on syrups, powders and concentrate used to produce sugary drinks. On November 18, 2019, Panama replaced such excise tax with an excise tax of 7.0% on carbonated beverages with more than 7.5 grams of sugar or any caloric sweetener per 100 ml, and a 10.0% tax on syrups, powders and concentrate used to produce sugary drinks. As of January 1, 2020, Panama imposes an excise tax of 5.0% on non-carbonated beverages with more than 7.5 grams of sugar or any caloric sweetener per 100 ml, whether imported or produced locally. Beverages derived from dairy products, grains or cereals, nectars, fruit juices and vegetables with natural fruit concentrates are exempt from this tax.

Nicaragua
On March 1, 2019, a tax reform became effective in Nicaragua, increasing the excise tax for all beverages (except for water) from 9.0% to 11.0%; to 13.0% on January 1, 2020; and to 15.0% starting on January 1, 2021. Besides, starting on March 1, 2019, the minimum alternative income tax increased from 1.0% to 3.0%.

Uruguay
On December 29, 2020, the Uruguayan government issued an executive decree to modify the way the excise tax credit of beverages sold in returnable bottles is calculated, which excise tax credit is currently 1.15 Uruguayan pesos (Ps. 0.53 as of December 31,2020) per liter. Starting on January 1, 2021 and until June 30, 2021, the excise tax credit shall be calculated based on the ratio of purchases made by any entity in Uruguay of returnable bottles produced in Uruguay in the last three years to the total purchases of returnable bottles made by such entity in and outside Uruguay in the last three years. The Uruguayan government did not issue another executive decree with the rules so since July 1, 2021, this tax credit is no longer applicable.

On December 31, 2021 Uruguayan government issued an executive decree that increased the excise tax from 19% to 22% for energy drinks that should have applied beginning January 2022.

On December 29, 2020, the Uruguayan government issued an executive decree to modify the way the excise tax credit of beverages sold in returnable bottles is calculated, which excise tax credit is currently 1.15 Uruguayan pesos (Ps. 0.53 as of December 31, 2021) per liter. Starting on January 1, 2021 and until June 30, 2021, the excise tax credit was calculated based on the ratio of purchases made by any company in Uruguay selling returnable bottles produced in Uruguay in the last three years to the total purchases of returnable bottles made by such company in and outside Uruguay in the last three years. The Uruguayan government did not issue another executive decree with the rules so since July 1st, 2021, this tax credit is not longer applicable.

Brazil

In early 2017, the Supreme Court decided that the value-added tax would not be used as the basis for calculating the federal sales tax, resulting in a reduction of the federal sales tax. The Brazilian tax authorities have appealed the Supreme Court's decision and such appeal was refused on a final decision on May 2021. However, Coca-Cola FEMSA Brazilian subsidiaries commenced legal proceedings to ascertain their ability to calculate federal sales tax without using the value-added tax as a basis by the Supreme Court's first ruling and obtained a final favorable resolution in 2019. In 2021, the federal production and sales taxes together resulted in an average of 16.20% tax over net sales.

In recent years, the excise tax rate on concentrate in Brazil has undergone recurrent temporary fluctuations. The excise tax rate was reduced from 20.0% to 4.0% from September 1, 2018 to December 31, 2018, was increased from 4.0% to 12.0% from January 1, 2019 to June 30, 2019, was reduced to 8.0% from July 1, 2019 to September 30, 2019 and was increased to 10.0% from October 1, 2019 to December 31, 2019. The excise tax rate was reduced to 4.0% from January 1, 2020 to May 31, 2020, was increased to 8.0% from June 1, 2020 to November 30, 2020 and was reduced again to 4.0% on December 1, 2020 till January 31, 2021 and it was increased to 8% from February 1, 2021 onward. The tax credit that Coca-Cola FEMSA may recognize in its Brazilian operations in connection with purchases of concentrate in the Manaus free Trade Zone has been affected accordingly.

Argentina

In 2021, the government issued a new law increasing the income tax rate to 35% for 2021 onwards and consider a tax rate of 7% on dividends paid to nonresidents or individuals.

On January 1, 2018, a tax reform became effective in Argentina. This reform reduced the income tax rate from 35.0% to 30.0% for 2018 and 2019, and then to 25.0% for 2020. In addition, such reform imposed a new tax on dividends paid to nonresident stockholders and resident individuals at a rate of 7.0% for 2018 and 2019, and then to 13.0% for the following years. Also, the tax reform decreased the sales tax rate in the province of Buenos Aires from 1.75% to 1.5% in 2018. However, the reform increased the sales tax rate in the City of Buenos Aires from 1.0% to 2.0% in 2018, and scheduled a reduction to 1.5% in 2019, to 1.0% in 2020, to 0.5% in 2021 and to 0.0% in 2022. Nonetheless, the Argentine government issued several decrees since 2019 to maintain the sales tax rate for both the province of Buenos Aires and the City of Buenos Aires at 1.5% since then.

25.3 Income Tax

The major components of income tax expense for the years ended December 31, 2021, 2020 and 2019 are:

		2021		2020		2019
Current tax expense	Ps.	13,657	Ps.	18,690	Ps.	11,652
Deferred tax expense (benefit):						
Origination and reversal of temporary differences		2,115		(5,824)		127
Utilization (recognition) of tax losses, net		(1,498)		1,994		(1,201)
Change in the statutory rate		4		(41)		(102)
Total deferred tax expense (benefit)		621		(3,871)		(1,176)
Total income taxes	Ps.	14,278	Ps.	14,819	Ps.	10,476

On May 29, 2020, the Company reached an agreement with the Mexican tax authority (the Servicio de Administración Tributaria), to resolve interpretative differences over taxes paid outside of Mexico, without judicial action. Under the agreed terms, the Company recognized the tax position as a liability in the statement of financial position and recognized a provision in the income statement of approximately Ps. 8,754 million during the second quarter of 2020. From this amount Ps. 5,500 million were recorded and presented as current tax expense, and Ps. 3,253 million as penalties, from which Ps. 868 million correspond to inflationary effects. The total liability was fully paid during the second and third quarter of 2020.

Recognized in Consolidated Statement of Other Comprehensive Income ("OCI")

Income tax related to items charged or recognized directly in OCI during the period:		2021		2020		2019
Unrealized gain (loss) on cash flow hedges	Ps.	992	Ps.	871	Ps.	(391)
Exchange differences on translation of foreign operations		(1,730)		4,758		(1,667)
Remeasurements of the net defined benefit liability		127		(208)		(371)
Share of the other comprehensive income of equity method accounted investees [(1)]		1,506		(2,597)		288
Total income tax expense (benefit) recognized in OCI	Ps.	895	Ps.	2,824	Ps.	(2,141)

[(1)] Deferred income taxes related to CTA, MTM of derivative financial instruments and employee benefits for equity method accounted investees which as of December 31, 2021 amounted to Ps. 1,240, Ps. 14, and Ps. 252, respectively.

A reconciliation between tax expense and income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method multiplied by the Mexican domestic tax rate for the years ended December 31, 2021, 2020 and 2019 is as follows:

	2021	2020	2019
Mexican statutory income tax rate	30.0%	30.0%	30.0%
Difference between book and tax inflationary values and translation effects	(4.8)%	(5.0)%	(2.5)%
Annual inflation tax adjustment	7.7%	3.0%	0.2%
Difference between statutory income tax rates	0.2%	1.0%	0.9%
Non-deductible expenses	2.1%	3.8%	4.5%
Taxable (non-taxable) income	2.3%	2.9%	(1.0)%
Others	0.1%	(1.9)%	(0.7)%
Impairments [1]	—	4.6%	0.9%
Adjustments for previous tax years [2]	—	30.3%	—
Income Tax credits [3]	(1.5)%	(8.3)%	—
Tax loss [4]	(1.4)%	16.3%	0.1%
Consolidated effective income tax rate [5]	34.7%	76.7%	32.4%

[1] Includes the impairments of Specialty's and Estrella Azul in 2020 explained in Note 13 and 10, respectively.

[2] Related to an agreement with the Mexican tax authority in 2020, to resolve interpretative differences over foreign (non-Mexican) dividends received before 2020.

[3] Favorable position of Brazilian Courts related to a no taxation on financial effects of recovered tax credits from previously won judicial disputes, which allowed a recognition of a deferred tax credit in Brazil.

[4] Includes the adjustments in tax losses recognized during 2020 in Coca-Cola FEMSA.

[5] The extraordinary effects in 2020 increased the tax rate by 42.9%.

Deferred Income Tax Related to:

	Consolidated Statement of Financial Position as of		Consolidated Statement of Income		
	December 31, 2021	December 31, 2020	2021	2020	2019
Allowance for doubtful accounts	Ps. (35)	Ps. (501)	Ps. (3)	Ps. (25)	Ps. (43)
Inventories	206	(757)	(17)	60	(6)
Other current assets	144	122	47	(163)	182
Property, plant and equipment, net	(6,495)	(4,999)	(1,081)	(708)	(320)
Right of use assets from leases	(1,218)	(802)	(482)	(509)	(381)
Investments in equity method accounted investees	(7,533)	(9,321)	(22)	(15)	7
Other assets	192	(681)	(2)	(729)	59
Finite useful lived intangible assets	297	(181)	498	129	(345)
Indefinite lived intangible assets	3,038	2,762	36	(261)	360
Post-employment and other long-term employee benefits	(1,746)	(1,886)	(258)	(175)	(2)
Derivative financial instruments	1,622	674	738	111	(2)
Temporary non-deductible provision	(3,443)	(3,772)	1,280	(1,751)	(438)
Employee profit sharing payable	(759)	(371)	(393)	64	8
Tax loss carryforwards	(9,047)	(8,422)	(1,498)	1,994	(1,201)
Tax credits to recover [1]	(1,394)	(2,595)	1,200	(1,629)	(122)
Exchange differences on translation of foreign operations in OCI	8,170	7,679	—	—	—
Other liabilities	(2,668)	736	(4)	(440)	(3)
Finance leases	(220)	(247)	53	(24)	(196)
Liabilities of amortization of goodwill of business acquisition	6,198	6,552	86	—	860
Deferred tax income			Ps. 178	Ps. (4,071)	Ps. (1,583)
Deferred tax income net recorded in share of the profit of equity method accounted investees			443	200	407
Deferred tax income, net			Ps. 621	Ps. (3,871)	Ps. (1,176)
Deferred income taxes, net	(14,691)	(16,010)			
Deferred tax asset	(20,733)	(22,043)			
Deferred tax liability	Ps. 6,042	Ps. 6,033			

[1] Corresponds to income tax credits arising from dividends received from foreign subsidiaries to be recovered within the next ten years accordingly to the Mexican Income Tax law.

Income tax related to Accumulated Other Comprehensive Income ("AOCI")

Income tax related to items charged or recognized directly in AOCI as of the year:	2021	2020
Unrealized gain on derivative financial instruments	Ps. 1,796	Ps. 795
Remeasurements of the net defined benefit liability	(637)	(762)
Exchange differences on translation of foreign operations	7,520	9,250
Gain on hedge of net investments in foreign operations	181	31
Share of other comprehensive income of associated companies and joint ventures	(4,237)	(5,743)
Total deferred tax loss related to AOCI	Ps. 4,623	Ps. 3,571

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

	2021	2020	2019
Balance at the beginning of the period	Ps. (16,010)	Ps. (13,575)	Ps. (10,657)
Deferred tax provision for the period	622	(3,871)	(1,176)
Deferred tax income net recorded in share of the profit of equity method accounted investees	277	(404)	(406)
Acquisition of subsidiaries	—	1	(382)
Effects in equity:			
Unrealized (gain) on cash flow hedges	1,006	865	(391)
Exchange differences on translation of foreign operations	(491)	2,215	(2,121)
Remeasurements of the net defined benefit liability	380	(256)	(204)
Retained earnings of equity method accounted investees	32	(33)	384
Restatement effect of the period and beginning balances associated with hyperinflationary economies	(507)	(953)	1,378
Balance at the end of the period	Ps. (14,691)	Ps. (16,010)	Ps. (13,575)

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

Tax Loss Carryforwards

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

Year		Tax Loss Carryforwards
2022	Ps.	—
2023		270
2024		224
2025		1,450
2026		5,639
2027		224
2028		794
2029		476
2030		366
2031 and thereafter		3,715
No expiration (Brazil and Colombia)		16,882
	Ps.	30,040

Considering all available evidence, including forecasts, business plans and strategic measures, as of December 31, 2021 and 2020 the Company has decided not to recognize a deferred income tax asset related to temporary differences not recognized in previous tax years. The amount of deferred income tax assets not recognized in previous tax years and adjusted as of December 31, 2021 and 2020 were Ps. 3,769 and Ps. 3,847, respectively.

The Company recorded certain goodwill balances due to acquisitions that are deductible for Brazilian income tax reporting purposes. The deduction of such goodwill amortization has resulted in the creation of NOLs in Brazil which have no expiration, but their usage is limited to 30% of Brazilian taxable income in any given year. As of December 31, 2021, the Company believes that it is more likely than not that it will ultimately recover such NOLs through the reversal of temporary differences and future taxable income. Accordingly, the related deferred tax assets have been fully recognized.

Our business in the United States known as Envoy Solutions, performed several acquisitions within year 2021, most acquisitions from a tax perspective were performed as acquisition of assets, therefore a relevant tax basis has been triggered. The purchase price allocated to intangibles will be amortized over a fifteen-year period, straight-line for tax.

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

		2021		2020
Balance at beginning of the period	Ps.	26,618	Ps.	32,536
Derecognized		33		(8,521)
Additions		8,306		7,538
Usage of tax losses		(5,602)		(2,444)
Translation effect of beginning balances		685		(2,491)
Balance at end of the period	Ps.	30,040	Ps.	26,618

There were no withholding taxes associated with the payment of dividends in 2021, 2020 or 2019 by the Company to its shareholders.

The Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2021, 2020 and 2019, the temporary differences associated with investments in subsidiaries, associates and joint ventures, for which a deferred tax liability has not been recognized aggregate to Ps. 44,830, Ps. 41,280 and Ps. 49,255, respectively.

NOTE 26. OTHER LIABILITIES, PROVISIONS, CONTINGENCIES AND COMMITMENTS

26.1 Other current financial liabilities

		December 31, 2021		December 31, 2020
Sundry creditors	Ps.	12,873	Ps.	11,895
Derivative financial instruments (see Note 21)		138		1,127
Others		186		3
Total	Ps.	13,197	Ps.	13,025

26.2 Provisions and other non-current liabilities

	December 31, 2021	December 31, 2020
Contingencies	Ps. 5,589	Ps. 6,303
Payable taxes	662	651
Others	2,409	2,586
Total	Ps. 8,660	Ps. 9,540

26.3 Other non-current financial liabilities

	December 31, 2021	December 31, 2020
Derivative financial instruments (see Note 21)	Ps. 1,635	Ps. 3,743
Security deposits	729	1,279
Total	Ps. 2,364	Ps. 5,022

26.4 Provisions recorded in the consolidated statement of financial position

The Company has various loss contingencies and has recorded reserves as other liabilities for those legal proceedings for which it believes an unfavorable resolution is probable. Most of these contingencies are the result of the Company's business acquisitions. The following table presents the nature and amount of the contingencies recorded as of December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Indirect taxes	Ps. 2,845	Ps. 3,153
Labor	1,807	1,857
Legal	937	1,293
Total [(1)]	Ps. 5,589	Ps. 6,303

(1) As it is customary in Brazil, the Company is required to guarantee tax, legal and labor contingencies by guarantee deposits. See Note 14.

26.5 Changes in the balance of provisions recorded

26.5.1 Indirect taxes

	December 31, 2021	December 31, 2020	December 31, 2019
Balance at beginning of the period	Ps. 3,153	Ps. 5,062	Ps. 5,421
Penalties and other charges	77	—	1
New contingencies	314	489	486
Cancellation and expiration	(77)	(153)	(247)
Payments	(237)	(218)	(174)
Reversal of indemnifiable items [(1)]	—	(1,177)	—
Effects of changes in foreign exchange rates	(385)	(850)	(425)
Balance at end of the period	Ps. 2,845	Ps. 3,153	Ps. 5,062

(1) This amount includes Ps. 899 of certain tax contingencies that expired and are payable to the former shareholders of Spaipa (acquired in 2013).

26.5.2 Labor

	December 31, 2021	December 31, 2020	December 31, 2019
Balance at beginning of the period	Ps. 1,857	Ps. 2,455	Ps. 2,601
Penalties and other charges	309	233	293
New contingencies	526	249	521
Contingencies added in the business combination	—	—	44
Cancellation and expiration	(445)	(61)	(283)
Payments	(360)	(592)	(500)
Effects of changes in foreign exchange rates	(80)	(427)	(221)
Balance at end of the period	Ps. 1,807	Ps. 1,857	Ps. 2,455

26.5.3 Legal

	December 31, 2021	December 31, 2020	December 31, 2019
Balance at beginning of the period	Ps. 1,293	Ps. 1,337	Ps. 1,906
Penalties and other charges	68	8	94
New contingencies	35	362	213
Contingencies added in business combination	—	—	77
Cancellation and expiration	(364)	(141)	(542)
Payments	(97)	(111)	(318)
Effects of changes in foreign exchange rates	2	(162)	(93)
Balance at end of the period	Ps. 937	Ps. 1,293	Ps. 1,337

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

26.6 Unsettled lawsuits

The Company has entered into several proceedings with its labor unions, tax authorities, and other parties that primarily involve Coca-Cola FEMSA and its subsidiaries. These proceedings have resulted in the ordinary course of business and are common to the industry in which the Company operates. The aggregate amount being claimed against the Company resulting from such proceedings as of December 31, 2021 is Ps. 108,481. Such contingencies were classified by internal legal counsel as less than probable but more than remote of being settled against the Company. However, the Company believes that the ultimate resolution of such several proceedings will not have a material effect on its consolidated financial position or result of operations.

Included in this amount Coca-Cola FEMSA has tax contingencies, most of which are related to its Brazilian operations, with loss expectations assessed by management and supported by the analysis of legal counsel considered as “possible”. The main “possible” contingencies of Brazilian operations amount to approximately Ps. 55,288. This refers to various tax disputes related primarily to: (i) Ps. 8,573 of credits for ICMS (“VAT”); (ii) Ps. 30,821 related to tax credits of “IPI” over raw materials acquired from Free Trade Zone Manaus; (iii) claims of Ps. 4,766 related to compensation of federal taxes not approved by the IRS (Tax authorities); (iv) Ps. 8,549 related to the amortization of goodwill generated in acquisition operations; and (v) Ps. 2,579 relating to liability over the operations of a third party, former distributor, in the period from 2001 to 2003. Coca-Cola FEMSA is defending its position in these matters and the final decision is pending in court.

After conducting a thorough analysis, during 2021 Coca-Cola FEMSA has decided to reverse its temporary decision to suspend tax credits on concentrate purchased from the Manaus Free Trade Zone in Brazil. As a result, Coca-Cola FEMSA was recognized an extraordinary benefit of Ps. 1,083 million in the cost of good sold equivalent to the accumulated credit suspended since 2019 and until the first quarter of 2021. This decision was supported by recent developments and opinions from external advisors.

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

26.7 Collateralized contingencies

As is customary in Brazil, Coca-Cola FEMSA has been required by the tax authorities there to collateralize tax contingencies currently in litigation amounting to Ps. 10,721, Ps. 7,342 and Ps. 10,471 as of December 31, 2021, 2020 and 2019, respectively, by pledging fixed assets and entering into available lines of credit covering the contingencies, see Note 14. Also, as disclosed in Note 9.2, there is some restricted cash in Brazil related to current deposits to fulfill the collateral requirements for accounts payable.

26.8 Commitments

The Company has firm commitments for the purchase of property, plant and equipment of Ps. 726, Ps. 432 and Ps. 556 as of December 31, 2021, 2020 and 2019, respectively.

NOTE 27. INFORMATION BY SEGMENT

The information by segment is presented considering the Company’s business units (as defined in Note 1) based on its products and services, which is consistent with the internal reporting presented to the Chief Operating Decision Maker. A segment is a component of the Company that engages in business activities from which it earns revenues, and incurs the related costs and expenses, including revenues, costs and expenses that relate to transactions with any of the Company’s other components. All segments’ operating results are reviewed regularly by the Chief Operating Decision Maker, who makes decisions about the resources that would be allocated to the segment and to assess its performance, and for which financial information is available.

Starting 2021, FEMSA opted to report voluntarily a new reportable segment named “Logistics and Distribution”, which includes integral logistics services as well as product sales in the Jan-San, packaging and specialized distribution industry. Also, starting in 2021, the Company reallocated a not significant fuel business, which was previously included in “Other” to “FEMSA Comercio – Fuel Division.” The financial information by operating segment reported below for the years ended December 31, 2020 and 2019 has been restated in order to give effect to business units’ reorganization described above.

Inter-segment transfers or transactions are entered into and presented under accounting policies of each segment, which are the same as those applied by the Company. Intercompany operations are eliminated and presented within the consolidation adjustment column included in the tables below.

a) By Business Unit:

2021	Coca-Cola FEMSA	FEMSA Comercio – Proximity Division	FEMSA Comercio – Health Division	FEMSA Comercio – Fuel Division	Heineken Investment	Logistics and Distribution	Other [1]	Consolidation Adjustments	Consolidated
Total revenues	Ps. 194,804	Ps. 198,586	Ps. 73,027	Ps. 39,922	Ps. —	Ps. 48,412	Ps. 21,754	Ps. (20,244)	Ps. 556,261
Intercompany revenue	5,428	520	—	57	—	5,809	8,430	(20,244)	—
Gross profit	88,598	84,196	21,736	5,269	—	10,569	8,479	(5,134)	213,713
Administrative expenses	—	—	—	—	—	—	—	—	27,219
Selling expenses	—	—	—	—	—	—	—	—	134,079
Other income	—	—	—	—	—	—	—	—	5,887
Other expenses	—	—	—	—	—	—	—	—	3,727
Interest expense	6,192	6,076	1,465	1,119	—	430	5,269	(3,613)	16,938
Interest income	932	440	30	154	74	1	3,446	(3,613)	1,464
Other net finance loss [3]	—	—	—	—	—	—	—	—	2,090
Income before income taxes and share of the profit of equity method accounted investees	22,852	12,580	1,068	455	59	1,854	2,477	(154)	41,191
Income taxes	6,609	996	1,219	103	15	982	4,354	—	14,278
Share of the profit of equity method accounted investees, net of tax	88	(120)	—	—	10,775	8	14	—	10,765
Consolidated net income	—	—	—	—	—	—	—	—	37,678
Depreciation and amortization [2]	9,834	10,869	3,355	972	—	2,684	402	(129)	27,987
Non-cash items other than depreciation and amortization	1,613	448	111	14	—	145	110	—	2,441
Investments in equity method accounted investees	7,494	2,899	—	19	96,349	—	538	—	107,299
Total assets	271,567	129,821	57,463	19,878	101,706	64,168	166,984	(74,087)	737,500
Total liabilities	143,995	110,765	44,037	16,503	4,383	28,245	128,568	(74,113)	402,383
Investments in fixed assets [4]	13,865	7,179	2,049	243	—	557	474	(312)	24,055

[1] Includes other companies and corporate (see Note 1).

[2] Includes bottle breakage.

[3] Includes foreign exchange loss, net; gain on monetary position for subsidiaries in hyperinflationary economies; and market value loss on financial instruments.

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

2020 (Revised)	Coca-Cola FEMSA	FEMSA Comercio – Proximity Division	FEMSA Comercio – Health Division	FEMSA Comercio – Fuel Division	Heineken Investment	Logistics and Distribution	Other (1)	Consolidation Adjustments	Consolidated
Total revenues	Ps.183,615	Ps. 181,277	Ps. 65,172	Ps. 34,322	Ps. —	Ps. 31,568	Ps. 17,311	Ps. (20,299)	Ps. 492,966
Intercompany revenue	5,016	451	—	9	—	5,508	9,315	(20,299)	—
Gross profit	82,811	74,296	19,575	4,829	—	5,191	8,103	(5,152)	189,653
Administrative expenses	—	—	—	—	—	—	—	—	22,988
Selling expenses	—	—	—	—	—	—	—	—	123,405
Other income	—	—	—	—	—	—	—	—	3,343
Other expenses	—	—	—	—	—	—	—	—	12,381
Interest expense	7,894	5,932	1,540	1,099	—	397	4,376	(3,722)	17,516
Interest income	1,048	388	162	155	61	56	3,952	(3,722)	2,100
Other net finance income (3)	—	—	—	—	—	—	—	—	505
Income before income taxes and share of the profit of equity method accounted investees	16,077	6,409	753	330	48	776	(5,567)	485	19,311
Income taxes	5,428	(280)	243	126	12	446	8,844	—	14,819
Share of the profit of equity method accounted investees, net of tax	(281)	(18)	—	—	(434)	—	(3)	—	(736)
Consolidated net income	—	—	—	—	—	—	—	—	3,756
Depreciation and amortization (2)	10,608	10,574	3,543	865	—	2,062	500	(103)	28,049
Non-cash items other than depreciation and amortization	1,494	739	28	21	—	(25)	164	—	2,421
Investments in equity method accounted investees	7,623	3,102	—	19	87,291	—	235	—	98,270
Total assets	263,066	121,200	60,107	19,572	92,444	52,057	135,456	(59,054)	684,848
Total liabilities	140,609	104,141	46,038	16,466	4,011	15,163	110,054	(58,821)	377,661
Investments in fixed assets (4)	10,354	6,907	1,694	549	—	481	1,052	(144)	20,893

(1) Includes other companies and corporate (see Note 1).

(2) Includes bottle breakage.

(3) Includes foreign exchange loss, net; gain on monetary position for subsidiaries in hyperinflationary economies; and market value loss on financial instruments.

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

2019 (Revised)	Coca-Cola FEMSA	FEMSA Comercio – Proximity Division	FEMSA Comercio – Health Division	FEMSA Comercio – Fuel Division	Heineken Investment	Logistics and Distribution	Other [1]	Consolidation Adjustments	Consolidated
Total revenues	Ps.194,471	Ps. 184,810	Ps. 58,922	Ps. 48,790	Ps. —	Ps. 19,834	Ps. 21,016	Ps. (21,132)	Ps. 506,711
Intercompany revenue	5,688	325	—	11	—	5,953	9,155	(21,132)	—
Gross profit	87,507	75,099	17,645	5,713	—	1,013	9,600	(5,096)	191,481
Administrative expenses	—	—	—	—	—	—	—	—	19,930
Selling expenses	—	—	—	—	—	—	—	—	121,871
Other income	—	—	—	—	—	—	—	—	1,013
Other expenses	—	—	—	—	—	—	—	—	4,905
Interest expense	6,904	5,733	1,226	1,175	1	448	1,855	(3,209)	14,133
Interest income	1,230	338	10	267	23	17	4,393	(3,110)	3,168
Other net finance expenses [3]	—	—	—	—	—	—	—	—	(2,527)
Income before income taxes and share of the profit of equity method accounted investees	18,409	11,458	1,487	1,134	10	8	(569)	359	32,296
Income taxes	5,648	923	556	348	(491)	(154)	3,646	—	10,476
Share of the profit of equity method accounted investees, net of tax	(131)	9	—	—	6,428	—	(78)	—	6,228
Consolidated net income	—	—	—	—	—	—	—	—	28,048
Depreciation and amortization [2]	10,642	9,604	3,112	855	—	1,147	561	(112)	25,810
Non-cash items other than depreciation and amortization	1,083	529	23	105	—	321	434	—	2,495
Investments in equity method accounted investees	9,751	3,719	—	—	83,789	4	207	—	97,470
Total assets	257,841	117,229	54,366	22,470	86,639	26,900	127,077	(54,981)	637,541
Total liabilities	128,154	98,468	53,468	20,438	3,151	12,160	50,968	(55,017)	311,790
Investments in fixed assets [4]	11,465	10,374	1,529	706	—	464	1,221	(180)	25,579

[1] Includes other companies and corporate (see Note 1).

[2] Includes bottle breakage.

[3] Includes foreign exchange gain, net; gain on monetary position for subsidiaries in hyperinflationary economies; and market value loss on financial instruments.

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

b) By Geographic Area:

The Company aggregates geographic areas into the following for the purposes of its consolidated financial statements: (i) Mexico and Central America division (comprising the following countries: Mexico, Guatemala, Nicaragua, Costa Rica, and Panama), (ii) the United States, (iii) the South America division (comprising the following countries: Brazil, Argentina, Colombia, Chile, Ecuador, Peru and Uruguay) and (iv) Europe (comprised of the Company's equity method investment in Heineken Group). For further information related to aggregates, geographic areas see Note 28.2 Disaggregation of revenue.

Geographic disclosure for the Company's non-current assets is as follow:

		2021		2020
Mexico and Central America [1]	Ps.	234,719	Ps.	234,679
United States [2]		53,447		37,105
South America [3]		117,278		124,470
Europe		101,338		87,326
Consolidated	Ps.	506,782	Ps.	483,580

[1] Domestic (Mexico only) non-current assets were Ps.220,843 and Ps. 226,497, as of December 31, 2021 and December 31, 2020, respectively.

[2] On May 15, 2020, the Company completed the acquisition of the specialized distribution business of cleaning products and consumables in the United States, through the controlling interest of NW Synergy, which includes WAXIE Sanitary Supply ("WAXIE") and North American Corporation ("North American"). Additionally, on December 31, 2020, the Company completed the acquisition of Southeastern Paper Group ("SEPG"). In 2021 the Company acquired other companies increasing its specialized distribution footprint in the United States. See Note 4.1.

[3] South America non-current assets includes Brazil, Argentina, Colombia, Chile, Uruguay and Ecuador. Brazilian non-current assets were Ps.65,512 and Ps. 66,050, as of December 31, 2021 and December 31, 2020, respectively. Colombia's non-current assets were Ps.14,433 and Ps. 15,653, as of December 31, 2021 and December 31, 2020, respectively. Argentina's non-current assets were Ps.4,486 and Ps. 3,905, as of December 31, 2021 and December 31, 2020, respectively. Chile's non-current assets were Ps.29,621 and Ps. 30,953, as of December 31, 2021 and December 31, 2020, respectively. Uruguay's non-current assets were Ps.2,473 and Ps. 4,537, as of December 31, 2021 and December 31, 2020, respectively. Ecuador's non-current assets were Ps.3,590 and Ps. 3,372, as of December 31, 2021 and December 31, 2020, respectively.

NOTE 28. REVENUES

28.1 Nature of goods sold and services

The information sets below described the core activities of the business units from which the Company generates its revenues. According to the standard, the performance obligation for the Company's business units is satisfied at a point when the control of goods and services is transferred to the customers. For detailed information about business segments, see Note 27.

Segment	Product or Service	Nature, timing to fulfill the performance obligation and significant payment terms
Coca-Cola FEMSA	Beverages sales	Includes the delivery of beverages to customers and wholesalers. The transaction prices are assigned to each product on sale based on its own sale price separately, net of promotions and discounts. The performance obligation is satisfied at the point in time the product on sale is delivered to the customer.
	Services revenues	Includes the rendering of manufacturing services, logistic and administrative services. The transaction prices are assigned to each product on sale based on its own sale price if sold separately. The performance obligation is satisfied at the point in time the service is delivered to the customer.
FEMSA Comercio – Proximity Division	Products sales	Operates the largest chain of small-format stores in Mexico and Latin America including as some of its principal products as beers, cigarettes, sodas, other beverages and snacks. The performance obligation is satisfied at the time of the sale or at the moment the control of the product is transferred and the payment is made by the customer.
	Commercial revenues	Includes mainly the commercialization of spaces into within stores, and revenues related to promotions and financial services. The performance obligation is satisfied at the point in time the service is rendered to the customer.
FEMSA Comercio – Health Division	Product sales	The core products include patent and generic formulas of medicines, beauty products, medical supplements, housing and personnel care products. The performance obligation is satisfied at the point in time of the sale or at the moment the control of the product is transferred to the customer.
	Services revenues	Rendering of services adding value as financial institutions, medical consultation and some financial services. The performance obligation is satisfied at the point in time of the rendering or the control is transferred to the customer.
FEMSA Comercio – Fuel Division	Product sales	The core products are sold in the retail service stations as fuels, diesel, motor oils and other car care products. The performance obligation is satisfied at the point in time on sale and/or the control is transferred to the customer.
Logistics and distribution	Integral logistic services	Rendering a wide range of logistic services and maintenance of vehicles to subsidiaries and customers. The operations are on a daily, monthly or based upon the customer's request. The revenue is recognized progressively during the time the service is rendered in a period no greater than a month.
	Product sales in the Jan-San, packaging and specialized distribution industry.	The revenues in this business are integrated from the sale of consumables in the janitorial, sanitary supply, and packaging industry in the United States. The performance obligation is satisfied at the point in time on sale and/or when the control is transferred to the customer.
Others	Production and sale of commercial refrigeration, plastic solutions, sale of equipment for food processing	Involves the production, commercialization of refrigerators including its delivery and installation and offering of integral maintenance services at the point of sale. Also includes the design, manufacturing, and recycling of plastic products. In addition, it includes the sale of equipment for food processing, storage and weighing. The revenue recognition is performed at the time in which the corresponding installation is concluded. The recognition of revenue in other business lines is performed at the point of sale or in time the control of the product is transferred to the customer.

28.2 Disaggregation of revenue

The information sets below describe the disaggregation of revenue by geographic area, business unit and products and services categories in which the Company operates. The timing in which the revenues are recognized by the business units in the Company, is mainly at the point in the time in which control of goods and services is transferred in its entirety to the customer.

	Coca-Cola FEMSA			FEMSA Comercio – Proximity Division			FEMSA Comercio – Health Division			FEMSA Comercio – Fuel Division			Logistics and Distribution			Other Segments			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
By geographic areas:																					
Mexico and Central America [(1)]	Ps.115,794	Ps. 106,783	Ps. 109,249	Ps. 195,990	Ps. 179,218	Ps. 182,864	Ps. 10,814	Ps. 9,716	Ps. 8,170	Ps. 39,922	Ps. 34,322	Ps. 48,790	Ps. 11,789	Ps. 11,349	Ps. 12,269	Ps. 19,260	Ps. 15,519	Ps. 19,010	Ps. 393,569	Ps. 356,907	Ps. 380,352
United States [(2)]	–	–	–	11	15	–	–	–	–	–	–	–	27,787	11,563	–	279	687	–	28,077	12,265	–
South America [(3)]	79,010	76,832	85,222	2,585	2,044	1,946	62,213	55,456	50,752	–	–	–	8,836	8,656	7,565	2,215	1,105	1,988	154,859	144,093	147,473
Venezuela	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	18	–	–	18
Total revenues	194,804	183,615	194,471	198,586	181,277	184,810	73,027	65,172	58,922	39,922	34,322	48,790	48,412	31,568	19,834	21,754	17,311	21,016	576,505	513,265	527,843
Consolidation adjustments	5,428	5,016	5,688	520	451	325	–	–	–	57	9	11	5,809	5,508	5,953	8,430	9,315	9,155	20,244	20,299	21,132
Consolidated revenues	189,376	178,599	188,783	198,066	180,826	184,485	73,027	65,172	58,922	39,865	34,313	48,779	42,603	26,060	13,881	13,324	7,996	11,861	556,261	492,966	506,711
By products and/or services																					
Products sold in the point-of-sale	Ps.194,804	Ps. 183,615	Ps. 194,471	Ps. 198,586	Ps. 181,277	Ps. 184,810	Ps. 73,027	Ps. 65,172	Ps. 58,922	Ps. 39,585	Ps. 34,322	Ps. 48,790	Ps. 27,623	Ps. 11,276	Ps. –	Ps. 14,814	Ps. 11,443	Ps. 12,261	Ps. 548,439	Ps. 487,105	Ps. 499,254
Services revenues	–	–	–	–	–	–	–	–	–	337	–	–	20,789	20,292	19,834	6,940	5,868	8,755	28,066	26,160	28,589
Consolidation adjustments	5,428	5,016	5,688	520	451	325	–	–	–	57	9	11	5,809	5,508	5,953	8,430	9,315	9,155	20,244	20,299	21,132
Consolidated revenues	189,376	178,599	188,783	198,066	180,826	184,485	73,027	65,172	58,922	39,865	34,313	48,779	42,603	26,060	13,881	13,324	7,996	11,861	556,261	492,966	506,711

[(1)] Central America includes Guatemala, Nicaragua, Costa Rica and Panama. Domestic (Mexico only) revenues were Ps.355,920, Ps. 320,694 and Ps. 346,659 during the years ended December 31, 2021, 2020 and 2019, respectively.

[(2)] On May 15, 2020, the Company completed the acquisition of the specialized distribution business of cleaning products and consumables in the United States, through the controlling interest of NW Synergy, which includes WAXIE Sanitary Supply ("WAXIE") and North American Corporation ("North American"). Additionally, on December 31, 2020, the Company completed the acquisition of Southeastern Paper Group ("SEPG"). In 2021 the Company acquired other companies increasing its specialized distribution footprint in the United States. See Note 4.1.

[(3)] South America includes Brazil, Argentina, Colombia, Chile, Uruguay and Ecuador. South America revenues include Brazilian revenues of Ps.59,973, Ps. 62,758 and Ps. 67,076 during the years ended December 31, 2021, 2020 and 2019, respectively. South America revenues include Colombia's revenues of Ps.17,548, Ps. 14,800 and Ps. 16,440 during the years ended December 31, 2021, 2020 and 2019, respectively. South America revenues include Argentina's revenues of Ps.8,546, Ps. 5,531 and Ps. 6,857 during the years ended December 31, 2021, 2020 and 2019, respectively. South America revenues include Chile's revenues of Ps.54,709, Ps. 47,208 and Ps. 45,276 during the years ended December 31, 2021, 2020 and 2019, respectively. South America revenues include Uruguay's revenues of Ps.3,371, Ps. 3,124 and Ps. 3,421 during the years ended December 31, 2021, 2020 and 2019, respectively. South America revenues include Ecuador's revenue of Ps.9,079, Ps. 9,467 and Ps. 6,539 during the year ended in December 31, 2021, 2020 and 2019, respectively.

28.3 Contract balances

As of December 31, 2021, no significant cost was incurred to obtain or perform on a contract that might be capitalized as assets. No significant contacts have been entered into for which the Company has not performed all the obligations as well as additional costs associate with them.

28.4 Transaction price assigned to remaining performance obligations

No performance obligations were identified in customer contracts that are not included in the transaction price, as a result of identified variable considerations per each business unit are part of the transaction price through be consider highly probable that not occurs a significant reversion of the revenue amount.

NOTE 29. FUTURE IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS NOT YET IN EFFECT

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

Classification of Liabilities as Current or Non-current - Amendments to IAS 1
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The Company does not expect significant effects for the adoption of this standards.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued amendments to IAS 16, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendments. The amendments are not expected to have a material impact on the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs that do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations on January 1, 2022. The amendments are not expected to have a material impact on the Company.

I - Subsidiary as a first-time adopter - amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment will also be applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after January 1, 2022.

Fees in the '10 per-cent' test for derecognition of financial liabilities – amendments to IFRS 9 Financial Instruments
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendments to IFRS 9. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after January 1, 2022. The amendments are not expected to have a material impact on the Company.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. An earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023, with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The amendments are not expected to have a material impact on the Company.

Income Taxes Amendments to IAS 12

On May 7, 2021, the IASB issued amendments to IAS 12 "Income Tax". The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments modify paragraphs 15, 22 and 24 of IAS 12, which state that the initial recognition exemption does not apply to operations that at the time of initial recognition give rise to equal taxable and deductible temporary differences.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

NOTE 30. SUBSEQUENT EVENTS

Effective January 24, 2022, Coca-Cola FEMSA, through its Brazilian subsidiary Spal Industria Brasileira de Bebidas, S.A. completed the acquisition of 100% of CVI Refrigerantes Ltda. (herein "CVI"), in an all-cash transaction for a consideration transferred of Ps. 1,762 (R$473). CVI was a bottler of Coca-Cola trademark products, which operated mainly in Rio Grande do Sul, Brazil. This acquisition will reinforce Coca-Cola FEMSA's leadership position in Brazil. Coca-Cola FEMSA started integrating the results of CVI as of February 2022.

On January 25, 2022, Coca-Cola FEMSA announced the construction of a new recycling plant together with ALPLA México, S.A. de C.V. ("ALPLA"), which will be known as "PLANETA", ("Planta Nueva Ecología de Tabasco", in Spanish). The plant will have a joint investment between Coca-Cola FEMSA and ALPLA of more than US$ 60 million and will operate with state-of-the-art technology to process up to 50,000 tons of post-consumption PET bottles per year, to produce up to 35,000 tons of food-grade recycled material, ready to be reused. The plant is expected to start operations during the first quarter of 2023.

On February 28, 2022, the Company completed the acquisition of OK Market, a small-format proximity store chain in Chile, after receiving the necessary regulatory approvals. The transaction was fully paid in cash for an amount of USD 47 million. The transaction will add 134 locations to the Company's proximity business existing footprint in this important market, to reach a total of 258 locations. With this transaction, the Company increases its commitment as a proximity store operator in Chile, improving its scale and ability to better serve its Chilean consumers.

On March 28, 2022, Heineken announced its decision to leave Russia and its aim for an orderly transfer of its business to a new owner in full compliance with local laws and regulations.