

FEMSA

ANNUAL REPORT 2014



Rising TO THE OCCASION



FEMSA is a leading company that participates in the beverage industry through Coca-Cola FEMSA, the largest franchise bottler of Coca-Cola products in the world; and in the beer industry, through its ownership of the second largest equity stake in Heineken, one of the world's leading brewers with operations in over 70 countries. In the retail industry it participates with FEMSA Comercio, operating various small-format store chains including OXXO, the largest and fastest-growing in the Americas. Additionally, through FEMSA Strategic Businesses, it provides logistics, point-of-sale refrigeration solutions and plastics solutions to FEMSA's business units and third-party clients.



At FEMSA, our team continues to rise to the occasion, overcoming a challenging market environment to meet—and exceed—the evolving needs of our consumers each and every day. Building on our strengths, we work to transform challenges into opportunities, pursue new avenues for growth, and convert complexity into profitability. We further foster our company’s sustainable growth and development, creating economic, social, and environmental value for our stakeholders now and into the future.



Consumer Focus

At FEMSA, we fine-tune our focus and leverage our strengths to pursue our ultimate goal: to create a perfect experience for each of our consumers on every occasion. To this end, we tirelessly strive to get closer to our consumers, understand and anticipate their evolving needs, and tailor our value proposition to exceed their expectations.



+2,500

products and services
for our **OXXO shoppers**.
What can we offer you?

Coca-Cola Life

a **low-calorie** alternative
sweetened with natural
ingredients.



OXXO's **Bitz** snacks,
candy, and baked
goods satisfy our
consumers' cravings
any time of day.

3.4 billion

unit cases of refreshing **beverages sold** this year. Enjoy a Coke and a smile!



Sprite Zero and **Fanta Zero** complement our growing portfolio of affordable, zero-calorie sparkling beverages.

1,132

new OXXO stores opened across Mexico and Colombia. Growing to serve you!



Constant Growth

Growth is an essential element of our DNA. We constantly scan the horizon for occasions that afford us the opportunity to enhance our offerings and expand our opportunities for value creation to an ever-wider array of consumers. We are persistent in our search and unwavering in our effort to achieve sustainable growth—capitalizing on our core capabilities.



Profitable Complexity

When you continually strive to meet the ever-changing needs of millions of consumers across multiple countries with diverse economies and cultures, complexity is the name of the game. Fortunately, our skilled team relentlessly rises to the challenge, profitably transforming complexity into opportunity for our company today and tomorrow.



+3.4 billion
 transactions carried out
 at OXXO during 2014.
 We keep on going!

+90 new
 small-box drugstores
 opened to cater to
 Mexican consumers.

351 million
 beverage consumers
 served across 10 different
 countries every day.
 No problem!



26,500

DEVELOPMENT AGENDAS

managed to support employees' performance. Our people are our most valuable asset!

+88,100

employees received training at **FEMSA University** last year. Fostering a talent culture!

4.3 million

HOURS

of **classroom instruction** delivered across our Business Units. Developing personally and professionally!



Talent Management

For this reason, we are dedicated to recruiting, encouraging and retaining the best talent for our business through our Comprehensive Talent Management model, we foster the professional and personal growth of our people, developing the capabilities necessary for them to reach their maximum potential, while contributing to the achievement of our near-and long-term goals.

Rising to the Occasion

Dear Shareholders

In 2014, we successfully navigated a tough operating environment. Throughout the year, we leveraged our core businesses' strengths to satisfy our consumers' needs, generated new avenues for growth, and profitably converted complexity into opportunity. Furthermore, through our 20% economic interest in Heineken, we remained positioned to benefit from the promising long-term prospects of the global brewing space.



**José Antonio
Fernández Carbajal**
Executive Chairman
of the Board (left)

Carlos Salazar Lomelín
Chief Executive Officer (right)

70 million

TRANSACTIONS

Consumer transactions generated daily across Coca-Cola FEMSA's franchise territories.

Our company overcame significant headwinds this year as we effectively managed extremely challenging consumer dynamics. In our key Mexican market, the soft macroeconomic situation, magnified by structural reforms, increased taxation, excise tax-driven price increases on most soft drinks and calorie-dense products, and higher VAT rates in northern and southern border states, compounded a sluggish consumer environment for our retail and beverage businesses. Moreover, adverse foreign exchange dynamics in our major South American markets, combined with decelerating GDP growth in Brazil, a weak economy in Argentina, and a demanding operating landscape in Venezuela, affected consumer confidence across the region.

In light of these and other challenges, we generated better than expected results for our shareholders thanks to our robust business platform, talented team of people, and operations' ability to adapt to new market realities. For 2014, our total revenues increased 2.1% to Ps. 263.4 billion (US\$ 17.9 billion). Our income from operations increased 0.4% to Ps. 30.0 billion (US\$ 2.0 billion). Our net income increased 2.1% to Ps. 22.6 billion (US\$ 1.5 billion), and our earnings per unit were Ps. 4.67 (US\$ 3.16 per ADR). Now that the new taxes and related price increases are reflected in our retail and beverage businesses' base, as we look forward, we are optimistic about our ability to succeed throughout ever-evolving operating conditions.

Now, let us briefly review some of the year's highlights for each of our businesses.

Coca-Cola FEMSA

Coca-Cola FEMSA surmounted a complex environment, particularly in Mexico and Brazil, to deliver volume growth and profitable results across our markets. In Mexico, our operations acted swiftly to protect our profitability and cash flow generation, proactively implementing portfolio and revenue management initiatives. To address the impact of new taxes, our operations' emphasized returnable, low-calorie, and single-serve sparkling beverages—coupled with packaging and brand innovation—to enable us to connect more closely with our consumers' needs, generating more than 9 billion transactions, while outpacing our volume performance for the year. Additionally, we restruc-

tured our operations, reducing costs and expenses, while scaling back investments. These initiatives, combined with our relentless focus on marketplace execution and operating efficiency, set us on the right path to achieve operating cash flow and margin expansion for the year.

Despite a difficult environment, we integrated the operations of Companhia Fluminense and Spaipa, solidifying our position as Brazil's leading Coca-Cola bottler. Thanks to our team's efforts, we are rapidly capturing the expected synergies, which total approximately US\$ 52 million. We also made strategic capital investments across the supply chain to keep up with potential demand. In November, we began operations at our new state-of-the-art bottling plant in Itabirito, Brazil, with an annual capacity of approximately 200 million unit cases. Built to LEED certification standards, this efficient, eco-friendly facility enhances our position to capture the benefits of this dynamic market's great long-term prospects.

Coca-Cola FEMSA further embarked on an intensive strategic, organizational, and operating transformation process to create a leaner, nimbler, and more flexible organization with the requisite capabilities to drive our competitiveness and prepare for the next wave of growth. Among our actions, we established centers of excellence, focused on our supply chain, commercial, and IT innovation areas. We commenced streamlining and de-layering our organization to foster a tighter, leaner, more agile management that will enable greater efficiency and bring us closer to our customers.

We rose to the occasion, creating economic, social, and environmental value for our stakeholders.



2.8 million points of sale to quench our consumers' thirst. How refreshing!



We are also reinforcing our talent management to develop a deep bench of professionals who can address growing market and industry complexity, while furthering our strategic vision.

FEMSA Comercio

FEMSA Comercio effectively managed soft consumer dynamics to produce resilient, positive results for 2014, including top- and bottom-line growth, a 50 basis point gross margin expansion, and comparable same-store sales growth that outperformed our industry. We also continued our long-term strategy to solidify OXXO's leadership position as Mexico's unique national modern small-format store chain. In 2014, we successfully opened a record 1,132 new OXXO stores for a total of 12,853 stores—serving more than 9 million shoppers daily.

Beyond OXXO, we strengthened our position in the complementary drugstore sector, further developing an important new avenue for growth. Building on our 2013 acquisitions of Farmacias YZA and Farmacias FM Moderna, we leveraged our in-depth understanding of our consumers and expertise operating a national small-box retail chain to enhance the value proposition of our base of 515 drugstores, while opening more than 90 new drugstores over the course of the year.

Additionally, in December 2014, we agreed to acquire Farmacias Farmacón, an important drugstore operator with over 200 stores in northwestern Mexico. Through this transaction, we take an additional step in our strategy to play a relevant role in an attractive, still-fragmented industry, where we aspire to replicate the success of our small-box retail format.

Furthermore, we made great strides in the integration of recently acquired Doña Tota, a leading



quick-service restaurant operator with more than 200 outlets in Mexico and the U.S. Consequently, we are now well positioned to gradually increase the pace of growth of this business in the coming year.

Strategic Businesses

We also advanced our strategy to focus and strengthen our Strategic Businesses' operations, which provide significant support to our core businesses and also present attractive growth potential. To this end, we worked to consolidate

Imbera as the leader in the design and production of state-of-the-art refrigeration solutions for retail applications, spearheading innovation and achieving the highest efficiency ratings in the Americas. At FEMSA Logística, we made progress with its operational restructuring, positioning it to drive growth organically and through selective acquisitions. In this regard, we continued to foster Logística's transformation into an integrated logistics provider by deploying resources to increase our operational capabilities in key markets such as Brazil. World-class operations in their own right, these businesses will continue to contribute to the growth and success of our company going forward.

Sustainable Development

Sustainability is integral to our company's development. Consistent with our commitment to ensure that renewable sources of energy eventually



cover a high percentage of our electricity needs, we executed two important power purchase agreements that will enable us to fulfill more than 25% of FEMSA's current annual electricity requirements in Mexico. Through these agreements, we have secured 193,000 megawatt (MW) hours of electricity per year from the 100-MW Dominica II wind farm in San Luis Potosí, Mexico, and 350,000 MW hours of electricity per year from the 126-MW Ventika II wind farm in Nuevo León, Mexico. With the power generated from these wind farms, which are expected to come online in the third quarter of 2015 and the first quarter of 2016, respectively, we will lower the consumption of fossil fuels, reduce our energy costs, and decrease our overall carbon footprint.

Underscoring our commitment to sustainability, Coca-Cola FEMSA was once again selected as one of only 86 corporations chosen from emerging markets and one of only four Mexico-based companies included in the Dow Jones Sustainability Emerging Markets Index. Importantly, Coca-Cola FEMSA was the first Mexican company that was included in RobecoSAM's Sustainability Yearbook and also received this prestigious institution's Industry Mover Sustainability Award.

Management Changes

As previously announced, we recently initiated certain executive changes that will not only enable us to properly manage the transition processes for certain key responsibilities, but also reinforce our management team to transcend current and future challenges, continue our growth trajectory, and build an ever better, more global business.

After nine years as Vice President of Corporate Development and 25 years working at FEMSA, Federico Reyes García has decided to retire as of April 1, 2015. Javier Astaburuaga Sanjines, currently FEMSA's Chief Financial and Corporate Officer, will replace Federico as Vice President of Corporate Development. In that position, Javier will continue to support FEMSA's Strategic and Mergers & Acquisitions processes.

We also warmly welcome Daniel Rodríguez Cofré, who joined FEMSA on January 1, 2015, and will take Javier's place as Chief Financial and Corporate Officer on April 1, 2015. Born in Chile, Daniel enjoys considerable international financial experience in Latin America and Europe; first as CFO of Shell in South America and later as Global CFO of one of Shell's European based operating divisions. For the past six years, Daniel has served as the CEO of CENCOSUD, a major Chilean retail consortium.

Looking forward, we envision an immensely rewarding future for our company, driven by our passionate team of managers and employees. On behalf of these 216,000 dedicated men and women, we thank you for your continued support. The very reason for our existence is to create economic, social, and environmental value for our stakeholders—including our employees, our consumers, our shareholders, and the enterprises and institutions within our society—now and into the future. |

José Antonio Fernández Carbajal
Executive Chairman of the Board

Carlos Salazar Lomelín
Chief Executive Officer

In Memoriam

If we are fortunate in our lives, we are privileged to know a very few great and fascinating leaders. **Donald R. Keough** was one of them.



Donald R. Keough
(September 4, 1926 – February 24, 2015)

The Coca-Cola Company, FEMSA and Coca-Cola FEMSA Members of the Board of Directors and Top Management, October 2011.

Donald R. Keough stands in the first row from left to right with Muhtar Kent, José Antonio Fernández Carbajal, and Eva Garza Lagüera de Fernández.



At FEMSA, we appreciate the character and the values of those leaders, and strive to carry their values beyond the workplace and into our broader lives.

We recognize the admirable way Don Keough lived his life as a great man, a talented business leader, and a dedicated philanthropist for many educational and charitable causes.

Don will certainly be remembered for his many business and personal accomplishments in challenging times. He was a key figure in the history and growth of iconic institutions such as The Coca-Cola Company, Allen & Company, and the University of Notre Dame.

Donald R. Keough was a dear friend and cherished mentor to so many. He truly believed that people are at the heart of successful companies. His legacy includes a new leadership model; unmatched operating skills; an expansive vision; and, above all, a deep commitment to developing people who possess the potential to positively transform our world.

Don had high regards for Coca-Cola FEMSA, where he contributed his passion, talent, visionary leadership, and counsel to help build the company that it is today. We will always remember and be thankful for his devotion to our company.

His impact will be forever present in our shared commitment to create economic, social, and environmental value for our stakeholders and communities.

“In admiration and affection for a man whom it was a privilege and an inspiration to have known, we will miss Don Keough’s sharp wit and generous spirit.”

José Antonio Fernández Carbajal
Executive Chairman of the Board



Financial Highlights

Millions of pesos	2014 ¹	2014	2013	% Change	2012	% Change	2011 ²
Total Revenues	17,861	263,449	258,097	2.1%	238,309	8.3%	201,540
Income from Operations ³	2,033	29,983	29,857	0.4%	29,227	2.2%	24,484
Consolidated Net Income	1,534	22,630	22,155	2.1%	28,051	-21.0%	20,901
Controlling Interest ⁶	1,132	16,701	15,922	4.9%	20,707	-23.1%	15,332
Non-Controlling Interest	402	5,929	6,233	-4.9%	7,344	-15.1%	5,569
Total Assets	25,503	376,173	359,192	4.7%	295,942	21.4%	263,362
Total Liabilities	9,902	146,051	136,642	6.9%	85,781	59.3%	71,191
Total Equity	15,601	230,122	222,550	3.4%	210,161	5.9%	192,171
Capital Expenditures	1,231	18,163	17,882	1.6%	15,560	14.9%	12,609
Controlling Interest Book Value per Share ⁴	0.65	9.53	8.91	7.0%	8.68	2.7%	8.06
Net Controlling Interest Income per Share ⁴	0.06	0.93	0.89	4.9%	1.16	-23.1%	0.86
Headcount ⁵		216,740	209,232	3.6%	182,260	14.8%	168,370

¹ U.S. dollar figures are converted from Mexican pesos using the noon-buying rate published by U.S. Federal Reserve Board, which was Ps. 14.7500 per US\$1.00 as of December 31, 2014.

² 2011 figures were restated for comparison with 2014, 2013 and 2012 as a result of transition to International Financial Reporting Standards (IFRS).

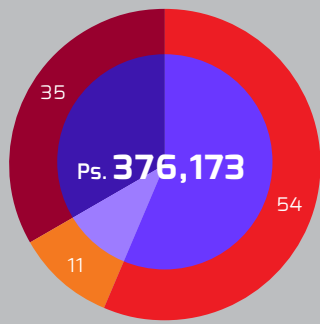
³ Company's key performance indicator.

⁴ Data based on outstanding shares of 17,891,131,350.

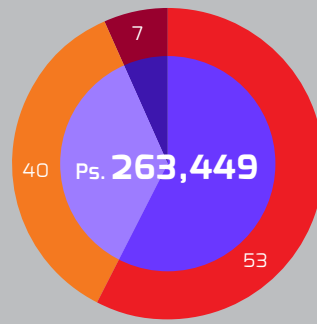
⁵ Includes headcount from Coca-Cola FEMSA, FEMSA Comercio and Other Businesses of FEMSA.

⁶ Represents the net income that is assigned to the controlling shareholders of the entity.

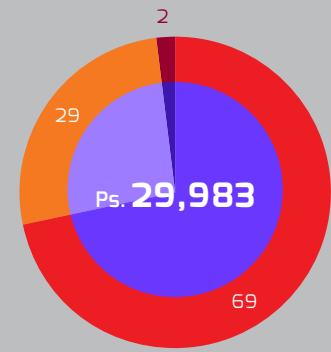
FEMSA Consolidated



Total Assets
millions of Mexican pesos

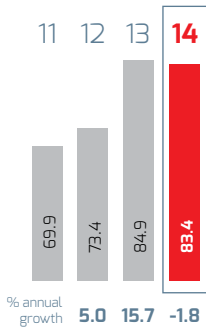


Total Revenues
millions of Mexican pesos

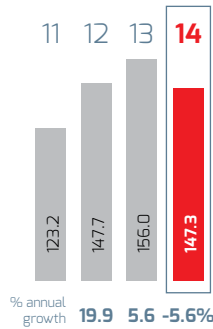


Income from Operations
millions of Mexican pesos

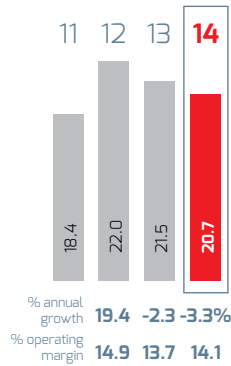
Headcount
thousands



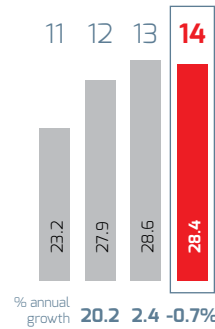
Total Revenues
billions of Mexican pesos



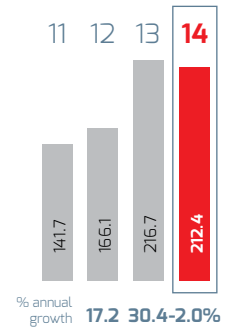
Income from Operations¹
billions of Mexican pesos



EBITDA²
billions of Mexican pesos

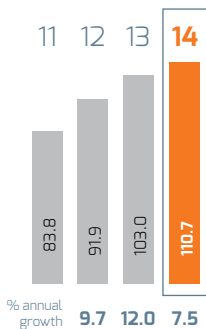


Total Assets
billions of Mexican pesos

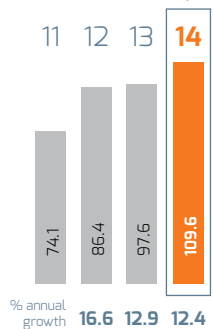


Coca-Cola FEMSA

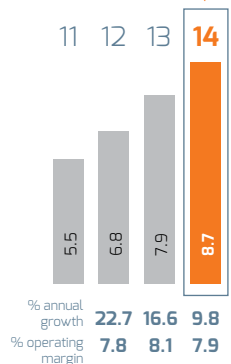
Headcount
thousands



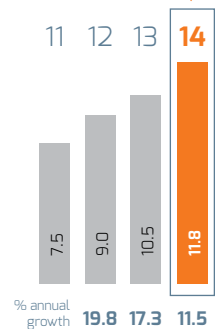
Total Revenues
billions of Mexican pesos



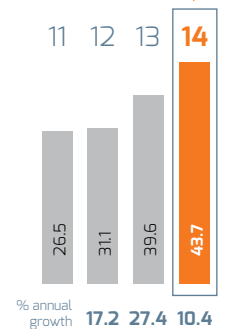
Income from Operations¹
billions of Mexican pesos



EBITDA²
billions of Mexican pesos



Total Assets
billions of Mexican pesos

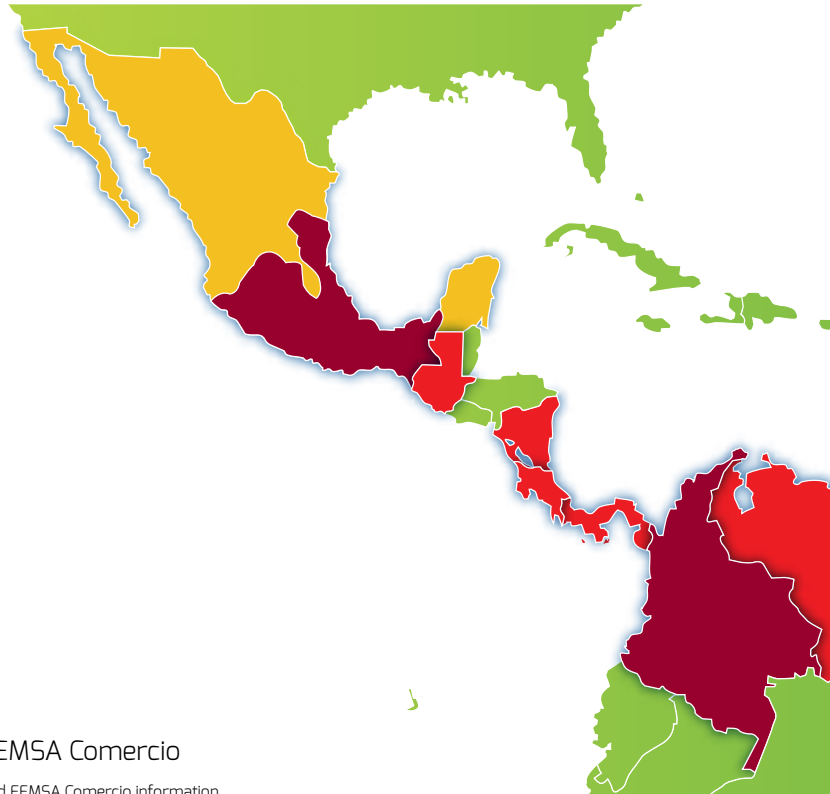


FEMSA Comercio

- Coca-Cola FEMSA
- FEMSA Comercio
- Others (Includes other companies and our 20% economic interest in Heineken)

¹ Company's key performance indicator.
² EBITDA equals Income from Operations plus Depreciation, Amortization and other non-cash items.

Operating Overview



Mexico ¹

Headcount	43,015
Plants	17
Distribution Facilities	144
Distribution Routes ³	3,242
Brands ⁴	100
Clients	849,725

Central America ^{1,2}

Headcount	6,013
Plants	5
Distribution Facilities	32
Distribution Routes ³	340
Brands ⁴	33
Clients	105,658

Mexico and Colombia

Headcount	104,564
Stores	12,853
Distribution Facilities	16
Brands ⁵	28
Clients ⁶	+ 3 billion

- Coca-Cola FEMSA
- FEMSA Comercio
- Coca-Cola FEMSA & FEMSA Comercio

Note: Only includes Coca-Cola FEMSA and FEMSA Comercio information.

1. FEMSA owns 47.9%; the remaining 28.1% and 24.0% are owned by The Coca-Cola Company and the investing public, respectively.
2. Includes Guatemala, Nicaragua, Costa Rica and Panama.
3. Includes third-party distributors.
4. Includes brand extensions.
5. Includes private label brands.
6. Clients per year based on the number of daily transactions.
7. Includes third-party headcount.

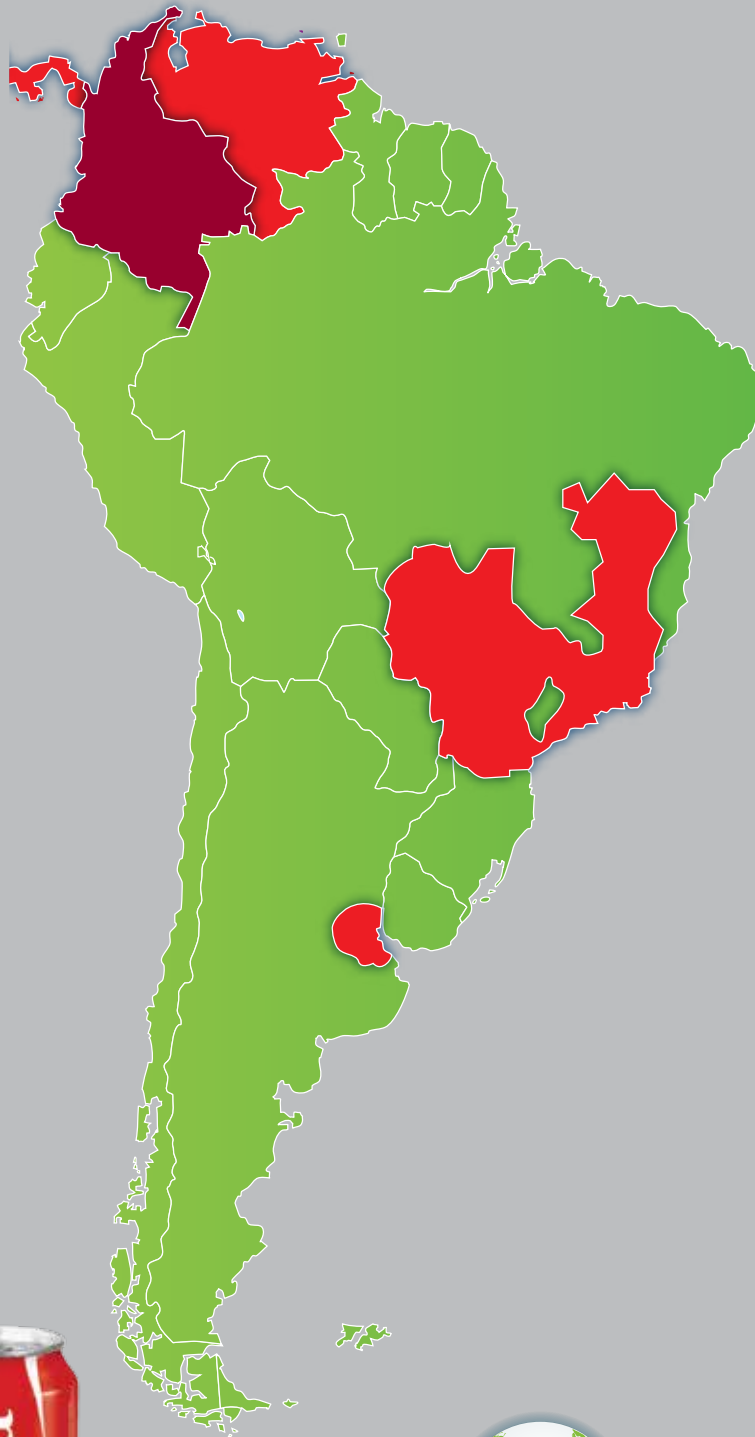


Saldazo, OXXO's popular co-branded debit card with Banamex and Visa, reached over 1.4 million accounts for the year.

200

MILLION UNIT CASES

Is the annual capacity of our new state-of-the-art bottling plant in **Itabirito**, Brazil; it positions us to capture this market's long-term demand.



Colombia ¹

Headcount	4,991
Plants	7
Distribution Facilities	25
Distribution Routes ³	947
Brands ⁴	18
Clients	413,200

Venezuela ¹

Headcount	7,602
Plants	4
Distribution Facilities	33
Distribution Routes ³	710
Brands ⁴	14
Clients	181,605

Brazil ¹

Headcount	18,447
Plants	10
Distribution Facilities	37
Distribution Routes ³	2,473
Brands ⁴	49
Clients	329,764

Argentina ¹

Headcount	2,855
Plants	2
Distribution Facilities	4
Distribution Routes ³	349
Brands ⁴	20
Clients	71,900

Philippines ¹

Headcount ⁷	14,103
Plants	19
Distribution Facilities	54
Brands ⁴	18
Clients	853,242



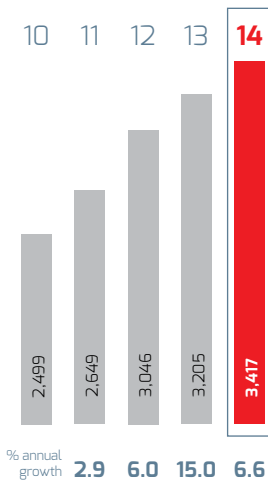
Our **Share a Coke** campaign appealed to consumers across Mexico through our more than **300 personalized** cans and bottles.

Coca-Cola FEMSA

A Transformational Year

As the complexity and demands of our business grow, we are transforming our company to create a leaner, more agile, and flexible organization with the right capabilities to drive our competitiveness and prepare for the next wave of growth. Through transformative growth and innovation, we ensure our ability to satisfy consumers' evolving needs, adapt to ever-changing market dynamics, and capitalize on new business opportunities.





Beverage volume million unit cases*

* One unit case equals 24 8-ounce bottles.



To intensify our consumer connection, we extended our **Magic Price Points Strategy** throughout our markets. Thanks to this strategy, we expanded the **growth of our sparkling beverages** across **Brazil, Mexico, and Colombia** by offering the right product at the Magic Price for our consumers.



[CASE STUDY]

“SHARE A COKE” CAMPAIGN



IN MEXICO, WE LAUNCHED our successful **Share a Coke** campaign from July through October. This innovative promotion engaged consumers mainly through our personalized 12-ounce cans and 600-ml presentations, sporting more than 300 different names. Through this campaign, we generated increased transactions throughout our Mexican territories.

Profitable Complexity

In the face of structural changes and an exceptionally challenging, complex consumer environment, particularly in Mexico and Brazil, our business delivered profitable results across our geographically balanced portfolio of franchise territories for the year. Notably, in Mexico, our operations acted swiftly to protect our profitability and cash flow generation, proactively implementing portfolio and revenue management initiatives. To address the new tax environment, our operations emphasized returnable, low-calorie, and single-serve sparkling beverages—coupled with packaging and brand innovation—to enable us to connect more closely with our consumers’ needs. Additionally, to navigate such tough market dynamics, we restructured our operations, reducing costs and expenses while scaling back investments. These initiatives, combined with our relentless focus on marketplace execution and the generation of operating efficiencies, set us on the right path for the year.

For 2014, Coca-Cola FEMSA’s total sales volume grew 6.6% to more than 3.4 billion unit cases. Our total revenues were Ps. 147.3 billion, and our income from operations was Ps. 20.7 billion, resulting in an operating income margin expansion of 40 basis points to 14.1%.

Consumer Focus

Consumer-driven innovation is key to our business strategy. Through transformative innovation, we ensure our ability to serve and satisfy the evolving needs of our more than 351 million consumers across 10 different countries each and every day.

Together with our partner The Coca-Cola Company, in 2014, we introduced a number of new products and presentations to address our consumers’ needs more closely. After last year’s kickoff in Buenos Aires, Argentina, we successfully launched Coca-Cola Life across our Mexican operations this year. Sweetened with natural ingredients such as stevia and cane sugar, Coca-Cola Life offers our consumers a reduced calorie alternative for one of the world’s most beloved brands. Rolled out in five different presentations—including our new 235-ml lean can—this refreshing new product not only achieved more than 70% point-of-sale cover-

age, but also helped us to gain share and revitalize the Coca-Cola category among our consumers.

We also continued to satisfy and stimulate demand among our consumers for our growing portfolio of low-calorie, affordable sparkling beverages. Complementing the positive appeal of Coca-Cola Zero, Sprite Zero, and Sidral Mundet Light, we launched Fanta Zero and Fresca Zero throughout Mexico at attractive price points at the beginning of the year. Thanks to these initiatives, we significantly increased the coverage and volume of these zero-calorie beverages throughout the country.

Importantly, we continued to proactively serve our cost-conscious consumers with a growing array of affordable, returnable packaging alternatives. In Brazil, we considerably expanded the coverage of our 2-liter multi-serve returnable PET presentation for brand Coca-Cola, enabling more consumers to share the magic of Coke at home. In the Valley of Mexico, we significantly increased the volume of our 3.0-liter multi-serve returnable PET presentation for brand Coca-Cola, enhancing an attractive

Sweetened with natural ingredients, reduced calorie Coca-Cola Life helped revitalize one of the world’s most beloved brands among Mexican consumers.



value proposition for our consumers' enjoyment, while we reinforced our 2.5-liter multi-serve returnable PET presentation for Coca-Cola across the rest of our territories, expanding the opportunities to share this popular brand. In Mexico, we further broadened the coverage of our affordable, convenient 500-ml returnable glass presentation for brand Coca-Cola, fostering consumption at the point of sale or at home. In this key market, we also grew the coverage of our 1.25-liter multi-serve returnable glass presentation for brand Coca-Cola, catering to families across our operations. Consistent with our long-term strategy, through our growing portfolio of returnable presentations, we always look to provide the right product in the right package at the right price for every consumer.



Additionally, we carried on expanding our Magic Price Points Strategy throughout our franchise territories. Thanks to this strategy, we are increasing the availability of our affordably priced, one-way PET presentations—from our 200-ml and 300-ml packages in Brazil and Mexico to our 1.4-liter package in Colombia—enabling us to connect more closely with the ever-evolving needs of our consumers.

Constant Growth

Despite the prevailing consumer landscape, we generated solid currency-neutral organic growth in 2014. Excluding the non-comparable results from the recently integrated territories in Mexico

Our strong foundation for growth will enable us to take advantage of **future opportunities.**

and Brazil, our organic revenues and income from operations rose 4.1% and 10.8%, respectively. The main drivers of our performance for the year were our committed team, organizational flexibility, proactive revenue management initiatives, and ability to adapt our broad portfolio of beverages, particularly our wide array of returnable presentations, to connect with cost-conscious consumers across our franchise territories, increasing transactions by 11.2% during the year.

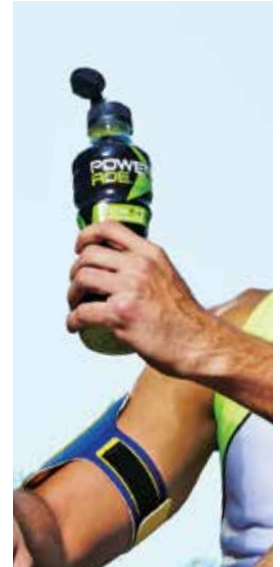
In a difficult environment, we integrated the operations of Companhia Fluminense and Spaipa, solidifying our position as Brazil's leading Coca-Cola bottler. Thanks to our team's efforts, we captured our targeted synergies of approximately US\$52 million during the year faster than anticipated. Beyond the synergies, the cross-fertilization of talent and best practices are key ingredients to success. This was no different with the integration of these franchises, as many of their talented executives now occupy important positions in Coca-Cola FEMSA's operations. Moreover, in terms of best practices, Companhia Fluminense's award-winning execution in the modern trade channel, coupled with Spaipa's exemplary distribution in the traditional sales channel, is helping us to reach our customers and consumers more efficiently and effectively than ever.

During the year, the strategic capital investments we made in every one of our markets create a strong foundation for growth, enabling us to take advantage of the opportunities that will arise in the future. Among our investments, we continue to enhance our cooler coverage—a distinct competitive advantage—across our franchise territories. We remain at the forefront of technology through our installation of high-speed tri-block bottling lines and the ongoing rollout of our efficient warehouse management system. We further continue our construction of sustainable, state-of-the-art bottling facilities, including our recently opened plant in Itabirito, Brazil. With an annual capacity of 200 million unit cases, this facility is built to LEED cer-

tification standards and offers additional flexibility for future expansion. Through these investments, we maximize our operations' capacity to achieve the full potential of our business more efficiently, productively, and profitably.

Furthermore, Coca-Cola FEMSA embarked on an aggressive organizational transformation to ensure that we have the right capabilities to drive our competitiveness and prepare for the next wave of growth. Among our actions, we redesigned our corporate structure to strengthen the core functions of the organization. We established centers of excellence, focused on our supply chain, commercial, and IT innovation areas. We commenced streamlining and de-layering our organization to create a tighter, leaner, more agile management that will enable greater efficiency and bring us closer to our customers. Additionally, we are reinforcing our talent management: recognizing and rewarding performance, developing leaders, and fostering a talent culture throughout the company. Looking forward, the measures that we are undertaking position us better to transform today's challenges into opportunities and to deliver sustainable value for our stakeholders. |

[CASE STUDY]
**THE
POWER OF
POWERADE**



WE SATISFY HEALTH CONSCIOUS CONSUMERS'

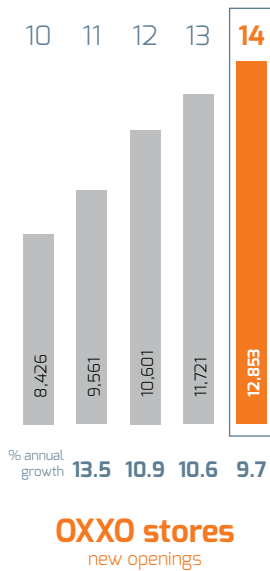
growing demand for isotonic sports drinks with Powerade. Our hot fill formula heats Powerade almost to the point of pasteurization, eliminating the need for preservatives and resulting in a better tasting product. In Mexico, Powerade achieved a leading brand position across three of our four territories during the year, while our volume of Powerade more than doubled among Argentine consumers attracted to this drink's refreshing qualities.

FEMSA Comercio

Overcoming A Challenging Year

In a complex operating environment, we leveraged our in-depth understanding of our consumers and our expertise operating a national modern small-format retail chain to enhance our value proposition and produce positive results for our stakeholders. Rolling out attractive new initiatives, we broadened the scope of our offerings and further developed important avenues for growth—positioning our company for sustained, profitable growth.





By conveniently and reliably satisfying shoppers' needs, OXXO plays a growing role in the lives of consumers throughout Mexico. Serving over 3.4 billion consumers annually, OXXO continues to solidify its position as the foremost choice for shoppers across the country.



[CASE STUDY]

DESIGNING A SPECIALIZED DRUGSTORE FORMAT



CAPITALIZING ON OUR IN-DEPTH

understanding of the Mexican consumer, we opened more than 90 new drugstores over the course of the year. Unlike their large-box counterparts, these convenient, relatively small-box drugstore formats resonate with shoppers' growing demand for specialization, primarily offering consumers a selection of pharmaceutical and health and beauty products, along with a concentrated array of popular convenience store categories.

Profitable Complexity

Over the course of 2014, FEMSA Comercio was able to profitably navigate an exceptionally tough, complex operating landscape. In the face of a very difficult consumer environment—which was negatively impacted by lower disposable income, excise taxes on key product categories, and incremental increases in VAT in Mexico's northern border cities—we managed to produce positive, resilient results for the year. Our performance throughout an extremely challenging year underscores the strength of our ever-improving value proposition, brand equity, and marketplace execution, highlighted by our effective collaboration with our key supplier partners.

For 2014, our total revenues rose 12.4% to Ps. 109.6 billion, including the results from our acquisitions of Farmacias YZA, Farmacias FM Moderna, and Doña Tota. Our increased revenues primarily came from our continued store expansion, complemented by our comparable same-store sales growth—driven by an improvement in our average customer ticket that offset a slight decline in store traffic.

Gross profit grew 13.9% to Ps. 39.4 billion, resulting in a 50 basis point gross margin expansion to 35.9% of total revenues. Income from operations increased 9.8% to Ps. 8.7 billion. Operating expenses grew slightly ahead of revenues, reflecting the incorporation and strengthening of our new drugstore and quick-service restaurant operations, the solid growth in our new OXXO stores, and the continued rollout of our new initiatives. As a result, our operating margin contracted slightly when compared to the prior year.

Consumer Focus

At OXXO, we continue to enhance our value proposition to satisfy our shoppers' needs through an attractive array of quality products and services. Among our initiatives, we continue to broaden the scope of our convenient one-stop financial services. To optimize our consumers' time, we carried on expanding our correspondent bank program to encompass five leading financial institutions. Through this program, within certain transaction parameters, we enable customers to make cash

deposits and withdrawals to both their checking and credit card accounts at any of OXXO's stores across the country. As consumers realize the advantages of this readily accessible functionality, we look forward to sustained growth in the adoption of this program—particularly since the number of our OXXO stores is already comparable to the combined number of branches of every bank in the country.

In January 2014, we launched Saldazo, a co-branded debit card with Banamex and Visa, which also serves as OXXO's loyalty program. An unqualified success with our consumers, we issued these new debit cards at a rate of over 100,000 per month, reaching more than 1.4 million debit card accounts for the year. Beyond generating greater customer loyalty and traffic, these cards will enable us to gather useful data about our shoppers' particular preferences and practices, so we can better tailor our promotional activity to our consumers' individual needs.

Our assortment of Bitz brand snacks, candy, and baked goods indulge our consumers' craving, while our broad selection of private-label staples replenishes and fulfills their daily requirements.



Moreover, given the difficult economic environment, we continued to work with our consumers to provide a substantial offering of high quality, competitively priced private label products to satisfy their tastes. While our Bitz brand snacks, candy, and baked goods indulge our shoppers' cravings, our broad selection of staples—from canned vegetables, milk, and beans to diapers, detergent, and toilet paper—replenish and fulfill our customers' daily requirements.

Furthermore, to satisfy our consumers' hunger at any time of day, we shifted from a promising pilot to the segmented rollout of our O'Sabor brand menu of tacos, burritos, tortas, tamales, and pizzas. Indeed, our base menu of O'Sabor brand



tacos and burritos is already available at more than 340 high-traffic locations. Through this initiative, along with our systematic progress along the entire prepared food supply chain, we are just beginning to unlock the potential of this promising consumption occasion.

By efficiently, conveniently, and reliably serving and satisfying their needs, OXXO is an increasingly important part of the lives of consumers across Mexico. The myriad transactions carried out at OXXO—more than 9 million a day and more than 3 billion a year—means that the chain continues to secure its position as the preeminent choice for suppliers and shoppers throughout the country.



Constant Growth

We managed to navigate significant headwinds to produce same-store sales growth of 2.7%—outperforming the rate of growth of our industry. In addition to our same-store sales growth, we continued with our long-term strategy to expand OXXO's leadership position as Mexico's largest and fastest growing modern small-format store chain. In 2014, we opened a record 1,132 new stores for a total of 12,853 stores in Mexico and Colombia.

Beyond OXXO, FEMSA Comercio strengthened its position in the complementary drugstore sector, developing an important avenue for growth that leverages our capability and our platform across small retail formats. Building on our acquisitions of Farmacias YZA and Farmacias FM Moderna in 2013, we leveraged our in-depth understanding of our consumers and our expertise operating a national small-box retail chain to enhance the value proposition of our initial base over 500 drugstores, while opening more than 90 new drugstores over the course of the year. These stores appeal to consumers' evolving demand for more specialization, focusing primarily on pharmaceutical and health and beauty products, as well as a limited array of convenience categories such as soft drinks and snacks.

Additionally, in December 2014, we agreed to acquire Farmacias Farmacón, an important drugstore operator with over 200 stores in the western states of Sinaloa, Sonora, Baja California, and Baja California Sur, strengthening our position in the northwest of the country. Through this transaction, we are advancing our strategy to play a relevant role in an attractive, still-fragmented industry, where we can leverage our capabilities to develop another successful small-box retail format.

We leveraged our capabilities and our **small-box retail platform** to strengthen our position in the complementary drugstore sector—developing an important avenue for growth.

Furthermore, we made great strides in the integration of Doña Tota, a leading quick-service restaurant operator with a strong brand and more than 200 outlets in Mexico and the U.S. Consequently, we are now well positioned for a new phase of growth of this promising stand-alone format in the coming year. |

[CASE STUDY]

SALDAZO: MORE THAN JUST A CARD



OXXO'S NEW SALDAZO CO-BRANDED DEBIT CARD with Banamex and Visa is a hit with consumers. This innovative card not only fosters growing loyalty among an increasing pool of over 1.4 million shoppers, but also is often the first banking relationship in many of our consumers' lives. Additionally, these cards will allow us to collect useful data, so we can tailor our offerings to better suit our shoppers' needs.

Positively transforming our communities

Strategic Highlights

In 2014, we continued to integrate our long-term Sustainability Strategy throughout the company by incorporating sustainability plans and projects in key phases and processes such as the Business Units' annual business plans, where the executive team reviewed progress and accomplishments quarterly.



16,200

CHILDREN AND YOUTH

along with 1,100 adults, have benefited through our life-skills program, Coordinates for Life.



US \$149 MILLION

invested in programs to positively transform our people, our planet, and our communities.

Another important step was the development of FEMSA's Supplier Guiding Principles, which not only reflect our expectations of suppliers, but also will enable both parties to identify opportunities to improve their sustainability performance collaboratively. We held meetings with investment firms in the U.S. and Europe, sharing our vision of sustainability, receiving feedback, and acknowledging their areas of interest such as water and waste management, energy efficiency, and healthy lifestyles. For the second consecutive year, we produced a mid-year Sustainability Report, providing more timely information to our stakeholders.

During 2015, we will continue to implement our Sustainability Strategy throughout our business units by: Establishing corporate-level sustainability goals once our Business Units' sustainability goals are set; Utilizing a strategic approach, based on local community needs and opportunities, to foster internal capabilities that improve our community engagement and, thereby, increase our positive impact; and, Deploying our Sustainability Information System among our Business Units, enabling enhanced information management concerning key sustainability performance indicators.

Underscoring our commitment to sustainability, Coca-Cola FEMSA was once again the only Mexican beverage company included in the Dow Jones Sustainability Emerging Markets Index. For the third consecutive year, FEMSA and Coca-Cola FEMSA improved their ranking from the Carbon Disclosure Project for both their performance and disclosure of carbon emissions strategies and data.

Sustainability Pillars: 2014 Highlights

Our People. We invested US\$73.3 million for onsite and online training, health and safety initiatives, and programs fostering the comprehensive development of our employees and their families, including volunteering.

Our Planet. We invested US\$51.7 million to continue advancing our objectives: Minimizing our impact on the environment through optimizing

water use; Decreasing our waste by implementing measures such as our Zero Waste Facility program; and Optimizing our energy use by incorporating efficient technologies and integrating renewable energy sources.

Our Community. We invested US\$24 million toward our goal of achieving more sustainable communities by: Supporting education through programs such as Coordinates for Life; Fostering healthy and active lifestyles with the Sign Up to Play initiative; Developing communities through the Polygon Edison Trust in Monterrey, Mexico, and Citizen's Plaza in Brazil; Empowering social and environmental entrepreneurs through initiatives such as Youth with Value; and, Supporting great institutions such as ASHOKA, The Impact Hub, ANDE, The Pool, and Global Social Business Summit, among others. |



We invite you to read our 2014 Sustainability Report on our website at: <http://www.sustainabilityreport.femsa.com/index.html>

FEMSA Foundation

Building Strong Partnerships that Produce Results

FEMSA Foundation is FEMSA's instrument for social investment. We are committed to the creation of long-term value for the communities where we operate. We partner with stakeholders from different sectors to increase support for projects and create regional platforms that ensure the long-term success of our initiatives.



FUNDACIÓN
FEMSA

Our Healthy and Active program benefited more than 6,900 children from schools in southeastern Mexico.

+52,000 PEOPLE

enjoy improved access to water resources through our Water Links program.

and restore 6.9 million cubic meters of water by protecting over 6,000 hectares of watersheds in seven countries across Latin America and the Caribbean. The initiative also aims to replenish the water used in the companies' production processes and to strengthen water security in the region.

Sustainable Development of Water Resources

In 2014, the Water Center for Latin America and the Caribbean—created by FEMSA Foundation, the Inter-American Development Bank (IDB), and the Tecnológico de Monterrey—continued to focus on building capacities for water professionals, one of the greatest opportunities for water stewardship throughout Latin America. With renewed economic support from IDB, the Center further strengthened its applied research capabilities with the planned development of a center that will allow different actors in the field to make better decisions and arrive at better solutions for water-related challenges.

In partnership with The Coca-Cola Company Latin America and the Millennium Water Alliance, the Foundation ran the Water Links program for its second year. During 2014, this program enabled more than 52,000 people in marginalized communities across five countries to gain access to safe water, sanitation, and hygiene. Ultimately, Water Links looks to build sustainable, healthy long-term communities, while sharing best practices among implementers through a knowledge platform where partners communicate lessons learned to their peers.

In 2011, we joined The Nature Conservancy (TNC), IDB, and the Global Environment Facility (GEF) to create the Latin American Water Funds Partnership. The Partnership leveraged over US\$27 million to invest as seed capital in regional water funds to positively impact three million hectares of natural ecosystems. Revenue from these investments preserves key hydrological basins upstream that filter and regulate the water supply of some of the most important cities in the region.

Today, the Partnership has launched 17 Water Funds, benefiting 17 cities in six countries. In 2014, the Partnership joined forces with The Coca-Cola Company's Latin Center Business Unit and its local bottlers to roll out the Water for Our Future initiative. With an investment of nearly US\$7.4 million, this initiative is designed to protect, replenish,

Quality of Life

In 2014, the Quality of Life area of FEMSA Foundation partnered with the Food Bank Association of Mexico to add a nutritional education component to the food delivery programs that they provide to disadvantaged families in 10 different cities across the country. In this way, we help them to prepare better, more nutritious meals for their families. One of the first of these efforts is the Comer en Familia (Eating With Your Family) program, conducted in collaboration with the Food Bank of Saltillo and other partners. A mobile kitchen staffed by nutritional experts travels throughout five communities in the southern part of Saltillo, Coahuila, every two weeks, teaching people better ways to use traditional staples to create higher quality, more nutritious recipes that they can prepare with affordable food for meals they can enjoy together with their families.

We also fostered the Sanos y Activos (Healthy and Active) program in schools in the southeastern states of Mexico, Quintana Roo, Mérida, and Chiapas. This program has already benefited more than 6,900 children between the ages of eight and 14 in 36 schools by promoting nutritional education, sports, and physical activity. The program also conducted 16 workshops for parents and teachers and created 34 Health Clubs in which 430 children actively participate within the schools—thereby improving the social environment and ensuring sustainable change in the communities. |



The Global Water Summit Awarded FEMSA Foundation and Cuauhtémoc Moctezuma the Water Stewardship 2014 Prize in Recognition of their Water Balance Strategy.

For more information about FEMSA Foundation, please visit: <http://www.femsafoundation.org>.



Executive Team

Our deep, multi-talented team of executives enables us to continually rise to the occasion, directing our steadfast pursuit of excellence as a leading international consumer company. Together, they continue to create economic, social, and environmental value for our stakeholders year after year. They leverage our strengths to satisfy our consumers' needs, generate new avenues for growth, and profitably convert complexity into opportunity. Thanks to their efforts, we sustain a superior competitive position in our industry—ensuring and instilling our legacy of integrity well into the future.

José Antonio Fernández Carbajal *Executive Chairman of the Board of FEMSA*

After 11 years of professional experience in different companies, José Antonio Fernández Carbajal began his career at FEMSA in 1987, serving various positions in its different businesses, including CEO of OXXO. He was appointed CEO of FEMSA in 1995 and Chairman of the Board in 2001, serving both positions until January 2014. In 2010, he was appointed Vice-President of Heineken Holding NV's Board of Directors and Chairman of Heineken's Americas Committee, which oversees the strategic direction of the business in the Americas and evaluates new business opportunities in the region. Since 2012, Mr. Fernández has been Chairman of the Board of Tecnológico de Monterrey, where he served as Vice Chairman since 1997. He is also Chairman of the Board of Coca-Cola FEMSA, FEMSA Foundation and the U.S.-Mexico Foundation. Currently, he participates as a board member of Industrias Peñoles and Grupo Televisa, and he co-chairs the Mexican Chapter of the Woodrow Wilson Center. He holds a degree in Industrial Engineering and Systems from Tecnológico de Monterrey and in 1978, he earned an MBA from that institution. For more than 20 years, he has been professor of Planning Systems at Tecnológico de Monterrey.

Carlos Salazar Lomelín *Chief Executive Officer of FEMSA*

Carlos Salazar joined FEMSA in 1973, and he has held several senior management positions across FEMSA, including Vice-President of Grafo Regia, Vice-President of Plásticos Técnicos Mexicanos, S.A., Vice-President of the International Division of FEMSA Cerveza, Vice-President of the Commercial Planning in Grupo Visa, CEO of FEMSA Cerveza, and CEO of Coca-Cola FEMSA. In 2014 he was appointed Chief Executive Officer of FEMSA. In 2010, he was awarded the medal of Distinguished Citizen by the state of Nuevo León. He was President of the 21st Century Commission and Executive Director of CINTERMEX in Monterrey. He has been a professor in economics for a number of years at Tecnológico de Monterrey and is the current President of the Advisory Board of the EGADE Business School of this Institution. He holds a B.A. in Economics and a Master's degree in Business Administration from this institution. He also has pursued graduate studies in Economic Development in Italy and a Management Program from the IPADE in Mexico, among other studies in different countries.

Javier Astaburuaga Sanjines *Corporate Vice-President of FEMSA*

Javier Astaburuaga joined FEMSA in 1982. In 2006, he was named FEMSA's CFO and Vice-President of Strategic Development. In 2012, he was appointed Chief Financial and Strategic Development Officer, adding the Human Resources function matters to his responsibilities. Prior to that, Mr. Astaburuaga served as co-CEO of FEMSA Cerveza, Vice-President of Sales for Northern Mexico, CFO of FEMSA Cerveza, Vice-President of Corporate Development for FEMSA, and Chief Information Officer of FEMSA Cerveza. Mr. Astaburuaga earned a Bachelor's degree in Public Accounting from Tecnológico de Monterrey.

Federico Reyes García *Vice-President of Corporate Development of FEMSA*

Mr. Reyes assumed his current position in January 2006, after serving as Vice-President of Finance and Corporate Development of FEMSA since 1999. Starting in 1987, he was associated with FEMSA as an external advisor, and he formally joined FEMSA in 1992 as Vice-President of Corporate Development. Between 1993 and 1999, he was CEO of Seguros Monterrey Aetna and Valores Monterrey Aetna and Executive Vice-President of the Insurance and Pension Division at Bancomer Financial Group. He rejoined FEMSA in 1999. Mr. Reyes holds a Bachelor's degree in Accounting from Tecnológico de Monterrey.

Alfonso Garza Garza *Vice-President of Strategic Businesses of FEMSA*

Alfonso Garza joined FEMSA in 1985 and was named Executive Vice-President of Human Resources in 2005. Prior to that, he held various positions at FEMSA Cerveza and FEMSA Empaques, including the Vice-Presidency of FEMSA Empaques and Grafo Regia. In January 2009, he was appointed Vice-President of Strategic Businesses of FEMSA. From 2011 to 2013, he served as President of the Employers Confederation of Mexico (Coparmex) for the state of Nuevo León and since 2009 he has been National Vice-President of this organization. In 2012 he was appointed Chairman of the Talent and Culture Committee of Tecnológico de Monterrey. He also participates as a member of the Board of Directors of Coca-Cola FEMSA and Tecnológico de Monterrey. Mr. Garza earned a Bachelor's degree in Industrial Engineering from Tecnológico de Monterrey and completed postgraduate courses at IPADE.

Genaro Borrego Estrada *Vice-President of Corporate Affairs of FEMSA*

Genaro Borrego joined FEMSA in September 2007 as Vice-President of Corporate Affairs. Prior to that, Mr. Borrego was elected as a Federal Congressman for the LII Legislature from 1982 to 1985. After that, he served as Governor of the Mexican State of Zacatecas from 1986 to 1992, and in early 1992, he was elected President of the PRI political party for one year. From 1993 to 2000, he led the Mexican Social Security Institute (IMSS), and he was the President of the American Conference of Social Security Institutions. In 2000, he was also elected as a Senator of the Federal Congress to represent the State of Zacatecas during the LVIII and LIX Legislatures. He holds a degree in Industrial Relations from Universidad Iberoamericana.

José González Ornelas *Vice-President of Administration and Corporate Control of FEMSA*

José González assumed his current position in 2003. He first joined FEMSA in 1973, where he held different positions in the organization, such as Finance Information Manager, Planning and Administration Vice-President, and Administration Vice-President. In 1997, he was named CEO of FEMSA Logística. He is a board member of several international companies, he participates as Auditing Committee Secretary of FEMSA's and Coca-Cola FEMSA's board and sits on the controller board at Tecnológico de Monterrey. He is also part of the Instituto de Contadores Públicos de Nuevo León Directive Committee and he is President of the Club de Fútbol Monterrey board. He holds a B.A. in Accounting from Universidad Autónoma de Nuevo León and undertook postgraduate studies in Business Administration from different universities in Mexico and abroad.

Corporate Governance

John Anthony Santa Maria Otazúa

*Chief Executive Officer of
Coca-Cola FEMSA*

John Anthony Santa Maria Otazúa was appointed Chief Executive Officer of Coca-Cola FEMSA as of January 2014. He joined Coca-Cola FEMSA in 1995. Since then, he has held several senior management positions, including Chief Operating Officer of the company's Mexico Division, Strategic Planning and Commercial Development Officer, and Chief Operating Officer of the company's South America Division, overseeing its operations in Argentina, Brazil, Colombia, and Venezuela. His previous beverage and consulting experience includes PepsiCo, Inc. and McKinsey & Co., respectively. He is a member of the Board of Directors of Banco Compartamos. Mr. Santa Maria earned a Bachelor's degree and an MBA with a major in Finance from Southern Methodist University.

Eduardo Padilla Silva

*Chief Executive Officer of FEMSA
Comercio*

Eduardo Padilla joined FEMSA in 1997 as FEMSA's Vice-President of Strategic Planning and Corporate Control. In 2000, he was appointed CEO of FEMSA Strategic Procurement, which included Packaging, Logistics, and OXXO. Since 2004, he has focused on his position as CEO of FEMSA Comercio. Before joining FEMSA, Mr. Padilla served as CEO of Terza, a subsidiary of Grupo ALFA, from 1987 to 1996. Mr. Padilla earned a Bachelor's degree in Mechanical and Administrative Engineering from Tecnológico de Monterrey and a Master's degree in Business Administration from Cornell University. He also has completed Graduate studies at IPADE.

For well over a century, our Board of Directors has followed the highest standards of corporate governance in guiding our company. We are committed to the quality, accuracy, and reliability of our disclosure practices, and we adhere to best corporate governance policies and procedures. Specifically, we comply with the standards set forth in the Mexican Securities Law and the applicable provisions of the United States' Sarbanes-Oxley Act. Also, we were among the first in our industry to embrace the Code of Best Corporate Governance Practices, established by the Mexican Entrepreneurial Council.

We always work to ensure that our company fosters financial transparency, accountability, and the highest ethical standards. Based on a sound foundation of responsible corporate governance, we sustainably build our business—delivering the results our stakeholders expect from FEMSA.

Audit Committee

The Audit Committee is responsible for (1) reviewing the accuracy and integrity of quarterly and annual financial statements in accordance with accounting, internal control and auditing requirements, (2) the appointment, compensation, retention, and oversight of the independent auditor, who reports directly to the Audit Committee, and (3) identifying and following up on contingencies and legal proceedings. The Audit Committee has implemented procedures for receiving, retaining, and addressing complaints regarding accounting, internal control, and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing matters. To carry out its duties, the Audit Committee may hire independent counsel and other advisors. As necessary, the company compensates the independent auditor and any outside advisor hired by the Audit Committee and provides funding for ordinary administrative expenses incurred by the Audit Committee in the course of its duties. The Chairman of the Audit Committee and financial expert is José Manuel Canal Hernando. Members include: Francisco Zambrano Rodríguez, Alfonso González Migoya, and Ernesto Cruz Velázquez de León—all of them independent directors as required by the Mexican Securities Law and applicable New York Stock Exchange listing standards. The Secretary (non-member) of the Audit Committee is José González Ornelas.

Corporate Practices Committee

The Corporate Practices Committee is responsible for preventing or reducing the risk of performing operations that could damage the value of our company or that could benefit a particular group of shareholders. The committee may call a shareholders' meeting and include matters on the agenda for that meeting as it may deem appropriate. They are also responsible for the approval of policies for the use of the company's assets or related party transactions, the approval of the compensation of the Chief Executive Officer and relevant officers, and support our board of directors in the elaboration of reports on accounting practices. Alfredo Livas Cantú is the Chairman of the Corporate Practices Committee. Members include: Robert E. Denham, Moisés Naím, and Ricardo Saldívar Escajadillo. Each member of the Corporate Practices Committee is an independent director, as required by the Mexican Securities Law. The Secretary (non-member) of the Corporate Practices Committee is Javier Astaburuaga Sanjines.

Finance and Planning Committee

The Finance and Planning Committee's responsibilities include (1) evaluating the investment and financing policies proposed by the Chief Executive Officer, and (2) evaluating risk factors to which the corporation is exposed, as well its management policies. The current Finance and Planning Committee members are Ricardo Guajardo Touché (chairman), Federico Reyes García, Robert E. Denham, Francisco Javier Fernández Carbajal and Alfredo Livas Cantú. Javier Astaburuaga Sanjines is the appointed secretary (non-member) of this committee.

For more information on how our corporate governance practices differ from those followed by United States companies under NYSE listing standards, please refer to the Corporate Governance section of our website: www.femsa.com/investor.

Board of Directors

Our Board of Directors heads our corporate governance system. Guided by the best long-term interests of our company's shareholders and other stakeholders, our Board is responsible for determining our corporate strategy; defining and overseeing the implementation of our key values and vision; and approving related-party transactions and transactions not in the ordinary course of business.

In addition to our management team, our Board of Directors is supported by its committees: the Audit Committee, the Corporate Practices Committee, and the Finance Committee. Our Board appoints and supervises these committees, which assist and make recommendations to our Board in their respective areas of responsibility.

Series "B" Directors

José Antonio Fernández Carbajal
Executive Chairman of the Board of Fomento Económico Mexicano, S.A.B. de C.V.
Elected 1984
Alternate Director: Federico Reyes García ^c

Eva María Garza Lagüera Gonda
Private Investor
Elected 1999
Alternate Director: Mariana Garza Lagüera Gonda

Paulina Garza Lagüera Gonda
Private Investor
Elected 2004
Alternate Director: Othón Páez Garza

José Calderón Rojas
Chief Executive Officer of Franca Servicios, S.A. de C.V., Regio Franca, S.A. de C.V., and Franca Industrias, S.A. de C.V.
Elected 2005
Alternate Director: Francisco José Calderón Rojas

Consuelo Garza de Garza
Founder and Former President of Asociación Nacional Pro-Superación Personal, A.C. (a Non-profit Organization)
Elected 1995
Alternate Director: Alfonso Garza Garza

Max Michel Suberville
Private Investor
Elected 1985
Alternate Director: Max Michel González

Alberto Baillères González
Chairman of the Board of Grupo BAL companies, and Chairman of the Governance Board of the Instituto Tecnológico Autónomo de México (ITAM).
Elected 1989
Alternate Director: Arturo Fernández Pérez

Francisco Javier Fernández Carbajal ^c
Chief Executive Officer of Servicios Administrativos Contry, S.A. de C.V.
Elected 2005
Alternate Director: Javier Astaburuaga Sanjines ^c

Ricardo Guajardo Touché ^{c, i}
Chairman of Solfi, S.A. and Director of Grupo Valores Monterrey
Elected 1988
Alternate Director: Alfonso González Migoya ^{a, i}

Alfredo Livas Cantú ^{c, i}
President of Praxis Financiera, S.C.
Elected 1995
Alternate Director: Sergio Deschamps Ebergenyi ⁱ

Bárbara Garza Lagüera Gonda
Private Investor, President of the Acquisitions Committee of Colección FEMSA
Elected 2005
Alternate Director: Juan Guichard Michel

José Manuel Canal Hernando ^{a, i}
Independent Consultant
Elected 2003
Alternate Director: Ricardo Saldivar Escajadillo ^{b, i}

Series "D" Directors

Armando Garza Sada ⁱ
Chairman of the Board of Grupo Alfa, S.A.B. de C.V.
Elected 2003
Alternate Director: Enrique F. Senior Hernández ⁱ

Moisés Naím ⁱ
Distinguished Fellow at the Carnegie Endowment for International Peace
Elected 2011
Alternate Director: Francisco Zambrano Rodríguez ^{a, i}

Michael Larson ⁱ
Chief Investment Officer for William H. Gates III
Elected 2011

Robert E. Denham ^{b, c, i}
Partner at Munger, Tolles & Olson, LLP Law firm
Elected 2001

Secretary
Carlos Eduardo Aldrete Ancira

Alternate Secretary
Arnulfo Treviño Garza

Committees:

- a) Auditing
- b) Corporate Practices
- c) Finance and Planning

Relation:

- i) Independent

Consolidated Financial Statements

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Financial Summary

Amounts expressed in millions of Mexican pesos (Ps.)
as of December 31:

	2014	2013	2012	2011 ⁽¹⁾
Income Statement				
Net sales	Ps. 262,779	Ps. 256,804	Ps. 236,922	Ps. 200,426
Total revenues	263,449	258,097	238,309	201,540
Cost of goods sold	153,278	148,443	137,009	117,244
Gross profit	110,171	109,654	101,300	84,296
Operating expenses	80,188	79,797	72,073	59,812
Income from operations ⁽²⁾	29,983	29,857	29,227	24,484
Other non-operating expenses (income), net	(508)	326	(345)	625
Financing expenses, net	6,988	4,249	1,904	196
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method	23,503	25,282	27,668	23,663
Income taxes	6,253	7,756	7,949	7,618
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	5,380	4,629	8,332	4,856
Consolidated net income	22,630	22,155	28,051	20,901
Controlling Interest	16,701	15,922	20,707	15,332
Non-Controlling Interest	5,929	6,233	7,344	5,569
Ratios to total revenues ^(%)				
Gross margin	41.8%	42.5%	42.5%	41.8%
Operating margin	11.4%	11.6%	12.3%	12.1%
Consolidated net income	8.6%	8.6%	11.8%	10.4%
Other information				
Depreciation	9,029	8,805	7,175	5,694
Amortization and other non cash charges to income from operations	1,933	1,208	1,278	1,320
Operative Cash Flow (EBITDA)	40,945	39,870	37,680	31,498
Capital expenditures ⁽³⁾	18,163	17,882	15,560	12,609

	2014	2013	2012	2011 ⁽¹⁾
BALANCE SHEET				
Assets				
Current assets	79,112	73,569	75,455	59,983
Investments in associates and joint ventures	102,159	98,330	83,840	78,643
Property, plant and equipment, net ⁽⁴⁾	75,629	73,955	61,649	54,563
Intangible assets, net	101,527	103,293	67,893	63,030
Other assets, net	17,746	10,045	7,105	7,143
Total assets	376,173	359,192	295,942	263,362
Liabilities				
Short-term bank loans and current portion of long-term bank loans and notes payable	1,553	3,827	8,702	5,573
Other current liabilities	47,766	45,042	39,814	33,752
Long-term bank loans and notes payable	82,935	72,921	28,640	23,819
Post-employment and other long-term employee benefits	4,207	4,074	3,675	2,584
Deferred tax liabilities	3,643	2,993	700	414
Other long-term liabilities	5,947	7,785	4,250	5,049
Total liabilities	146,051	136,642	85,781	71,191
Total equity	230,122	222,550	210,161	192,171
Controlling interest	170,473	159,392	155,259	144,222
Non-controlling interest	59,649	63,158	54,902	47,949
Financial ratios (%)				
Liquidity	1.604	1.505	1.555	1.525
Leverage	0.635	0.614	0.408	0.370
Capitalization	0.27	0.26	0.16	0.14
Data per share				
Controlling interest book value ⁽⁵⁾	9.528	8.909	8.678	8.061
Net controlling interest income ⁽⁶⁾	0.933	0.890	1.157	0.857
Dividends paid ⁽⁷⁾⁽⁸⁾				
Series B shares	0.000	0.667	0.309	0.229
Series D shares	0.000	0.833	0.386	0.287
Number of employees ⁽⁹⁾	216,740	209,232	182,260	168,370
Number of outstanding shares ⁽¹⁰⁾	17,891.13	17,891.13	17,891.13	17,891.13

⁽¹⁾ 2011 figures were restated for comparison with 2014, 2013 and 2012 as a result of transition to International Financial Reporting Standards (IFRS).

⁽²⁾ Company's key performance indicator.

⁽³⁾ Includes investments in property, plant and equipment, as well as deferred charges and intangible assets.

⁽⁴⁾ Includes bottles and cases

⁽⁵⁾ Controlling interest divided by the total number of shares outstanding at the end of each year.

⁽⁶⁾ Net controlling interest income divided by the total number of shares outstanding at the end of the each year.

⁽⁷⁾ Expressed in nominal pesos of each year.

⁽⁸⁾ 2014 Dividend was paid in December 2013.

⁽⁹⁾ Includes incremental employees resulting from mergers & acquisitions made during the year.

⁽¹⁰⁾ Total number of shares outstanding at the end of each year expressed in millions.

Management's Discussion and Analysis

Audited Financial Results for the twelve months ended December 31, 2014
Compared to the twelve months ended December 31, 2013.

Fomento Económico Mexicano, S.A.B. de C.V. ("FEMSA") is a Mexican holding company. Set forth below is certain audited financial information for FEMSA and its subsidiaries (the "Company" or "FEMSA Consolidated") (NYSE: FMX; BMV: FEMSA UBD). The principal activities of the Company are grouped mainly under the following subholding companies (the "Subholding Companies"): Coca-Cola FEMSA, S.A.B de C.V. ("Coca-Cola FEMSA" or "KOF"), (NYSE: KOF, BMV: KOFL) which engages in the production, distribution and marketing of beverages, and FEMSA Comercio, S.A. de C.V. ("FEMSA Comercio"), which engages in the operation of small format stores.

The consolidated financial information included in this annual report was prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The 2014 and 2013 results are stated in nominal Mexican pesos ("pesos" or "Ps."). Translations of pesos into US dollars ("US\$") are included solely for the convenience of the reader and are determined using the noon buying rate for pesos as published by the U.S. Federal Reserve Board in its H.10 Weekly Release of Foreign Exchange Rates as of December 31, 2014, which was 14.7500 pesos per US dollar.

This report may contain certain forward-looking statements concerning Company's future performance that should be considered good faith estimates made by the Company. These forward-looking statements reflect management expectations and are based upon currently available data. Actual results are subject to future events and uncertainties, which could materially impact the Company's actual performance.

FEMSA Consolidated

2014 amounts in millions of Mexican pesos

	Total Revenues	% Growth vs '13	Gross Profit	% Growth vs '13
FEMSA Consolidated	263,449	2.1%	110,171	0.5%
Coca-Cola FEMSA	147,298	-5.6%	68,382	-6.2%
FEMSA Comercio	109,624	12.4%	39,386	13.9%

FEMSA's consolidated total revenues increased 2.1% to Ps. 263,449 million in 2014 compared to Ps. 258,097 million in 2013. Coca-Cola FEMSA's total revenues decreased 5.6% to Ps. 147,298 million, driven by the negative translation effect resulting from using the SICAD II exchange rate to translate the Venezuelan operation. FEMSA Comercio's revenues increased 12.4% to Ps. 109,624 million, mainly driven by the opening of 1,132 net new stores combined with an average increase of 2.7% in same-store sales.

Consolidated gross profit increased 0.5% to Ps. 110,171 million in 2014 compared to Ps. 109,654 million in 2013. Gross margin decreased 70 basis points compared to 2013 to 41.8% of consolidated total revenues, reflecting margin contraction at Coca-Cola FEMSA.

Consolidated operating expenses increased 0.5% to Ps. 80,188 million in 2014 compared to Ps. 79,797 million in 2013. As a percentage of total revenues, consolidated operating expenses decreased from 30.9% in 2013 to 30.4% in 2014.

Consolidated administrative expenses increased 2.8% to Ps. 10,244 million in 2014 compared to Ps. 9,963 million in 2013. As a percentage of total revenues, consolidated administrative expenses remained stable at 3.9% in 2014.

Consolidated selling expenses decreased 0.8% to Ps. 69,016 million in 2014 as compared to Ps. 69,574 million in 2013. As a percentage of total revenues, selling expenses decreased 80 percentage points, from 26.9% in 2013 to 26.1% in 2014.

Consolidated income from operations increased 0.4% to Ps. 29,983 million in 2014 as compared to Ps. 29,857 million in 2013. As a percentage of total revenues, operating margin decreased 20 percentage points, from 11.6% in 2013 to 11.4% in 2014.

Some of our subsidiaries pay management fees to us in consideration for corporate services we provide to them. These fees are recorded as administrative expenses in the respective business segments. Our subsidiaries' payments of management fees are eliminated in consolidation and, therefore, have no effect on our consolidated operating expenses.

Net financing expenses increased to Ps. 6,988 million from Ps. 4,249 million in 2013, driven by an interest expense of Ps. 6,701 million in 2014 compared to Ps. 4,331 million in 2013 resulting from higher financing expenses related to bonds issued by FEMSA and Coca-Cola FEMSA.

Income before income taxes and share of the profit in Heineken results decreased 7.0% to Ps. 23,503 million in 2014 compared with Ps. 25,282 million in 2013, reflecting the previously mentioned negative translation effect from Coca-Cola FEMSA's Venezuelan operations.

Our accounting provision for income taxes in 2014 was Ps. 6,253 million, as compared to Ps. 7,756 million in 2013, resulting in an effective tax rate of 26.6% in 2014, as compared to 30.7% in 2013.

Consolidated net income was Ps. 22,630 million in 2014 compared to Ps. 22,155 million in 2013, resulting from a lower tax rate combined with an increase in FEMSA's 20% participation in Heineken's results, which offset higher financing expenses related to bonds issued by Coca-Cola FEMSA and FEMSA. Controlling interest amounted to Ps. 16,701 million in 2014 compared to Ps. 15,922 million in 2013. Controlling interest in 2014 per FEMSA Unit(1) was Ps. 4.67 (US\$ 3.16 per ADS).

Coca-Cola FEMSA

Coca-Cola FEMSA total revenues decreased 5.6% to Ps. 147,298 million in 2014, as compared to 2013, driven by the negative translation effect resulting from using the SICAD II exchange rate to translate the results of its Venezuelan operation. Excluding the recently integrated territories of Fluminense and Spaipa in Brazil and the integration of Yoli in Mexico, total revenues were Ps. 134,088 million. On a currency neutral basis and excluding the non-comparable effect of Fluminense and Spaipa in Brazil, and Yoli in Mexico, total revenues grew 24.7%, driven by average price per unit case growth in most operations and volume growth in Brazil, Colombia, Venezuela and Central America.

Coca-Cola FEMSA gross profit decreased 6.2% to Ps. 68,382 million in 2014, as compared to 2013. Cost of goods sold decreased 5.0%, this decline was driven by the previously mentioned negative translation effect in Venezuela. In local currency, lower sweetener and PET prices in most of Coca-Cola FEMSA's operations were offset by the depreciation of the average exchange rate of the Argentine

peso, the Brazilian real, the Colombian peso and the Mexican peso as applied to Coca-Cola FEMSA's U.S. dollar-denominated raw material costs. Gross margin reached 46.4% in 2014, a contraction of 30 basis points as compared to 2013.

The component of cost of goods sold include raw materials (principally soft drink concentrate sweeteners and packaging materials), depreciation costs attributable to our production facilities, wages and other employment costs associated with labor force employed at our production facilities and certain overhead costs. Concentrate prices are determined as a percentage of the retail price of our products in the local currency, net of applicable taxes. Packaging materials, mainly polyethylene terephthalate ("PET") and aluminum, and High Fructose Corn Syrup ("HFCS"), used as a sweetener in some countries, are denominated in U.S. dollars.

Operating expenses decreased 8.7% to Ps. 46,850 million in 2014 compared with Ps. 51,315 million in 2013.

Administrative expenses decreased 1.6% to Ps. 6,385 million in 2014, compared with Ps. 6,487 million in 2013. Selling expenses decreased 9.7% to Ps. 40,464 million in 2014 compared with Ps. 44,828 million in 2013.

Income from operations decreased 3.3% to Ps. 20,743 million in 2014 compared with Ps. 21,450 million in 2013.

FEMSA Comercio

FEMSA Comercio total revenues increased 12.4% to Ps. 109,624 million in 2014 compared to Ps. 97,572 million in 2013, primarily as a result of the opening of 1,132 net new stores during 2014, together with an average increase in same-store sales of 2.7%. As of December 31, 2014, there were a total of 12,853 stores. FEMSA Comercio same-store sales increased an average of 2.7% compared to 2013, driven by a 2.7% increase in average customer ticket that offset a slight decrease in store traffic.

Cost of goods sold increased 11.5% to Ps. 70,238 million in 2014, below total revenue growth, compared with Ps. 62,986 million in 2013. As a result, gross profit reached Ps. 39,386 million in 2014, which represented a 13.9% increase from 2013. Gross margin expanded 50 percentage points to reach 35.9% of total revenues. This increase reflects a more effective collaboration and execution with our key supplier partners, including higher and

more efficient joint use of promotion-related marketing resources, as well as objective-based incentives.

Operating expenses increased 15.1% to Ps. 30,706 million in 2014 compared with Ps. 26,680 million in 2013, reflecting the incorporation and strengthening of our new drug-store and quick-service restaurant operations, the solid growth in our new OXXO stores, and the continued rollout of our new initiatives.

Administrative expenses increased 8.4% to Ps. 2,042 million in 2014, compared with Ps. 1,883 million in 2013; however, as a percentage of sales, they remained stable at 1.9%. Selling expenses increased 15.3% to Ps. 28,492 million in 2014 compared with Ps. 24,707 million in 2013.

Income from operations increased 9.8% to Ps. 8,680 million in 2014 compared with Ps. 7,906 million in 2013, resulting in an operating margin contraction of 20 percentage points to 7.9% as a percentage of total revenues for the year, compared with 8.1% in 2013.

Key Events During 2014

[Coca-Cola FEMSA Reopens Senior Notes and Issues US\\$350 Million in the International Capital Markets.](#)

On January 13, 2014 Coca-Cola FEMSA announced the reopening of the U.S. dollar-denominated 10-year bonds and 30-year bonds that were placed on November 19, 2013 (the "Original Senior Notes") in the international capital markets.

The Company successfully reopened its bond issuance to increase the total principal amount to US\$2.5 billion (in three tranches), placing an additional US\$150 million for 10-year bonds at a yield of US Treasury +107 basis points, with a coupon of 3.875%; and an additional US\$200 million for 30-year bonds at a yield of US Treasury +122 basis points, with a coupon of 5.250% (the "Additional Senior Notes"). The Company's 10-year bonds now have an aggregate principal amount of US\$900 million and 30-year bonds now have an aggregate principal amount of US\$600 million. The Additional Senior Notes have the same CUSIP and the same coupon as the respective Original Senior Notes.

The proceeds will be used for general corporate purposes, including partial debt refinancing.

[Femsa held its Annual Shareholders Meeting](#)

On March 14, 2014 - FEMSA held its Annual Ordinary General Shareholders Meeting, during which the shareholders

approved the Company's annual report for 2013 prepared by the Chief Executive Officer, the Company's consolidated financial statements for the year ended December 31, 2013 and the election of the Board of Directors and its Committees for 2014.

In addition, the shareholders established the amount of Ps. 3,000 million as the maximum amount that could potentially be used for the Company's share repurchase program during 2014.

Coca-Cola FEMSA Repeats as Member of Dow Jones Sustainability Indices in 2014.

On September 17, 2014 Coca-Cola FEMSA, announced today that it has been selected as a member of the Dow Jones Sustainability Indices ("DJSI").

For the second consecutive year, Coca-Cola FEMSA will be a part of the Dow Jones Sustainability Emerging Markets Index, comprised of a group of 86 emerging markets companies.

"Being a member of the Dow Jones Sustainability Emerging Markets Index for the second consecutive year is proof of our commitment and dedication to contribute in a sustainable manner to the communities we serve. We are pleased that our company is recognized for its leadership in the field of sustainability by the Mexican Sustainability Index and the Dow Jones Sustainability Index. We will continue to work with the same passion to improve and develop the right skills to create economic, social and environmental value," said John Santa María Otazúa, Chief Executive Officer of the Company.

Femsa announces changes to Senior Finance Team

On November 13, 2014 FEMSA announced that Federico Reyes, FEMSA's Vice President of Corporate Development for the past nine years, will retire on April 1st 2015 after a long and productive career that includes 25 years of fruitful collaboration with the FEMSA group. During this time, Federico has made significant contributions to the development and growth of FEMSA, including key roles in large M&A transactions. Federico will remain on the Boards of Directors and Finance Committees of FEMSA and Coca-Cola FEMSA.

Javier Astaburuaga, FEMSA's Chief Financial and Corporate Officer for the past nine years, will replace Federico as Vice President of Corporate Development. From his new position Javier will be closely involved in FEMSA's strategic and M&A-related processes, and he will also continue to

serve on the Boards of Directors of FEMSA and Coca-Cola FEMSA, as well as that of Heineken.

Effective January 1st, 2015, Daniel Rodríguez Cofré will join FEMSA and on April 1st he will replace Javier Astaburuaga as Chief Financial and Corporate Officer. Born in Chile, Daniel has a long track record in senior finance and management positions in Latin America and Europe, having served as CFO of Shell South America as well as Global CFO of one of Shell's operating divisions, headquartered in London. For the past six years Daniel has been Chief Executive Officer of CENCOSUD, a large publicly-traded Chilean retailer with operations in Chile, Argentina, Peru, Colombia and Brazil. He brings with him extensive experience and management skills and constitutes a valuable addition to FEMSA's senior talent pool.

The new appointments represent another step in the evolution and strengthening of FEMSA's management team in preparation for sustained growth ahead.

Femsa Comercio announces acquisitions of Farmacias Farmacón

On December 1, 2014 FEMSA Comercio, announced that its subsidiary Cadena Comercial de Farmacias, S.A.P.I. de C.V. has agreed to acquire 100% of Farmacias Farmacón, a drugstore operator in the western Mexican states of Sinaloa, Sonora, Baja California and Baja California Sur. This transaction represents an important step as FEMSA Comercio advances in its strategy to establish a relevant position in this attractive small-box retail segment.

Headquartered in the city of Culiacán, Sinaloa, Farmacias Farmacón currently operates over two hundred stores.

The transaction is pending customary regulatory approvals, and is expected to close during 1Q15. |

Annual Report of the Audit Committee

To the Board of Directors

Fomento Económico Mexicano, S.A.B. de C.V. (the "Company"):

Pursuant to Articles 42 and 43 of the Mexican Securities Law (Ley del Mercado de Valores) and the Charter of the Audit Committee, we submit to the Board of Directors our report on the activities performed during 2014. We considered the recommendations established in the Code of Corporate Best Practices and, since the Company is a publicly-listed company in the New York Stock Exchange ("NYSE"), we also complied with the applicable provisions set forth in Sarbanes-Oxley Act. We met at least on a quarterly basis and, based on a work program, we carried out the activities described below:

Risk Assessment

We periodically evaluated the effectiveness of the Risk Management System, which is established to identify, measure, record, assess, and control the Company's risks, as well as the implementation of the related controls to ensure its effective operation.

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

Internal Control

We verified the compliance by management of its responsibilities regarding internal control, the establishment of general guidelines and the procedures necessary for their application and compliance. Additionally, we reviewed the comments and suggestions made by the External Auditors as a result of their findings.

We verified the actions taken by the Company in order to comply with section 404 of Sarbanes-Oxley Act regarding the self-assessment of internal controls performed by the Company to be reported for the year 2014. Throughout this process, we verified the preventive and corrective measures implemented.

External Audit

We recommended to the Board of Directors to approve the external auditors (who have been the same for the past seven years) for the Company and its subsidiaries for fiscal year 2014. For this purpose, we verified their independence and their compliance with the requirements established by applicable laws and regulations. We analyzed their approach, work program as well as their coordination with Internal Audit.

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

We authorized the fees of the external auditors for their audit and other permitted services, and made sure that such services would not compromise their Independence.

With the appropriate input from Management, we carried out an evaluation of their services for the previous year and initiated the evaluation process for the fiscal year 2014.

Internal Auditing

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

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

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

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

We confirmed the existence of an Annual Training program.

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

Financial Information, Accounting Policies and Reports to the Third Parties

We reviewed the quarterly and annual financial statements of the Company with the individuals responsible for their preparation and recommended the Board of Directors its approval and authorized their publication. As part of this process, we took into account the opinions and remarks of the external auditors and made sure that the criteria, accounting policies and information used by Management to prepare financial information were adequate, sufficient, and consistently applied with the prior year. As a consequence, the information submitted by Management reasonably reflects the Company's financial situation, its operating results and cash flows for the fiscal year ending December 31, 2014.

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

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

We reviewed and approved the accounting standards for the Company that became effective in 2014, recommending their approval to the Board of Directors.

Compliance with Applicable Laws and Regulations, Legal Issues and Contingencies

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

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

Code of Conduct

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

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

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

Administrative Activities

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

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

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

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

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

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

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

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

Sincerely

February 25, 2015



José Manuel Canal Hernando

Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Fomento Económico Mexicano, S.A.B. de C.V. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Fomento Económico Mexicano, S.A.B. de C.V. and its subsidiaries as at December 31, 2014 and 2013, and their financial performance and cash flows for each of the three years in the period ended December 31, 2014, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Mancera, S.C.

A member practice of Ernst & Young Global Limited



Agustin Aguilar Laurents

March 11, 2015

Monterrey, N.L. MEXICO

Consolidated Statements of Financial Position

As of December 31, 2014 and 2013.

Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.)

	Note	December 2014 (*)	December 2014	December 2013
ASSETS				
Current Assets:				
Cash and cash equivalents	5	\$ 2,407	Ps. 35,497	Ps. 27,259
Investments	6	10	144	126
Accounts receivable, net	7	939	13,842	12,798
Inventories	8	1,167	17,214	18,289
Recoverable taxes		544	8,030	9,141
Other current financial assets	9	176	2,597	3,977
Other current assets	9	121	1,788	1,979
Total current assets		5,364	79,112	73,569
Investments in associates and joint ventures	10	6,926	102,159	98,330
Property, plant and equipment, net	11	5,127	75,629	73,955
Intangible assets, net	12	6,883	101,527	103,293
Deferred tax assets	24	426	6,278	3,792
Other financial assets	13	444	6,551	2,753
Other assets, net	13	333	4,917	3,500
TOTAL ASSETS		\$ 25,503	Ps. 376,173	Ps. 359,192
LIABILITIES AND EQUITY				
Current Liabilities:				
Bank loans and notes payable	18	\$ 30	Ps. 449	Ps. 529
Current portion of long-term debt	18	75	1,104	3,298
Interest payable		33	482	409
Suppliers		1,794	26,467	26,632
Accounts payable		527	7,778	6,911
Taxes payable		554	8,177	6,745
Other current financial liabilities	25	330	4,862	4,345
Total current liabilities		3,343	49,319	48,869
Long-Term Liabilities:				
Bank loans and notes payable	18	5,623	82,935	72,921
Post-employment and other long-term employee benefits	16	285	4,207	4,074
Deferred tax liabilities	24	247	3,643	2,993
Other financial liabilities	25	22	328	1,668
Provisions and other long-term liabilities	25	382	5,619	6,117
Total long-term liabilities		6,559	96,732	87,773
Total liabilities		9,902	146,051	136,642
Equity:				
Controlling interest:				
Capital stock		227	3,347	3,346
Additional paid-in capital		1,739	25,649	25,433
Retained earnings		9,974	147,122	130,840
Cumulative other comprehensive (loss) income		(383)	(5,645)	(227)
Total controlling interest		11,557	170,473	159,392
Non-controlling interest in consolidated subsidiaries	21	4,044	59,649	63,158
Total equity		15,601	230,122	222,550
TOTAL LIABILITIES AND EQUITY		\$ 25,503	Ps. 376,173	Ps. 359,192

(*) Convenience translation to U.S. dollars (\$) – See Note 2.2.3

Consolidated Income Statements

For the years ended December 31, 2014, 2013 and 2012.

Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.), except per share amounts.

	Note	2014 ^(*)		2014	2013	2012
Net sales		\$ 17,816	Ps. 262,779		Ps. 256,804	Ps. 236,922
Other operating revenues		45	670		1,293	1,387
Total revenues		17,861	263,449		258,097	238,309
Cost of goods sold		10,392	153,278		148,443	137,009
Gross profit		7,469	110,171		109,654	101,300
Administrative expenses		694	10,244		9,963	9,552
Selling expenses		4,679	69,016		69,574	62,086
Other income	19	74	1,098		651	1,745
Other expenses	19	(86)	(1,277)		(1,439)	(1,973)
Interest expense	18	(454)	(6,701)		(4,331)	(2,506)
Interest income		58	862		1,225	783
Foreign exchange loss, net		(61)	(903)		(724)	(176)
Monetary position loss, net		(22)	(319)		(427)	(13)
Market value gain on financial instruments		5	73		8	8
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method		1,610	23,744		25,080	27,530
Income taxes	24	424	6,253		7,756	7,949
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	10	348	5,139		4,831	8,470
Consolidated net income		\$ 1,534	Ps. 22,630		Ps. 22,155	Ps. 28,051
Attributable to:						
Controlling interest		1,132	16,701		15,922	20,707
Non-controlling interest		402	5,929		6,233	7,344
Consolidated net income		\$ 1,534	Ps. 22,630		Ps. 22,155	Ps. 28,051
Basic net controlling interest income:						
Per series "B" share	23	\$ 0.06	Ps. 0.83		Ps. 0.79	Ps. 1.03
Per series "D" share	23	0.07	1.04		1.00	1.30
Diluted net controlling interest income:						
Per series "B" share	23	0.06	0.83		0.79	1.03
Per series "D" share	23	0.07	1.04		0.99	1.29

(*) Convenience translation to U.S. dollars (\$) – See Note 2.2.3

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2014, 2013 and 2012.

Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.)

	Note	2014 ⁽¹⁾		2014		2013		2012	
Consolidated net income		\$	1,534	Ps.	22,630	Ps.	22,155	Ps.	28,051
Other comprehensive income:									
Items that may be reclassified to consolidated net income, net of tax:									
Unrealized loss on available for sale securities	6		-		-		(2)		(2)
Valuation of the effective portion of derivative financial instruments			33		493		(246)		(243)
Exchange differences on the translation of foreign operations and associates			(831)		(12,256)		1,151		(5,250)
Share of other comprehensive income of associates and joint ventures	10		30		441		(2,629)		(781)
Total items that may be reclassified			(768)		(11,322)		(1,726)		(6,276)
Items that will not to be reclassified to consolidated net income in subsequent periods, net of tax:									
Remeasurements of the net defined benefit liability	16		(24)		(361)		(112)		(279)
Total items that will not be reclassified			(24)		(361)		(112)		(279)
Total other comprehensive loss, net of tax			(792)		(11,683)		(1,838)		(6,555)
Consolidated comprehensive income, net of tax		\$	742	Ps.	10,947	Ps.	20,317	Ps.	21,496
Controlling interest comprehensive income			765		11,283		15,030		15,638
Reattribution to non-controlling interest of other comprehensive income by acquisition of Grupo YOLI			-		-		(36)		-
Reattribution to non-controlling interest of other comprehensive income by acquisition of FOQUE			-		-		-		29
Controlling interest, net of reattribution		\$	765	Ps.	11,283	Ps.	14,994	Ps.	15,667
Non-controlling interest comprehensive income			(23)		(336)		5,287		5,858
Reattribution from controlling interest of other comprehensive income by acquisition of Grupo YOLI			-		-		36		-
Reattribution from controlling interest of other comprehensive income by acquisition of FOQUE			-		-		-		(29)
Non-controlling interest, net of reattribution		\$	(23)	Ps.	(336)	Ps.	5,323	Ps.	5,829
Consolidated comprehensive income, net of tax		\$	742	Ps.	10,947	Ps.	20,317	Ps.	21,496

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

Consolidated Statements of Changes in Equity

For the years ended December 31, 2014, 2013 and 2012.

Amounts expressed in millions of Mexican pesos (Ps.)

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain (Loss) on Available for Sale Securities
Balances at January 1, 2012	Ps. 3,345	Ps. 20,656	Ps. 114,487	Ps. 4
Net income			20,707	
Other comprehensive income, net of tax				(2)
Comprehensive income			20,707	(2)
Dividends declared			(6,200)	
Issuance (repurchase) of shares associated with share-based payment plans	1	(50)		
Acquisition of Grupo Fomento Queretano through issuance of Coca-Cola FEMSA shares (see Note 4)		2,134		
Other transactions of non-controlling interest				
Other movements of equity method of associates, net of taxes			(486)	
Balances at December 31, 2012	3,346	22,740	128,508	2
Net income			15,922	
Other comprehensive income, net of tax				(2)
Comprehensive income			15,922	(2)
Dividends declared			(13,368)	
Issuance (repurchase) of shares associated with share-based payment plans		(172)		
Acquisition of Grupo Yoli through issuance of Coca-Cola FEMSA shares (see Note 4)		2,865		
Other acquisitions (see Note 4)				
Increase in share of non-controlling interest				
Other movements of equity method of associates, net of taxes			(222)	
Balances at December 31, 2013	3,346	25,433	130,840	-
Net income			16,701	
Other comprehensive income, net of tax				
Comprehensive income			16,701	
Dividends declared				
Issuance (repurchase) of shares associated with share-based payment plans	1	216		
Other movements of equity method of associates, net of taxes			(419)	
Balances at December 31, 2014	Ps. 3,347	Ps. 25,649	Ps. 147,122	Ps. -

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

Valuation of the Effective Portion of Derivative Financial Instrument	Exchange Differences on the Translation of Foreign Operations and Associates	Remeasurements of the Net Defined Benefit Liability	Total Controlling Interest	Non-Controlling Interest	Total Equity
Ps. 365	Ps. 5,717	Ps. (352)	Ps. 144,222	Ps. 47,949	Ps. 192,171
			20,707	7,344	28,051
(17)	(3,725)	(1,296)	(5,040)	(1,515)	(6,555)
(17)	(3,725)	(1,296)	15,667	5,829	21,496
			(6,200)	(2,986)	(9,186)
			(49)	(12)	(61)
1	(31)	1	2,105	4,172	6,277
			-	(50)	(50)
			(486)	-	(486)
349	1,961	(1,647)	155,259	54,902	210,161
			15,922	6,233	22,155
(170)	(1,214)	458	(928)	(910)	(1,838)
(170)	(1,214)	458	14,994	5,323	20,317
			(13,368)	(3,125)	(16,493)
			(172)	(7)	(179)
2	32	2	2,901	5,120	8,021
			-	430	430
			-	515	515
			(222)	-	(222)
181	779	(1,187)	159,392	63,158	222,550
			16,701	5,929	22,630
126	(4,412)	(1,132)	(5,418)	(6,265)	(11,683)
126	(4,412)	(1,132)	11,283	(336)	10,947
			-	(3,152)	(3,152)
			217	(21)	196
			(419)	-	(419)
Ps. 307	Ps. (3,633)	Ps. (2,319)	Ps. 170,473	Ps. 59,649	Ps. 230,122

Consolidated Statements of Cash Flows

For the years ended December 31, 2014, 2013 and 2012.

Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.)

	2014 ⁽¹⁾		2014		2013		2012	
Cash flows from operating activities:								
Income before income taxes	\$	1,958	Ps.	28,883	Ps.	29,911	Ps.	36,000
Adjustments for:								
Non-cash operating expenses		14		209		752		1,683
Employee profit sharing		77		1,138		1,936		1,650
Depreciation		612		9,029		8,805		7,175
Amortization		67		985		891		715
Loss (gain) on sale of long-lived assets		-		7		(41)		(132)
Gain on sale of shares		-		-		-		(2,148)
Disposal of long-lived assets		10		153		122		133
Impairment of long-lived assets		10		145		-		384
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes		(348)		(5,139)		(4,831)		(8,470)
Interest income		(58)		(862)		(1,225)		(783)
Interest expense		454		6,701		4,331		2,506
Foreign exchange loss, net		61		903		724		176
Monetary position loss, net		22		319		427		13
Market value (gain) on financial instruments		(5)		(73)		(8)		(8)
Cash flow from operating activities before changes in operating accounts and employee profit sharing		2,874		42,398		41,794		38,894
Accounts receivable and other current assets		(336)		(4,962)		(1,948)		(746)
Other current financial assets		118		1,736		(1,508)		(977)
Inventories		(76)		(1,122)		(1,541)		(2,289)
Derivative financial instruments		17		245		402		(17)
Suppliers and other accounts payable		468		6,910		517		3,833
Other long-term liabilities		(155)		(2,308)		(109)		(18)
Other current financial liabilities		54		793		417		329
Post-employment and other long-term employee benefits		(28)		(416)		(317)		(209)
Cash generated from operations		2,936		43,274		37,707		38,800
Income taxes paid		(401)		(5,910)		(8,949)		(8,015)
Net cash generated by operating activities		2,535		37,364		28,758		30,785
Cash flows from investing activities:								
Acquisition of Grupo Fomento Queretano, net of cash acquired (see Note 4)		-		-		-		(1,114)
Acquisition of Grupo Yoli, net of cash acquired (see Note 4)		-		-		(1,046)		-
Acquisition of Companhia Fluminense de Refrigerantes, net of cash acquired (see Note 4)		-		-		(4,648)		-
Acquisition of Spaipa S.A. Industria Brasileira de Bebidas, net of cash acquired (see Note 4)		-		-		(23,056)		-
Other acquisitions, net of cash acquired (see Note 4)		-		-		(3,021)		-
Investment in shares of Coca-Cola FEMSA Philippines, Inc. CCFPI (see Note 10)		-		-		(8,904)		-
Other investments in associates and joint ventures (see Note 10)		6		90		(335)		(1,207)
Disposals of subsidiaries and associates, net of cash		-		-		-		1,055
Purchase of investments		(41)		(607)		(118)		(2,808)
Proceeds from investments		40		589		1,488		2,534
Interest received		59		863		1,224		777
Derivative financial instruments		(2)		(25)		119		94
Dividends received from associates and joint ventures		122		1,801		1,759		1,697
Long-lived assets acquisitions		(1,152)		(16,985)		(16,380)		(14,844)
Proceeds from the sale of long-lived assets		14		209		252		362
Acquisition of intangible assets		(48)		(706)		(1,077)		(441)
Investment in other assets		(54)		(796)		(1,436)		(1,264)
Investment in other financial assets		(3)		(41)		(52)		-
Collection in other financial assets		-		-		-		516
Net cash used in investing activities		(1,059)		(15,608)		(55,231)		(14,643)
Cash flows from financing activities:								
Proceeds from borrowings		363		5,354		78,907		14,048
Payments of bank loans		(388)		(5,721)		(39,962)		(5,872)
Interest paid		(270)		(3,984)		(3,064)		(2,172)
Derivative financial instruments		(154)		(2,267)		697		(209)
Dividends paid		(214)		(3,152)		(16,493)		(9,186)
Acquisition of non-controlling interests		-		-		-		(6)
Increase in shares of non-controlling interest		-		-		515		-
Other financing activities		33		482		(16)		(21)
Net cash (used in) generated by financing activities		(630)		(9,288)		20,584		(3,418)
Increase (decrease) in cash and cash equivalents		846		12,468		(5,889)		12,724
Initial balance of cash and cash equivalents		1,848		27,259		36,521		25,841
Effects of exchange rate changes and inflation effects on cash and cash equivalents held in foreign currencies		(287)		(4,230)		(3,373)		(2,044)
Ending balance of cash and cash equivalents	\$	2,407	Ps.	35,497	Ps.	27,259	Ps.	36,521

⁽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 flow.

Notes to the Consolidated Financial Statements

As of December 31, 2014, 2013 and 2012.

Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.)

Note 1. Activities of the Company

Fomento Económico Mexicano, S.A.B. de C.V. ("FEMSA") is a Mexican holding company. The principal activities of FEMSA and its subsidiaries (the "Company"), as an economic unit, are carried out by operating subsidiaries and companies under direct and indirect holding company subsidiaries (the "Subholding Companies") of FEMSA.

The following is a description of the activities of the Company as of the date of the issuance of these consolidated financial statements, together with the ownership interest in each Subholding Company:

Subholding Company	% Ownership		Activities
	December 31, 2014	December 31, 2013	
Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries ("Coca-Cola FEMSA")	47.9% ⁽¹⁾ (63.0% of the voting shares)	47.9% ⁽¹⁾ (63.0% of the voting shares)	Production, distribution and marketing of certain Coca-Cola trademark beverages in Mexico, Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, Brazil, Argentina and Philippines (see Note 10). At December 31, 2014, The Coca-Cola Company (TCCC) indirectly owns 28.1% of Coca-Cola FEMSA's capital stock. In addition, shares representing 24.0% of Coca-Cola FEMSA's capital stock are traded on the Bolsa Mexicana de Valores (Mexican Stock Exchange "BMV"). Its American Depositary Shares ("ADS") trade on the New York Stock Exchange, Inc (NYSE).
FEMSA Comercio, S.A. de C.V. and subsidiaries ("FEMSA Comercio")	100%	100%	Operation of chains of small-box retail formats in Mexico, Colombia and the United States, mainly under the trade name "OXXO."
CB Equity, LLP ("CB Equity")	100%	100%	This Company holds Heineken N.V. and Heineken Holding N.V. shares, which represents in the aggregate a 20% economic interest in both entities ("Heineken Company").
Other companies	100%	100%	Companies engaged in the production and distribution of coolers, commercial refrigeration equipment and plastic cases; as well as transportation logistics and maintenance services to FEMSA's subsidiaries and to third parties.

⁽¹⁾ The Company controls Coca-Cola FEMSA's relevant activities.

Note 2. Basis of Preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company's consolidated financial statements and notes were authorized for issuance by the Company's Chief Executive Officer Carlos Salazar Lomelín and Chief Financial and Administrative Officer Javier Astaburuaga Sanjines on February 20, 2015. Those consolidated financial statements and notes were then approved by the Company's Board of Directors on February 25, 2015 and subsequent events have been considered through that date (see Note 28). These consolidated financial statements and their accompanying notes will be presented at the Company's shareholders meeting in March 19, 2015. The Company's shareholders have the faculty to approve or modify the Company's consolidated financial statements.

2.2 Basis of measurement and presentation

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

- Available-for-sale investments.
- Derivative financial instruments.
- Long-term notes payable on which fair value hedge accounting is applied.
- Trust assets of post-employment and other long-term employee benefit plans.

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

2.2.1 Presentation of consolidated income statement

The Company classifies its costs and expenses by function in the consolidated income statement, in order to conform to the industry practices where the Company operates. Information about expenses by their nature is disclosed in notes of these financial statements.

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, 2014, the consolidated income statement, the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2014 were converted into U.S. dollars at the exchange rate of 14.7500 Mexican pesos per U.S. dollar as published by the U.S. Federal Reserve Board in its H.10 Weekly Release of Foreign Exchange Rates as of that date. This arithmetic conversion should not be construed as representation that the amounts expressed in Mexican pesos may be converted into U.S. dollars at that or any other exchange rate.

2.3 Critical accounting judgments and estimates

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

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

2.3.1 Key sources of estimation uncertainty

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

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

Intangible assets with indefinite lives including goodwill are subject to annual impairment tests. 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 calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. In order to determine whether such assets are impaired, the Company initially calculates an estimation of the value in use of the cash-generating units to which such assets have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The Company reviews annually the carrying value of its intangible assets with indefinite lives and goodwill for impairment based on recognized valuation techniques. While the Company believes that its estimates are reasonable, different assumptions regarding such estimates could materially affect its evaluations. Impairment losses are recognized in current earnings in the period the related impairment is determined. The key assumptions used to determine the recoverable amount for the Company's CGUs, including a sensitivity analysis, are further explained in Notes 3.16 and 12.

The Company assesses at each reporting date whether there is an indication that an 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 is considered impaired and is written down to its recoverable amount. 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. 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.

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

Property, plant and equipment, including returnable bottles as they are expected to provide benefits over a period of more than one year, as well as intangible assets with defined 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 based on its experience in the industry for similar assets, see Notes 3.12, 3.14, 11 and 12.

2.3.1.3 Post-employment and other long-term 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 16.

2.3.1.4 Income taxes

Deferred income tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. The Company regularly reviews its deferred tax assets for recoverability, and records a deferred tax asset based on its judgment regarding the probability of historical taxable income continuing in the future, projected future taxable income and the expected timing of the reversals of existing temporary differences, see Note 24.

2.3.1.5 Tax, labor and legal contingencies and provisions

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

2.3.1.6 Valuation of financial instruments

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

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

2.3.1.7 Business combinations

Acquisitions of businesses 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, liabilities assumed by the Company to the former owners of 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 at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, *Income Taxes* and IAS 19, *Employee Benefits*, respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, *Share-based Payment* at the acquisition date, see Note 3.24; and
- 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.

Management's judgement must be exercised to determine the fair value of assets acquired and liabilities assumed.

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

For each business combination, with respect to the non-controlling present ownership interests in the acquiree that entitle their holders to a proportionate share of net assets in liquidation, the Company elects whether to measure such interest at fair value or at the proportionate share of the acquiree's identifiable net assets.

2.3.1.8 Investments in associates

If the Company holds, directly or indirectly, 20 per cent or more of the voting power of the investee, it is presumed that it has significant influence, unless it can be clearly demonstrated that this is not the case. If the Company holds, directly or indirectly, less than 20 per cent of the voting power of the investee, it is presumed that the Company does not have significant influence, unless such influence can be clearly demonstrated. Decisions regarding the propriety of utilizing the equity method of accounting for a less than 20 per cent-owned corporate investee 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 additional investment in the investee; and
- Whether the Company is a part of significant investee committees, such as the executive committee or the finance committee.

2.3.1.9 Joint arrangements

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

- a) Whether all the parties or a group of the parties, control the arrangement, considering definition of joint control, as described in Note 3.11.2; and
- b) Whether decisions about the relevant activities require the unanimous consent of all the parties, or of a group of the parties.

As mentioned in Note 10, on January 25, 2013, Coca-Cola FEMSA closed the acquisition of 51% of Coca-Cola FEMSA Philippines, Inc (CCFPI) (formerly Coca-Cola Bottlers Philippines, Inc.). Coca-Cola FEMSA jointly controls CCFPI with TCCC. This is based on the following factors: (i) during the initial four-year period, some relevant activities require joint approval between Coca-Cola FEMSA and TCCC; and (ii) potential voting rights to acquire the remaining 49% of CCFPI are not likely to be exercised in the foreseeable future due to the fact that the call option is "out of the money" as of December 31, 2014 and 2013.

2.3.1.10 Venezuela exchange rates

As is further explained in Note 3.3 below, the exchange rate used to account for foreign currency denominated monetary items arising in Venezuela, and also the exchange rate used to translate the financial statements of the Company's Venezuelan subsidiary for group reporting purposes are both key sources of estimation uncertainty in preparing the accompanying consolidated financial statements.

2.4 Changes in accounting policies

The Company has adopted the following new IFRS and amendments to IFRS, during 2014:

- Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities*
- Amendments to IAS 36, *Impairment of Assets*
- Amendments to IAS 39, *Financial Instruments: Recognition and Measurement*
- Annual Improvements 2010-2012 Cycle
- Annual Improvements 2011-2013 Cycle
- IFRIC 21, *Levies*

The nature and the effect of the changes are further explained below.

Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities*

Amendments to IAS 32, "Offsetting Financial Assets and Financial Liabilities", clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required. The Company adopted these amendments, which had no impact on its consolidated financial statements because the Company's policy for offsetting financial instruments was already in accordance with the amendments made to IAS 32.

Amendments to IAS 36, *Impairment of Assets*

Amendments to IAS 36 "Impairment of Assets", reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014.

Amendments to IAS 39, *Financial Instruments: Recognition and Measurement*

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. The amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2014. The Company adopted these amendments and they had no impact on the Company's consolidated financial statements because the Company did not have novated derivatives designated as hedging instruments.

Annual Improvements 2010-2012 Cycle

Annual Improvements 2010-2012 Cycle includes amendments to: IFRS 2 "Share-based payment", by amending the definitions of vesting condition and market condition, and adding definitions for performance condition and service condition, had no impact on the Company's consolidated financial statements derived from these amended definitions; IFRS 3 "Business combinations", which requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date, which the Company will apply to future business combinations; IFRS 13 "Fair value measurement", clarifying that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis when the discount amount is immaterial (amends basis for conclusions only). This improvement had no impact because financial instruments that qualify as accounts receivable or accounts payable, when measured at fair value, approximate their carrying value quantified on an undiscounted basis. These amendments are applicable to annual periods beginning on or after July 1, 2014.

Annual Improvements 2011-2013 Cycle

Annual Improvements 2011-2013 Cycle includes amendments to: IFRS 13, clarifying the scope of the portfolio exception of paragraph 52, which permits an entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position for a particular risk exposure or to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. The amendments clarify that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. These improvements are applicable to annual periods beginning on or after July 1, 2014. The Company adopted these amendments and they had no impact on the Company's consolidated financial statements, because it has no instruments it manages on a net basis.

IFRIC 21, *Levies*

IFRIC 21 Levies, provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. This interpretation is effective for accounting periods beginning on or after January 1, 2014, with early adoption permitted. The Company adopted this interpretation and it had no impact on the financial statements because taxes other than income and consumption taxes are recorded at the time the event giving rise to the payment obligation arises.

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 has the ability to affect those returns through its power over the investee.

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

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

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

- The contractual 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 acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

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

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.

3.1.2 Loss of control

Upon the loss of control, the Company derecognizes the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interests, cumulative translation differences recorded in equity and the other components of equity related to the subsidiary. The Company recognizes the fair value of the consideration received, and any surplus or deficit arising on the loss of control is recognized in consolidated net income, including the share by the controlling interest of components previously recognized in other comprehensive income. If the Company retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for by the equity method or as a financial asset depending on the level of influence retained.

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. In assessing control, the Company takes into consideration substantive potential voting rights.

The Company measures goodwill at the acquisition date as the fair value of the consideration transferred plus the fair value of any previously-held equity interest in the acquiree and the recognized amount of any non-controlling interests in the acquiree (if any), less the net recognized amount of the identifiable assets acquired and liabilities assumed. If after reassessment, the excess is negative, a bargain purchase gain is recognized in consolidated net income at the time of the acquisition.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in consolidated net income of the Company.

Costs related to the acquisition, 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, if after reassessment, subsequent changes to the fair value of the contingent considerations are recognized in consolidated net income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete, and discloses that its allocation is preliminary in nature. Those provisional amounts are adjusted during the measurement period (not greater than 12 months), 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.

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

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

Exchange differences on monetary items are recognized in 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 as part of the exchange differences on translation of foreign operations within the cumulative other comprehensive income (loss) item, which is recorded in equity.
- Intercompany financing balances with foreign subsidiaries are considered as long-term investments when there is no plan to pay such financing in the foreseeable future. Monetary position and exchange rate fluctuation regarding this financing is recorded in the exchange differences on translation of foreign operations within the cumulative other comprehensive income (loss) item, which is recorded in equity.
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

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

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

Exchange Rates of Local Currencies Translated to Mexican Pesos

Country or Zone	Functional / Recording Currency	Average Exchange Rate for			Exchange Rate as of	
		2014	2013	2012	December 31, 2014	December 31, 2013
Guatemala	Quetzal	1.72	1.62	1.68	1.94	1.67
Costa Rica	Colon	0.02	0.03	0.03	0.03	0.03
Panama	U.S. dollar	13.30	12.77	13.17	14.72	13.08
Colombia	Colombian peso	0.01	0.01	0.01	0.01	0.01
Nicaragua	Cordoba	0.51	0.52	0.56	0.55	0.52
Argentina	Argentine peso	1.64	2.34	2.90	1.72	2.01
Venezuela	Bolivar	1.28	2.13	3.06	0.29	2.08
Brazil	Reai	5.66	5.94	6.76	5.54	5.58
Euro Zone	Euro (€)	17.66	16.95	16.92	17.93	17.98
Philippines	Philippine peso	0.30	0.30	0.31	0.33	0.29

The Company has operated under exchange controls in Venezuela since 2003 that affect its ability to remit dividends abroad or make payments other than in local currencies and that may increase the real price of raw materials purchased in local currency. Cash balances of the Company's Venezuela subsidiary which are not readily available for use within the group are disclosed in Note 5.

As of December 31, 2014, Venezuela's entities were able to convert bolivars to U.S. dollars at one of three legal exchange rates:

- The official exchange rate. Used for transactions involving what the Venezuelan government considers to be "essential goods and services".
- SICAD I. Used for certain transactions, including payment of services and payments related to foreign investments in Venezuela, which were transacted at the state-run Supplementary Foreign Currency Administration System (SICAD-I) exchange rate. The SICAD-I determined an alternative exchange rate based on limited periodic sales of U.S. dollars through auction.
- SICAD II. The Venezuelan government enacted a new law in 2014 that authorized an additional method of exchanging Venezuelan bolivars to U.S. dollars at rates other than either the official exchange rate or the SICAD-I exchange rate. SICAD-II was used for certain types of defined transactions not otherwise covered by the official exchange rate or the SICAD-I exchange rate.

As of December 31, 2014, the official exchange rate was 6.30 bolivars per U.S. dollar (2.34 Mexican peso per bolivar), the SICAD-I exchange rate was 12.00 bolivars per U.S. dollar (1.23 Mexican peso per bolivar), and the SICAD-II exchange rate was 49.99 bolivars per U.S. dollar (0.29 Mexican peso per bolivar).

The Company's recognition of its Venezuela operations involves a two-step accounting process in order to translate into bolivars all transactions in a different currency than the Venezuelan currency and then to translate to Mexican Pesos.

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

As of December 31, 2014 Coca-Cola FEMSA had US \$ 449 million in monetary liabilities recorded using the official exchange rate. The Company believes that these payables for imports of essential goods should continue to qualify for settlement at the official exchange rate. If there is a change in the official exchange rate in the future, or should we determine these amounts no longer qualify, we will recognize the impact of this change in the income statement.

Step-two.- In order to integrate the results of the Venezuelan operations into the consolidated figures of the Company, such Venezuelan results are translated from Venezuelan bolivars into Mexican pesos. During the first three quarters of 2014, the Company used SICAD-I exchange rate as the rate for the translation of the Venezuelan amounts based on the expectation this would have been the exchange rate at which dividends will be settled. During the fourth quarter, the Company decided to move from SICAD-I to SICAD-II exchange rate to reflect its revised estimate. In accordance with IAS 21 and given the fact that Venezuela is considered a hyper-inflationary economy, we have translated the results for the entire year using SICAD II exchange rate. Prior to 2014, the Company used the official exchange rate of 6.30 and 4.30 bolivars per U.S. dollar in 2013 and 2012, respectively.

As a result of the change in exchange rate applied to translate financial statements during 2014 and the devaluation of Bolivar in 2013, the statement of financial position reflects a reduction in equity of Ps. 11,836 and Ps. 3,700, respectively. These reductions in equity are presented as part of other comprehensive income.

Official exchange rates for Argentina are published by the Argentine Central Bank. The Argentine peso has experienced significant devaluation over the past several years and the government has adopted various rules and regulations since late 2011 that established new restrictive controls on capital flows into the country. These enhanced exchange controls have practically closed the foreign exchange market to retail transactions. It is widely reported that the Argentine peso/U.S. dollar exchange rate in the unofficial market substantially differs from the official foreign exchange rate. The Argentine government could impose further exchange controls or restrictions on the movement of capital and take other measures in the future in response to capital flight or a significant depreciation of the Argentine peso. The Company uses the official exchange rate.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in other comprehensive income in respect of that operation attributable to the owners of the Company are recognized in the consolidated income statement.

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 accumulated exchange differences 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 accumulated exchange differences 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 equity to its shareholders.

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 Venezuelan subsidiary that operates 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, intangible assets, 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 Venezuela on the dates such capital was contributed or income was generated up to the date of these consolidated financial statements are presented; and
- Including the monetary position gain or loss in consolidated net income.

The Company restates the financial information of subsidiaries that operate in a hyperinflationary economic environment (Venezuela) using the consumer price index of that country. The Venezuelan economy's cumulative inflation rate for the period 2012-2014, 2011-2013 and 2010-2012 was 210.2%, 139.3% and 94.8%; respectively. While the inflation rate for the period 2010-2012 was less than 100%, it was approaching 100%, and qualitative factors supported its continued classification as a hyper-inflationary economy.

During 2014, the International Monetary Fund (IMF) issued a declaration of censure and called on Argentina to adopt remedial measures to address the quality of its official inflation data. The IMF noted that alternative data sources have shown considerably higher inflation rates than the official data since 2008. Consumer price data reported by Argentina from January 2014 onwards reflect the new national CPI (IPCNU), which differs substantively from the preceding CPI. Because of the differences in geographical coverage, weights, sampling, and methodology, the IPCNU data cannot be directly compared to the earlier CPI-GBA data.

3.5 Cash and cash equivalents and restricted cash

Cash is measured at nominal value and consists of non-interest bearing bank deposits. Cash equivalents consist principally of short-term bank deposits and fixed rate investments, both with maturities of three months or less at the acquisition date and are recorded at acquisition cost plus interest income not yet received, which is similar to market prices.

The Company also maintains restricted cash held as collateral to meet certain contractual obligations (see Note 9.2). Restricted cash is presented within other current financial assets given that the restrictions are short-term in nature.

3.6 Financial assets

Financial assets are classified into the following specified categories: "fair value through profit or loss (FVTPL)," "held-to-maturity investments," "available-for-sale" and "loans and receivables" or as derivatives designated as hedging instruments in an effective 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.

When a financial asset is recognized initially, the Company measures it at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

3.6.1 Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of loans and receivables and other financial assets (designated as held to-maturity) and of 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.

3.6.2 Investments

Investments consist of debt securities and bank deposits with maturities of more than three months at the acquisition date. Management determines the appropriate classification of investments at the time of purchase and assesses such designation as of each reporting date (see Note 6).

3.6.2.1 Available-for-sale investments are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss. These investments are carried at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive income. Interest and dividends on investments classified as available-for-sale are included in interest income. The fair values of the investments are readily available based on quoted market prices. The exchange effects of securities available for sale are recognized in the consolidated income statement in the period in which they arise.

3.6.2.2 Held-to maturity investments are those that the Company has the positive intent and ability to hold to maturity, and after initial measurement, such financial assets are subsequently measured at amortized cost, which includes any cost of purchase and premium or discount related to the investment. Subsequently, the premium/discount is amortized over the life of the investment based on its outstanding balance utilizing the effective interest method less any impairment. Interest and dividends on investments classified as held-to maturity are included in interest income.

3.6.3 Loans and receivables

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

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. For the years ended December 31, 2014, 2013 and 2012 the interest income on loans and receivables recognized in the interest income line item within the consolidated income statements is Ps. 47, Ps. 127 and Ps. 87, respectively.

3.6.4 Other financial assets

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

3.6.5 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

Evidence of impairment may include indicators as follows:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquent in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance for doubtful accounts. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in consolidated net income.

No impairment was recognized for the years ended December 31, 2014 and 2013. For the year ended December 31, 2012, the Company recognized impairment of Ps. 384 (see Note 19).

3.6.6 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.

3.6.7 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.

3.7 Derivative financial instruments

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

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

3.7.1 Hedge accounting

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

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

3.7.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading valuation of the effective portion of derivative financial instruments. The gain or loss relating to the ineffective portion is recognized immediately in consolidated net income, and is included in the market value (gain) loss on financial instruments line item within the consolidated 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 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 consolidated net income. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in consolidated net income.

3.7.3 Fair value hedges

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

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

3.8 Fair value measurement

The Company measures financial instruments, such as derivatives, and 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 13 and 18.

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

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

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

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

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

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

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

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

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

3.9 Inventories and cost of goods sold

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

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

Cost of goods sold is based on average cost of the inventories at the time of sale.

Cost of goods sold in Coca-Cola FEMSA 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, inspection and plant transfers costs.

Cost of goods sold in FEMSA Comercio includes expenses related to the purchase of goods and services used in the sale process of the Company's products.

3.10 Other current assets

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

Prepaid assets principally consist of advances to suppliers of raw materials, advertising, promotional, leasing and insurance costs, and are recognized as other current assets at the time of the cash disbursement. Prepaid assets are carried 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 paid in advance. These expenses are generally amortized over the period based on the transmission of the television and radio spots. The related production costs are recognized in consolidated net income 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, 2014, 2013 and 2012, such amortization aggregated to Ps. 338, Ps. 696 and Ps. 970, respectively.

3.11 Investments in associates and joint arrangements

3.11.1 Investments in associates

Associates are those entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

Investments in associates are accounted for using the equity method and initial recognition comprises the investment's purchase price and any directly attributable expenditure necessary to acquire it.

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 associate, including any long-term investments, 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 made payments on behalf of the associate.

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

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

3.11.2 Joint arrangements

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

Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Company recognizes its interest in the joint ventures as an investment and accounts for that investment using the equity method, as described in Note 3.11.1. As of December 31, 2014 and 2013 the Company does not have an interest in joint operations.

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

3.12 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/or accumulated impairment losses, if any. The borrowing costs related to the acquisition or construction of qualifying asset is capitalized as part of the cost of that asset.

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

Investments in progress consist of long-lived assets not yet in service, in other words, that are not yet used 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, they are accounted and depreciated for as separate items (major components) of property, plant and equipment. The Company estimates depreciation rates, considering the estimated useful lives of the assets.

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

	Years
Buildings	15-50
Machinery and equipment	10-20
Distribution equipment	7-15
Refrigeration equipment	5-7
Returnable bottles	1.5-3
Leasehold improvements	The shorter of 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 consolidated net income.

Returnable and non-returnable bottles:

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

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

There are two types of returnable bottles:

- Those that are in Coca-Cola FEMSA's control within its facilities, plants and distribution centers; and
- Those that have been placed in the hands of customers, but 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 pursuant to 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 (3 years for glass bottles and 1.5 years for PET bottles). Deposits received from customers are amortized over the same useful estimated lives of the bottles.

3.13 Borrowing costs

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

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

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

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

3.14 Intangible assets

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

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

- Information technology and management system costs incurred during the development stage which are currently in use. Such amounts are capitalized and then amortized using the straight-line method over their expected useful lives, with a range in useful lives from 3 to 10 years. Expenses 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 between 12 and 15 years, and are presented as part of intangible assets with finite useful lives.

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

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

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

As of December 31, 2014, Coca-Cola FEMSA had nine bottler agreements in Mexico: (i) the agreements for Mexico's Valley territory, which expire in April 2016 and June 2023, (ii) the agreements for the Central territory, which expire in March 2015 (two agreements), May 2015 and July 2016, (iii) the agreement for the Northeast territory, which expires in March 2015 (iv) the agreement for the Bajío territory, which expires in May 2015, and (v) the agreement for the Southeast territory, which expires in June 2023. As of December 31, 2014, Coca-Cola FEMSA had four bottler agreements in Brazil, two expiring in October 2017 and the other two expiring in April 2024. The bottler agreements with The Coca-Cola Company will expire for territories in other countries as follows: Argentina in September 2024; Colombia in June 2024; Venezuela in August 2016; Guatemala in March 2025; Costa Rica in September 2017; Nicaragua in May 2016 and Panama in November 2024. All of these bottler agreements are automatically renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew the applicable agreement. In addition, these agreements generally may be terminated in the case of material breach. 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, results from operations and prospects.

3.15 Non-current assets held for sale

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

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

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

3.16 Impairment of non financial assets

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using 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.

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

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

For the year ended December 31, 2014, the Company recognized impairment of Ps. 145 (see Note 19). No impairment was recognized for the years ended December 31, 2013 and 2012.

3.17 Leases

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

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

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expenses are recognized immediately in consolidated net income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

3.18 Financial liabilities and equity instruments

3.18.1 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.

3.18.2 Equity instruments

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

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

3.18.3 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. 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 financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments, see Note 3.7.

Subsequent measurement

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

3.18.4 Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated 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 18.

3.18.5 Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the 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.

3.19 Provisions

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

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

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

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

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

3.20 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, are all based on actuarial calculations, using the projected unit credit method.

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 prior to 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 hospital.

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 remeasurements of the Company's defined benefit obligation such as actuarial gains and losses are recognized directly in other comprehensive income ("OCI"). The Company presents service costs within cost of goods sold, administrative and selling expenses in the consolidated 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 increase the funded status of such plans' related obligations.

Costs related to compensated absences, such as vacations and vacation premiums, are recognized on an accrual basis. Cost for mandatory severance benefits are recorded as incurred.

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

A settlement occurs when an employer enters into a transaction that eliminates all further legal 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 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.

During 2014, the Company settled its pension plan in Brazil and consequently recognized the corresponding effects of the settlement on the results of the current period, refer to Note 16.

3.21 Revenue recognition

Sales of products are recognized as revenue upon delivery to the customer, and once all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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, discounts and the amortization of the agreements with customers to obtain the rights to sell and promote the Company's products.

Rendering of services and other

Revenue arising from services of sales of waste material and packing of raw materials are recognized in the other operating revenues caption in the consolidated income statement.

The Company recognized these transactions as revenues in accordance with the requirements established in the IAS 18 "Revenue" for delivery of goods and rendering of services, which are:

- a) The amount of revenue can be measured reliably;
- b) It is probable that the economic benefits associated with the transaction will flow to the entity.

Interest income

Revenue arising from the use by others of entity assets yielding interest is recognized once all the following conditions are satisfied:

- The amount of the revenue can be measured reliably; and
- It is probable that the economic benefits associated with the transaction will flow to the entity.

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate ("EIR"), which is the rate that exactly discounts the estimated future cash or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The related interest income is included in the consolidated income statements.

3.22 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 (salaries and other related benefits), 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, 2014, 2013 and 2012, these distribution costs amounted to Ps. 19,236, Ps. 17,971 and Ps. 16,839, respectively;
- Sales: labor costs (salaries and other benefits, including PTU) and sales commissions paid to sales personnel; and
- Marketing: labor costs (salaries and other benefits), promotional expenses and advertising costs.

PTU is paid by the Company's Mexican and Venezuelan subsidiaries to its eligible employees. In Mexico, employee profit sharing is computed at the rate of 10% of the individual company taxable income, except for considering cumulative dividends received from resident legal persons in Mexico, depreciation of historical rather tax restated values, foreign exchange gains and losses, which are not included until the asset is disposed of or the liability is due and other effects of inflation are also excluded. As of January 1, 2014, PTU in Mexico will be calculated from the same taxable income for income tax, except for the following: a) neither tax losses from prior years nor the PTU paid during the year are deductible; and b) payments exempt from taxes for the employees are fully deductible in the PTU computation.

In Venezuela, employee profit sharing is computed at a rate equivalent to 15% of after tax income, and it is no more than four months of salary.

3.23 Income taxes

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

3.23.1 Current income taxes

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

3.23.2 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 to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized and if any, future benefits from tax loss carry forwards and certain tax credits. 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, except in the case of Brazil, where certain goodwill amounts are at times deductible for tax purposes.

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

In Mexico, the income tax rate is 30% for 2012, 2013 and 2014, and as result of Mexican Tax Reform for 2014, it will remain at 30% for the following years (see Note 24).

3.24 Share-based payments arrangements

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

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the 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 consolidated net income such that the cumulative expense reflects the revised estimate.

3.25 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.

3.26 Issuance of subsidiary stock

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

Note 4. Mergers, Acquisitions and Disposals

4.1 Mergers and acquisitions

The Company had certain business mergers and acquisitions that were recorded using the acquisition method of accounting. The results of the acquired operations have been included in the consolidated financial statements since the date on which the Company obtained control of the business, as disclosed below. Therefore, the consolidated income statements and the consolidated statements of financial position in the years of such acquisitions are not comparable with previous periods. The consolidated statements of cash flows for the years ended December 31, 2013 and 2012 show the merged and acquired operations net of the cash related to those mergers and acquisitions. For the year ended December 31, 2014, the Company did not have any acquisitions or mergers.

While the acquired companies disclosed below, from note 4.1.1 to note 4.1.4, represent bottlers of Coca-Cola trademarked beverages, such entities were not under common ownership control prior to their acquisition.

4.1.1 Acquisition of Grupo Spaipa

On October 29, 2013, Coca-Cola FEMSA through its Brazilian subsidiary Spal Industria Brasileira de Bebidas, S.A. completed the acquisition of 100% of Grupo Spaipa. Grupo Spaipa is comprised of the bottler entity Spaipa, S.A. Industria Brasileira de Bebidas and three Holding Companies (collectively "Spaipa") and was acquired for Ps. 26,856 in an all cash transaction. Spaipa was a bottler of Coca-Cola trademark products which operated mainly in Sao Paulo and Paraná, Brazil. This acquisition was made to reinforce Coca-Cola FEMSA's leadership position in Brazil. Transaction related costs of Ps. 8 were expensed by the Company as incurred, and recorded as a component of administrative expenses in the accompanying consolidated income statements. Spaipa was included in operating results from November 2013.

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

	Preliminary Estimate Disclosed in 2013	Additional Fair Value Adjustments	2014 Final Purchase Price Allocation
Total current assets (including cash acquired of Ps. 3,800)	Ps. 5,918	Ps. -	Ps. 5,918
Total non-current assets	5,390	(300) ⁽¹⁾	5,090
Distribution rights	13,731	(1,859)	11,872
Total assets	25,039	(2,159)	22,880
Total liabilities	(5,734)	(1,073) ⁽²⁾	(6,807)
Net assets acquired	19,305	(3,232)	16,073
Goodwill	7,551	3,232	10,783
Total consideration transferred	Ps. 26,856	Ps. -	Ps. 26,856

⁽¹⁾ Originated by changes in fair value of property, plant and equipment and investment in associates.

⁽²⁾ Originated by identification of new contingencies which existed before acquisition date as well as changes in valuation of contingencies identified at acquisition date.

Coca-Cola FEMSA expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to Coca-Cola FEMSA's cash generating unit in Brazil. The goodwill recognized and expected to be deductible for income tax purposes according to Brazil tax law, is Ps. 22,202.

Selected income statement information of Spaipa for the period from the acquisition date through December 31, 2013 is as follows:

Income Statement	2013	
Total revenues	Ps.	2,466
Income before income taxes		354
Net income	Ps.	311

4.1.2 Acquisition of Companhia Fluminense de Refrigerantes

On August 22, 2013, Coca-Cola FEMSA through its Brazilian subsidiary Spal Industria Brasileira de Bebidas, S.A. completed the acquisition of 100% of Companhia Fluminense de Refrigerantes ("Companhia Fluminense") for Ps. 4,657 in an all cash transaction. Companhia Fluminense was a bottler of Coca-Cola trademark products which operated in the states of Minas Gerais, Rio de Janeiro and Sao Paulo, Brazil. This acquisition was made to reinforce Coca-Cola FEMSA's leadership position in Brazil. Transaction related costs of Ps. 11 were expensed by Coca-Cola FEMSA as incurred, and recorded as a component of administrative expenses in the accompanying consolidated income statements. Companhia Fluminense was included in operating results from September 2013.

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

	Preliminary Estimate Disclosed in 2013	Additional Fair Value Adjustments	2014 Final Purchase Price Allocation
Total current assets (including cash acquired of Ps. 9)	Ps. 515	Ps. -	Ps. 515
Total non-current assets	1,467	254 ⁽¹⁾	1,721
Distribution rights	2,634	(557)	2,077
Total assets	4,616	(303)	4,313
Total liabilities	(1,581)	(382) ⁽²⁾	(1,963)
Net assets acquired	3,035	(685)	2,350
Goodwill	1,622	685	2,307
Total consideration transferred	Ps. 4,657	Ps. -	Ps. 4,657

⁽¹⁾ Originated by changes in fair value of property, plant and equipment and investment in associates.

⁽²⁾ Originated by identification of new contingencies which existed before acquisition date as well as changes in valuation of contingencies identified at acquisition date.

Coca-Cola FEMSA expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to Coca-Cola FEMSA's cash generating unit in Brazil. The goodwill recognized and expected to be deductible for income tax purposes according to Brazil tax law is Ps. 4,581.

Selected income statement information of Companhia Fluminense for the period from the acquisition date through December 31, 2013 is as follows:

Income Statement	2013	
Total revenues	Ps.	981
Loss before taxes		(39)
Net loss	Ps.	(34)

4.1.3 Merger with Grupo YOLI

On May 24, 2013, Coca-Cola FEMSA completed the merger of 100% of Grupo Yoli. Grupo Yoli comprised the bottler entity YOLI de Acapulco, S.A. de C.V. and other nine entities. Grupo Yoli was a bottler of Coca-Cola trademark products which operated mainly in the state of Guerrero, as well as in parts of the state of Oaxaca in Mexico. This merger was made to reinforce Coca-Cola FEMSA's leadership position in Mexico. The transaction involved the issuance of 42,377,925 new L shares of Coca-Cola FEMSA, along with a cash payment immediately prior to closing of Ps. 1,109, in exchange for 100% share ownership of Grupo YOLI, which was accomplished through a merger. The total purchase price was Ps. 9,130 based on a share price of Ps. 189.27 per share on May 24, 2013. Transaction related costs of Ps. 82 were expensed by Coca-Cola FEMSA as incurred, and recorded as a component of administrative expenses in the accompanying consolidated income statements. Grupo YOLI was included in operating results from June 2013.

The fair value of Grupo Yoli net assets acquired is as follows:

	2013	
Total current assets (including cash acquired of Ps. 63)	Ps.	837
Total non-current assets		2,144
Distribution rights		3,503
Total assets		6,484
Total liabilities		(1,487)
Net assets acquired		4,997
Goodwill		4,133
Total consideration transferred	Ps.	9,130

Coca-Cola FEMSA expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to Coca-Cola FEMSA's cash generating unit in Mexico. The entire amount of goodwill will not be tax deductible.

Selected income statement information of Grupo YOLI for the period from the acquisition date through December 31, 2013 is as follows:

Income Statement		2013
Total revenues	Ps.	2,240
Income before taxes		70
Net income	Ps.	44

4.1.4 Merger with Grupo Fomento Queretano

On May 4, 2012, Coca-Cola FEMSA completed the merger of 100% of Grupo Fomento Queretano. Grupo Fomento Queretano comprised the bottler entity Refrescos Victoria del Centro, S. de R.L. de C.V. and three other entities. Grupo Fomento Queretano was a bottler of Coca-Cola trademark products in the state of Queretaro in Mexico. This merger was made to reinforce Coca-Cola FEMSA's leadership position in Mexico. The transaction involved the issuance of 45,090,375 new L shares of Coca-Cola FEMSA, along with a cash payment prior to closing of Ps. 1,221, in exchange for 100% share ownership of Grupo Fomento Queretano, which was accomplished through a merger. The total purchase price was Ps. 7,496 based on a share price of Ps. 139.22 per share on May 4, 2012. Transaction related costs of Ps. 12 were expensed by Coca-Cola FEMSA as incurred, and recorded as a component of administrative expenses in the accompanying consolidated income statements. Grupo Fomento Queretano was included in operating results from May 2012.

The fair value of the Grupo Fomento Queretano's net assets acquired is as follows:

		2012
Total current assets (including cash acquired of Ps. 107)	Ps.	445
Total non-current assets		2,123
Distribution rights		2,921
Total assets		5,489
Total liabilities		(598)
Net assets acquired		4,891
Goodwill		2,605
Total consideration transferred	Ps.	7,496

Coca-Cola FEMSA expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to Coca-Cola FEMSA's cash generating unit in Mexico. The entire amount of goodwill will not be tax deductible.

Selected income statement information of Grupo Fomento Queretano for the period from the acquisition date through December 31, 2012 is as follows:

Income Statement		2012
Total revenues	Ps.	2,293
Income before taxes		245
Net income	Ps.	186

4.1.5 Other acquisitions

During 2013, other cash payments, net of cash acquired, related to the Company's smaller acquisitions amounted to Ps. 3,021. These payments were primarily related to the following: acquisition of Expresso Jundiaí, supplier of logistics services in Brazil, with experience in the service industry breakbulk logistics, warehousing and value added services. Expresso Jundiaí operated a network of 42 operating bases as of the date of the agreement, and has presence in six states in South and Southeast Brazil; acquisition of 80% of Doña Tota, brand leader in quick service restaurants in Northeast Mexico, originated in the state of Tamaulipas, Mexico, which operated 204 restaurants in Mexico and 11 in the state of Texas, United States, as of the date of the agreement. This transaction resulted in the acquisition of assets and rights for the production, processing, marketing and distribution of its fast food products, which was treated as business combination according to IFRS 3 "Business Combinations;" acquisition of Farmacias Moderna, leading pharmacy in the state of Sinaloa, Mexico which operated 100 stores in Mazatlan, Sinaloa as of the date of the agreement; and acquisition of 75% of Farmacias YZA, a leading pharmacy in Southeast Mexico, in the state of Yucatan, which operated 330 stores, as of the date of the agreement.

Unaudited Pro Forma Financial Data

The following unaudited consolidated pro forma financial data represent the Company's historical financial statements, adjusted to give effect to (i) the acquisition of Spaipa, Companhia Fluminense and merger of Grupo Yoli, mentioned in the preceding paragraphs as if they occurred on January 1, 2013; and (ii) certain accounting adjustments mainly related to the pro forma depreciation of fixed assets of the acquired companies. Unaudited Pro Forma Financial Data for all other acquisitions is not included, as they are not material.

		Unaudited pro forma financial information for the -year ended December 31, 2013
Total revenues	Ps.	270,705
Income before income taxes and share of the profit of associates and joint ventures accounting for using the equity method		23,814
Net income		20,730
Basic net controlling interest income per share Series "B"	Ps.	0.76
Basic net controlling interest income per share Series "D"		0.95

Below are pro-forma 2012 results as if Grupo Fomento Queretano was acquired on January 1, 2012:

Unaudited pro forma financial
information for the year ended
December 31,
2012

Total revenues	Ps.	239,297
Income before income taxes and share of the profit of associates and joint ventures accounting for using the equity method		27,618
Net income		28,104
Basic net controlling interest income per share Series "B"	Ps.	1.03
Basic net controlling interest income per share Series "D"		1.30

4.2 Disposals

During 2012, gain on sale for shares from the disposal of subsidiaries and investments of associates amounted to Ps. 1,215, primarily related to the sale of the Company's subsidiary Industria Mexicana de Quimicos, S.A. de C.V., a manufacturer and supplier of cleaning and sanitizing products and services related to food and beverage industrial processes, as well as of water treatment, for an amount of Ps. 975. The Company recognized a gain of Ps. 871, as a sales of shares within other income, which is the difference between the fair value of the consideration received and the book value of the net assets disposed. None of the Company's other disposals was individually significant. (See Note 19).

Note 5. Cash and Cash Equivalents

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

		December 31, 2014		December 31, 2013
Cash and bank balances	Ps.	12,654	Ps.	16,862
Cash equivalents (see Note 3.5)		22,843		10,397
	Ps.	35,497	Ps.	27,259

As explained in Note 3.3 above, the Company operates in Venezuela, which has a certain level of exchange control restrictions, which might prevent cash and cash equivalent balances from being available for use elsewhere in the group. At December 31, 2014 and 2013, cash and cash equivalent balances of the Company's Venezuela subsidiaries were Ps. 1,954 and Ps. 5,603, respectively.

Note 6. Investments

As of December 31, 2014 and 2013 investments are classified as held-to maturity, the carrying value of the investments is similar to their fair value. The following is a detail of held-to maturity investments:

Held-to Maturity ⁽¹⁾

		2014		2013
Bank Deposits				
Acquisition cost	Ps.	143	Ps.	125
Accrued interest		1		1
Amortized cost	Ps.	144	Ps.	126
	Ps.	144	Ps.	126

⁽¹⁾ Denominated in euros at a fixed interest rate. Investments as of December 31, 2014 mature during 2015.

For the years ended December 31, 2014, 2013 and 2012, the effect of the investments in the consolidated income statements under the interest income item is Ps. 3, Ps. 3 and Ps. 23, respectively.

Note 7. Accounts Receivable, Net

	December 31, 2014	December 31, 2013
Trade receivables	Ps. 9,083	Ps. 9,294
Allowance for doubtful accounts	(456)	(489)
Current trade customer notes receivable	229	185
The Coca-Cola Company (see Note 14)	1,584	1,700
Loans to employees	242	275
Other related parties (see Note 14)	273	235
Heineken Company (see Note 14)	811	454
Others	2,076	1,144
	Ps. 13,842	Ps. 12,798

7.1 Trade receivables

Accounts receivable representing rights arising from sales and loans to employees or any other similar concept, are presented net of discounts and the allowance for doubtful accounts.

Coca-Cola FEMSA has accounts receivable from The Coca-Cola Company arising from the latter's participation in advertising and promotional programs and investment in refrigeration equipment and returnable bottles made by Coca-Cola FEMSA.

The carrying value of accounts receivable approximates its fair value as of December 31, 2014 and 2013.

Aging of past due but not impaired (days outstanding)

	December 31, 2014	December 31, 2013
60-90 days	Ps. 65	Ps. 208
90-120 days	24	40
120+ days	182	299
Total	Ps. 271	Ps. 547

7.2 Changes in the allowance for doubtful accounts

	2014	2013	2012
Opening balance	Ps. 489	Ps. 413	Ps. 343
Allowance for the year	94	154	330
Charges and write-offs of uncollectible accounts	(90)	(34)	(232)
Restatement of beginning balance in hyperinflationary economies and effects of changes in foreign exchange rates	(37)	(44)	(28)
Ending balance	Ps. 456	Ps. 489	Ps. 413

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 unrelated.

Aging of impaired trade receivables (days outstanding)

	December 31, 2014	December 31, 2013
60-90 days	Ps. 13	Ps. 69
90-120 days	10	14
120+ days	433	406
Total	Ps. 456	Ps. 489

7.3 Payments from The Coca-Cola Company

The Coca-Cola Company participates in certain advertising and promotional programs as well as in the 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 investment in refrigeration equipment and returnable bottles items. For the years ended December 31, 2014, 2013 and 2012 contributions received were Ps. 4,118, Ps. 4,206 and Ps. 3,018, respectively.

Note 8. Inventories

	December 31, 2014	December 31, 2013
Finished products	Ps. 10,989	Ps. 10,492
Raw materials	3,493	4,934
Spare parts	1,353	1,404
Work in process	279	238
Inventories in transit	929	1,057
Other	171	164
	Ps. 17,214	Ps. 18,289

For the years ended at 2014, 2013 and 2012, the Company recognized write-downs of its inventories for Ps. 1,028, Ps. 1,322 and Ps. 793 to net realizable value, respectively.

For the years ended at 2014, 2013 and 2012, changes in inventories are comprised as follows and included in the consolidated income statement under the cost of goods sold caption:

	2014	2013	2012
Changes in inventories of finished goods and work in progress	Ps. 92,390	Ps. 76,163	Ps. 68,712
Raw materials and consumables used	55,038	49,740	51,033
Total	Ps. 147,428	Ps. 125,903	Ps. 119,745

Note 9. Other Current Assets and Other Current Financial Assets

9.1 Other current assets

	December 31, 2014	December 31, 2013
Prepaid expenses	Ps. 1,375	Ps. 1,666
Agreements with customers	161	148
Short-term licenses	68	55
Other	184	110
	Ps. 1,788	Ps. 1,979

Prepaid expenses as of December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Advances for inventories	Ps. 380	Ps. 478
Advertising and promotional expenses paid in advance	156	191
Advances to service suppliers	517	309
Prepaid leases	80	120
Prepaid insurance	29	33
Others	213	535
	Ps. 1,375	Ps. 1,666

Advertising and promotional expenses paid in advance recorded in the consolidated income statement for the years ended December 31, 2014, 2013 and 2012 amounted to Ps. 4,460, Ps. 6,232 and Ps. 4,471, respectively.

9.2 Other current financial assets

	December 31, 2014	December 31, 2013
Restricted cash	Ps. 1,213	Ps. 3,106
Derivative financial instruments (see Note 20)	384	28
Short term note receivable	1,000	843
	Ps. 2,597	Ps. 3,977

The Company has pledged part of its short-term deposits in order to fulfill the collateral requirements for the accounts payable in different currencies. As of December 31, 2014 and 2013, the fair value of the short-term deposit pledged were:

	December 31, 2014	December 31, 2013
Venezuelan bolivars	Ps. 550	Ps. 2,658
Brazilian reais	640	340
Colombian pesos	23	108
	Ps. 1,213	Ps. 3,106

Note 10. Investments in Associates and Joint Ventures

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

Investee	Principal Activity	Place of Incorporation	Ownership Percentage		Carrying Amount	
			December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Heineken Company ^{(1) (2)}	Beverages	The Netherlands	20.0%	20.0%	Ps. 83,710	Ps.80,351
Coca-Cola FEMSA:						
Joint ventures:						
Grupo Panameño de Bebidas	Beverages	Panama	50.0%	50.0%	1,740	892
Dispensadoras de Café, S.A.P.I. de C.V.	Services	Mexico	50.0%	50.0%	190	187
Estancia Hidromineral Itabirito, LTDA	Bottling and distribution	Brazil	50.0%	50.0%	164	142
Coca-Cola FEMSA Philippines, Inc. ("CCFPI")	Bottling	Philippines	51.0%	51.0%	9,021	9,398
Associates:						
Promotora Industrial Azucarera, S.A. de C.V. ("PIASA")	Sugar production	Mexico	36.3%	36.3%	2,082	2,034
Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA")	Canned bottling	Mexico	32.8%	32.8%	194	181
Industria Mexicana de Reciclaje, S.A. de C.V. ("IMER")	Recycling	Mexico	35.0%	35.0%	98	90
Jugos del Valle, S.A.P.I. de C.V.	Beverages	Mexico	26.3%	26.2%	1,470	1,470
KSP Participações, LTDA	Beverages	Brazil	38.7%	38.7%	91	85
Leao Alimentos e Bebidas, L.T.D.A. ⁽³⁾	Beverages	Brazil	24.4%	26.1%	1,670	2,176
Other investments in Coca-Cola FEMSA's companies	Various	Various	Various	Various	606	112
FEMSA Comercio:						
Café del Pacífico, S.A.P.I. de C.V. (Caffenio) ⁽¹⁾	Coffee	Mexico	40.0%	40.0%	467	466
Other investments ^{(1) (4)}	Various	Various	Various	Various	656	746
					Ps. 102,159	Ps.98,330

⁽¹⁾ Associate.

⁽²⁾ As of December 31, 2014, comprised of 12.53% of Heineken, N.V. and 14.94% of Heineken Holding, N.V., which represents an economic interest of 20% in Heineken. The Company has significant influence, mainly, due to the fact that 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 Company.

⁽³⁾ During March 2013, Holdfab2 Participações Societárias, LTDA and SABB- Sistema de Alimentos e Bebidas Do Brasil, LTDA. were merged into Leao Alimentos e Bebidas, Ltda.

⁽⁴⁾ Joint ventures.

As mentioned in Note 4, on May 24, 2013 and May 4, 2012, Coca-Cola FEMSA completed the acquisition of 100% of Grupo Yoli and Grupo Fomento Queretano, respectively. As part of these acquisitions, Coca-Cola FEMSA increased its equity interest to 36.3% and 26.1% in Promotora Industrial Azucarera, S.A. de C.V., respectively. Coca-Cola FEMSA has recorded the incremental interest acquired at its estimated fair value.

During 2014 Coca-Cola FEMSA converted its account receivable from Compañía Panameña de Bebidas, S.A.P.I. de C.V. in the amount of Ps. 814 into an additional capital contribution in the investee.

During 2014 and 2013 Coca-Cola FEMSA made capital contributions to Jugos del Valle, S.A.P.I. de C.V. in the amount of Ps. 25 and Ps. 27, respectively.

During 2014 Coca-Cola FEMSA received dividends from Jugos del Valle, S.A.P.I. de C.V. in the amount of Ps. 48.

On January 25, 2013, Coca-Cola FEMSA finalized the acquisition of 51% of CCFPI for an amount of \$688.5 U.S. dollars (Ps. 8,904) in an all-cash transaction. As part of the agreement, Coca-Cola FEMSA obtained a call option to acquire the remaining 49% of CCFPI at any time during the seven years following the closing. Coca-Cola FEMSA also has a put option to sell its 51% ownership to The Coca-Cola Company at any time from the fifth anniversary of the date of acquisition until the sixth anniversary, at a price which is based in part on the fair value of CCFPI at the date of acquisition (see Note 20.7).

From the date of the investment acquisition through December 31, 2014, the results of CCFPI have been recognized by Coca-Cola FEMSA using the equity method, this is based on the following factors: (i) during the initial four-year period some relevant activities require joint approval between Coca-Cola FEMSA and The Coca-Cola Company; and (ii) potential voting rights to acquire the remaining 49% of CCFPI are not probable to be executed in the foreseeable future due to the fact that the call option is "out of the money" as of December 31, 2014 and 2013.

On February 23, 2012, a wholly-owned subsidiary of Mitsubishi Corporation, and Stichting Depository PGGM Infrastructure Funds, a pension fund managed by PGGM, acquired the 45% interest held by FEMSA in the parent companies of the Mareña Renovables Wind Power Farm. The sale of FEMSA's participation as an investor resulted in a gain of Ps. 933. Certain subsidiaries of FEMSA, FEMSA Comercio and Coca-Cola FEMSA have entered into 20-year wind power supply agreements with the Mareña Renovables Wind Power Farm to purchase some of the energy output produced by it. These agreements will remain in full force and effect.

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. The Company recognized an equity income of Ps. 5,244, Ps. 4,587 and Ps. 8,311, net of taxes regarding its interest in Heineken for the years ended December 31, 2014, 2013 and 2012, respectively.

Summarized financial information in respect of the associate Heineken accounted for under the equity method is set out below.

	December 31, 2014		December 31, 2013	
	Million of		Million of	
	Peso	Euro	Peso	Euro
Total current assets	Ps. 109,101	€. 6,086	Ps. 98,814	€. 5,495
Total non-current assets	515,282	28,744	500,667	27,842
Total current liabilities	152,950	8,532	143,913	8,003
Total non-current liabilities	230,285	12,846	233,376	12,978
Total equity	241,148	13,452	222,192	12,356
Equity attributable to equity holders of Heineken	222,453	12,409	205,038	11,402
Total revenue and other income	Ps. 342,313	€. 19,350	Ps. 333,437	€. 19,429
Total cost and expenses	293,134	16,570	289,605	16,875
Net income	Ps. 30,216	€. 1,708	Ps. 27,236	€. 1,587
Net income attributable to equity holders of the company	26,819	1,516	23,409	1,364
Other comprehensive income	4,210	238	(18,998)	(1,107)
Total comprehensive income	Ps. 34,426	€. 1,946	Ps. 8,238	€. 480
Total comprehensive income attributable to equity holders of the company	29,826	1,686	5,766	336

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

	December 31, 2014		December 31, 2013	
	Million of		Million of	
	Peso	Euro	Peso	Euro
Equity attributable to equity holders of Heineken	Ps. 222,453	€. 12,409	Ps. 205,038	€. 11,402
Effects of fair value determined by Purchase Price Allocation	88,537	4,939	88,822	4,939
Goodwill	107,560	6,000	107,895	6,000
Equity attributable to equity holders of Heineken adjusted	Ps. 418,550	€. 23,348	Ps. 401,755	€. 22,341
Economic ownership percentage	20%	20%	20%	20%
Investment in Heineken Company	Ps. 83,710	€. 4,670	Ps. 80,351	€. 4,468

As of December 31, 2014 and 2013 fair value of Company's investment in Heineken N.V. Holding and Heineken N.V. represented by shares equivalent to 20% of its outstanding shares amounted to Ps. 116,327 (€ 6,489 million) and Ps. 99,279 (€ 5,521 million) based on quoted market prices of those dates. As of February 25, 2015, issuance date of these consolidated financial statements, fair value amounted to € 7,503 million.

During the years ended December 31, 2014, 2013 and 2012, the Company received dividends distributions from Heineken, amounting to Ps. 1,795, Ps. 1,752 and Ps. 1,697, respectively.

Summarized financial information in respect of the interests in individually immaterial of Coca-Cola FEMSA's associates accounted for under the equity method is set out below.

	2014	2013	2012
Total current assets	Ps. 8,622	Ps. 8,232	Ps. 6,958
Total non-current assets	17,854	18,957	12,023
Total current liabilities	5,612	4,080	3,363
Total non-current liabilities	2,684	3,575	2,352
Total revenue	Ps. 20,796	Ps. 20,889	Ps. 16,609
Total cost and expenses	20,173	20,581	15,514
Net income ⁽¹⁾	502	433	858

⁽¹⁾ Includes FEMSA Comercio's investments and other investments.

Summarized financial information in respect of the interests in individually immaterial of Coca-Cola FEMSA's joint ventures accounted for under the equity method is set out below.

	2014	2013	2012
Total current assets	Ps. 8,735	Ps. 8,622	Ps. 1,612
Total non-current assets	22,689	18,483	2,616
Total current liabilities	5,901	6,547	1,977
Total non-current liabilities	2,699	1,939	106
Total revenue	Ps. 18,557	Ps. 16,844	Ps. 2,187
Total cost and expenses	19,019	16,622	2,262
Net (loss) income ⁽¹⁾	(328)	113	(77)

⁽¹⁾ Includes FEMSA Comercio's investments and other investments.

The Company's share of other comprehensive income from equity investees, net of taxes for the year ended December 31, 2014, 2013 and 2012 are as follows:

	2014	2013	2012
Valuation of the effective portion of derivative financial instruments	Ps. (257)	Ps. (91)	Ps. 113
Exchange differences on translating foreign operations	1,579	(3,029)	183
Remeasurements of the net defined benefit liability	(881)	491	(1,077)
	Ps. 441	Ps. (2,629)	Ps. (781)

Note 11. Property, Plant and Equipment, Net

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, 2012	Ps. 5,144	Ps. 13,066	Ps. 40,624	Ps. 10,636	Ps. 4,115	Ps. 4,102	Ps. 8,273	Ps. 595	Ps. 86,555
Additions	329	415	4,607	1,176	1,434	6,511	186	186	14,844
Additions from business combinations	206	390	486	84	18	-	-	-	1,184
Adjustments of fair value of past business combinations	57	312	(462)	(39)	(77)	-	(1)	-	(210)
Transfer of completed projects in progress	137	339	1,721	901	765	(5,183)	1,320	-	-
Transfer to/(from) assets classified as held for sale	-	-	(34)	-	-	-	-	-	(34)
Disposals	(82)	(131)	(963)	(591)	(324)	(14)	(100)	(69)	(2,274)
Effects of changes in foreign exchange rates	(107)	(485)	(2,051)	(451)	(134)	(28)	(60)	(41)	(3,357)
Changes in value on the recognition of inflation effects	85	471	1,138	275	17	(31)	-	83	2,038
Capitalization of borrowing costs	-	-	16	-	-	-	-	-	16
Cost as of December 31, 2012	Ps. 5,769	Ps. 14,377	Ps. 45,082	Ps. 11,991	Ps. 5,814	Ps. 5,357	Ps. 9,618	Ps. 754	Ps. 98,762
Cost as of January 1, 2013	Ps. 5,769	Ps. 14,377	Ps. 45,082	Ps. 11,991	Ps. 5,814	Ps. 5,357	Ps. 9,618	Ps. 754	Ps. 98,762
Additions	433	167	4,648	1,107	1,435	8,238	11	341	16,380
Additions from business combinations	536	2,278	2,814	428	96	614	36	264	7,066
Transfer of completed projects in progress	389	1,158	992	1,144	785	(6,296)	1,828	-	-
Transfer to/(from) assets classified as held for sale	-	-	(216)	-	-	-	-	-	(216)
Disposals	(11)	(291)	(2,049)	(749)	(324)	(748)	(697)	(15)	(4,884)
Effects of changes in foreign exchange rates	(250)	(1,336)	(3,678)	(1,135)	(466)	(291)	(103)	(55)	(7,314)
Changes in value on the recognition of inflation effects	228	1,191	2,252	603	46	165	-	277	4,762
Capitalization of borrowing costs	-	-	32	-	-	-	-	-	32
Cost as of December 31, 2013	Ps. 7,094	Ps. 17,544	Ps. 49,877	Ps. 13,389	Ps. 7,386	Ps. 7,039	Ps. 10,693	Ps. 1,566	Ps. 114,588
Cost as of January 1, 2014	Ps. 7,094	Ps. 17,544	Ps. 49,877	Ps. 13,389	Ps. 7,386	Ps. 7,039	Ps. 10,693	Ps. 1,566	Ps. 114,588
Additions	803	54	4,156	32	398	11,209	99	234	16,985
Changes in fair value of past acquisitions	(115)	(610)	891	(57)	-	(68)	99	(253)	(113)
Transfer of completed projects in progress	-	1,717	2,823	1,523	1,994	(10,050)	1,990	3	-
Transfer to/(from) assets classified as held for sale	-	-	(134)	-	-	-	-	-	(134)
Disposals	(17)	(144)	(2,243)	(632)	(60)	(5)	(587)	(79)	(3,767)
Effects of changes in foreign exchange rates	(664)	(3,125)	(5,415)	(1,975)	(323)	(545)	(44)	(506)	(12,597)
Changes in value on the recognition of inflation effects	110	355	531	186	7	29	-	110	1,328
Capitalization of borrowing costs	-	-	33	-	-	263	-	-	296
Cost as of December 31, 2014	Ps. 7,211	Ps. 15,791	Ps. 50,519	Ps. 12,466	Ps. 9,402	Ps. 7,872	Ps. 12,250	Ps. 1,075	Ps. 116,586

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, 2012	Ps. -	Ps. (4,161)	Ps. (17,849)	Ps. (6,044)	Ps. (1,031)	Ps. -	Ps. (2,699)	Ps. (208)	Ps. (31,992)
Depreciation for the year	-	(361)	(3,781)	(1,173)	(1,149)	-	(639)	(72)	(7,175)
Transfer (to)/from assets classified as held for sale	-	1	10	-	-	-	-	(26)	(15)
Disposals	-	158	951	492	200	-	94	1	1,896
Effects of changes in foreign exchange rates	-	200	749	303	(5)	-	68	(5)	1,310
Changes in value on the recognition of inflation effects	-	(288)	(641)	(200)	(3)	-	-	(5)	(1,137)
Accumulated Depreciation as of December 31, 2012	Ps. -	Ps. (4,451)	Ps. (20,561)	Ps. (6,622)	Ps. (1,988)	Ps. -	Ps. (3,176)	Ps. (315)	Ps. (37,113)
Accumulated Depreciation as of January 1, 2013	Ps. -	Ps. (4,451)	Ps. (20,561)	Ps. (6,622)	Ps. (1,988)	Ps. -	Ps. (3,176)	Ps. (315)	Ps. (37,113)
Depreciation for the year	-	(431)	(4,380)	(1,452)	(1,662)	-	(784)	(96)	(8,805)
Transfer (to)/from assets classified as held for sale	-	-	105	-	-	-	-	-	105
Disposals	-	200	1,992	785	33	-	682	6	3,698
Effects of changes in foreign exchange rates	-	591	2,061	755	143	-	8	73	3,631
Changes in value on the recognition of inflation effects	-	(583)	(996)	(442)	(6)	-	-	(122)	(2,149)
Accumulated Depreciation as of December 31, 2013	Ps. -	Ps. (4,674)	Ps. (21,779)	Ps. (6,976)	Ps. (3,480)	Ps. -	Ps. (3,270)	Ps. (454)	Ps. (40,633)
Accumulated Depreciation as of January 1, 2014	Ps. -	Ps. (4,674)	Ps. (21,779)	Ps. (6,976)	Ps. (3,480)	Ps. -	Ps. (3,270)	Ps. (454)	Ps. (40,633)
Depreciation for the year	-	(466)	(4,525)	(1,181)	(1,879)	-	(863)	(115)	(9,029)
Transfer (to)/from assets classified as held for sale	-	-	62	-	-	-	-	-	62
Disposals	-	77	2,086	602	57	-	517	1	3,340
Effects of changes in foreign exchange rates	-	1,512	3,481	1,046	105	-	2	236	6,382
Changes in value on the recognition of inflation effects	-	(175)	(707)	(135)	(8)	-	-	(54)	(1,079)
Accumulated Depreciation as of December 31, 2014	Ps. -	Ps. (3,726)	Ps. (21,382)	Ps. (6,644)	Ps. (5,205)	Ps. -	Ps. (3,614)	Ps. (386)	Ps. (40,957)
Carrying Amount									
As of December 31, 2012	Ps. 5,769	Ps. 9,926	Ps. 24,521	Ps. 5,369	Ps. 3,826	Ps. 5,357	Ps. 6,442	Ps. 439	Ps. 61,649
As of December 31, 2013	Ps. 7,094	Ps. 12,870	Ps. 28,098	Ps. 6,413	Ps. 3,906	Ps. 7,039	Ps. 7,423	Ps. 1,112	Ps. 73,955
As of December 31, 2014	Ps. 7,211	Ps. 12,065	Ps. 29,137	Ps. 5,822	Ps. 4,197	Ps. 7,872	Ps. 8,636	Ps. 689	Ps. 75,629

During the years ended December 31, 2014, 2013 and 2012 the Company capitalized Ps. 296, Ps. 32 and Ps. 16, respectively of borrowing costs in relation to Ps. 1,915, Ps. 790 and Ps. 196 in qualifying assets. The effective interest rates used to determine the amount of borrowing costs eligible for capitalization were 4.8%, 4.1% and 4.3%, respectively.

For the years ended December 31, 2014, 2013 and 2012 interest expense, interest income and net foreign exchange losses are analyzed as follows:

	2014	2013	2012
Interest expense, interest income and foreign exchange losses	Ps. 7,080	Ps. 3,887	Ps. 1,937
Amount capitalized ⁽¹⁾	338	57	38
Net amount in consolidated income statements	Ps. 6,742	Ps. 3,830	Ps. 1,899

⁽¹⁾ Amount capitalized in property, plant and equipment and amortized intangible assets. Commitments related to acquisitions of property, plant and equipment are disclosed in Note 25.

Note 12. Intangible Assets

Cost	Rights to Produce and Distribute Coca-Cola Trademark Products	Goodwill	Other Indefinite Lived Intangible Assets	Total Unamortized Intangible Assets	Technology Costs and Management Systems	Systems in Development	Alcohol Licenses	Other	Total Amortized Intangible Assets	Total Intangible Assets
Cost as of January 1, 2012	Ps. 54,938	Ps. 4,515	Ps. 395	Ps. 59,848	Ps. 2,373	Ps. 1,431	Ps. 560	Ps. 281	Ps. 4,645	Ps. 64,493
Purchases	-	-	6	6	35	90	166	106	397	403
Acquisition from business combinations	2,973	2,605	-	5,578	-	-	-	-	-	5,578
Capitalization of internally developed systems	-	-	-	-	-	38	-	-	38	38
Adjustments of fair value of past business combinations	(42)	(148)	-	(190)	-	-	-	-	-	(190)
Transfer of completed development systems	-	-	-	-	559	(559)	-	-	-	-
Disposals	-	-	(62)	(62)	(7)	-	-	-	(7)	(69)
Effect of movements in exchange rates	(478)	-	-	(478)	(97)	(3)	-	(3)	(103)	(581)
Changes in value on the recognition of inflation effects	(121)	-	-	(121)	-	-	-	-	-	(121)
Capitalization of borrowing costs	-	-	-	-	-	22	-	-	22	22
Balance as of December 31, 2012	Ps. 57,270	Ps. 6,972	Ps. 339	Ps. 64,581	Ps. 2,863	Ps. 1,019	Ps. 726	Ps. 384	Ps. 4,992	Ps. 69,573
Cost as of January 1, 2013	Ps. 57,270	Ps. 6,972	Ps. 339	Ps. 64,581	Ps. 2,863	Ps. 1,019	Ps. 726	Ps. 384	Ps. 4,992	Ps. 69,573
Purchases	-	-	-	-	164	644	179	123	1,110	1,110
Acquisition from business combinations	19,868	14,692	1,621	36,181	70	-	-	196	266	36,447
Transfer of completed development systems	-	-	-	-	172	(172)	-	-	-	-
Disposals	-	-	(163)	(163)	-	-	(46)	-	(46)	(209)
Effect of movements in exchange rates	(1,828)	(356)	(10)	(2,194)	(75)	-	-	(13)	(88)	(2,282)
Changes in value on the recognition of inflation effects	417	-	-	417	-	113	-	-	113	530
Capitalization of borrowing costs	-	-	-	-	25	-	-	-	25	25
Cost as of December 31, 2013	Ps. 75,727	Ps. 21,308	Ps. 1,787	Ps. 98,822	Ps. 3,219	Ps. 1,604	Ps. 859	Ps. 690	Ps. 6,372	Ps. 105,194
Cost as of January 1, 2014	Ps. 75,727	Ps. 21,308	Ps. 1,787	Ps. 98,822	Ps. 3,219	Ps. 1,604	Ps. 859	Ps. 690	Ps. 6,372	Ps. 105,194
Purchases	-	-	13	13	227	229	168	44	668	681
Change in fair value of past acquisitions	(2,416)	4,117	(205)	1,496	-	-	-	(17)	(17)	1,479
Transfer of completed development systems	-	-	-	-	278	(278)	-	-	-	-
Disposals	-	-	(8)	(8)	(387)	-	-	(33)	(420)	(428)
Effect of movements in exchange rates	(5,343)	(251)	(10)	(5,604)	(152)	(1)	-	(13)	(166)	(5,770)
Changes in value on the recognition of inflation effects	2,295	-	-	2,295	(2)	-	-	-	(2)	2,293
Capitalization of borrowing costs	-	-	-	-	42	-	-	-	42	42
Cost as of December 31, 2014	Ps. 70,263	Ps. 25,174	Ps. 1,577	Ps. 97,014	Ps. 3,225	Ps. 1,554	Ps. 1,027	Ps. 671	Ps. 6,477	Ps. 103,491
Amortization and Impairment Losses										
Amortization as of January 1, 2012	Ps. -	Ps. -	Ps. (103)	Ps. (103)	Ps. (1,116)	Ps. -	Ps. (114)	Ps. (130)	Ps. (1,360)	Ps. (1,463)
Amortization expense	-	-	-	-	(202)	-	(36)	(66)	(304)	(304)
Disposals	-	-	-	-	25	-	-	-	25	25
Effect of movements in exchange rates	-	-	-	-	65	-	-	(3)	62	62
Amortization as of December 31, 2012	Ps. -	Ps. -	Ps. (103)	Ps. (103)	Ps. (1,228)	Ps. -	Ps. (150)	Ps. (199)	Ps. (1,577)	Ps. (1,680)
Amortization as of January 1, 2013	Ps. -	Ps. -	Ps. (103)	Ps. (103)	Ps. (1,228)	Ps. -	Ps. (150)	Ps. (199)	Ps. (1,577)	Ps. (1,680)
Amortization expense	-	-	-	-	(271)	-	(73)	(72)	(416)	(416)
Disposals	-	-	103	103	2	-	46	-	48	151
Effect of movements in exchange rates	-	-	-	-	35	-	-	9	44	44
Amortization as of December 31, 2013	Ps. -	Ps. -	Ps. -	Ps. -	Ps. (1,462)	Ps. -	Ps. (177)	Ps. (262)	Ps. (1,901)	Ps. (1,901)
Amortization as of January 1, 2014	Ps. -	Ps. -	Ps. -	Ps. -	Ps. (1,462)	Ps. -	Ps. (177)	Ps. (262)	Ps. (1,901)	Ps. (1,901)
Amortization expense	-	-	-	-	(268)	-	(58)	(97)	(423)	(423)
Impairment losses	-	-	(36)	(36)	-	-	-	-	-	(36)
Disposals	-	-	-	-	387	-	-	-	387	387
Effect of movements in exchange rates	-	-	-	-	-	-	-	9	9	9
Amortization as of December 31, 2014	Ps. -	Ps. -	Ps. (36)	Ps. (36)	Ps. (1,343)	Ps. -	Ps. (235)	Ps. (350)	Ps. (1,928)	Ps. (1,964)
Carrying Amount										
As of December 31, 2012	Ps. 57,270	Ps. 6,972	Ps. 236	Ps. 64,478	Ps. 1,635	Ps. 1,019	Ps. 576	Ps. 185	Ps. 3,415	Ps. 67,893
As of December 31, 2013	Ps. 75,727	Ps. 21,308	Ps. 1,787	Ps. 98,822	Ps. 1,757	Ps. 1,604	Ps. 682	Ps. 428	Ps. 4,471	Ps. 103,293
As of December 31, 2014	Ps. 70,263	Ps. 25,174	Ps. 1,541	Ps. 96,978	Ps. 1,882	Ps. 1,554	Ps. 792	Ps. 321	Ps. 4,549	Ps. 101,527

During the years ended December 31, 2014, 2013 and 2012 the Company capitalized Ps. 42, Ps. 25 and Ps. 22, respectively of borrowing costs in relation to Ps. 600, Ps. 630 and Ps. 674 in qualifying assets, respectively. The effective interest rates used to determine the amount of borrowing costs eligible for capitalization were 4.2%, 4.1% and 4.3%, respectively.

For the years ended 2014, 2013 and 2012, allocation for amortization expense is as follows:

	2014		2013		2012
Cost of goods sold	Ps. 12	Ps.	10	Ps.	3
Administrative expenses	156		249		204
Selling expenses	255		157		97
	Ps. 423	Ps.	416	Ps.	304

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

	Years
Technology Costs and Management Systems	7
Alcohol Licenses	9

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

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

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

	December 31, 2014		December 31, 2013
Mexico	Ps. 55,137	Ps.	55,126
Guatemala	352		303
Nicaragua	418		390
Costa Rica	1,188		1,134
Panama	884		785
Colombia	5,344		5,895
Venezuela	823		3,508
Brazil	29,622		28,405
Argentina	88		103
Total	Ps. 93,856	Ps.	95,649

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

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

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

To determine the discount rate, 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 IAS 36 "Impairment of assets", impairment test for each CGU consider market participants' assumptions. Market participants were selected taking into consideration the size, operations and characteristics of the business 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 in the cash flow estimates. The discount rate calculation is based on 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 Company's investors. The cost of debt is based on the interest bearing borrowings Coca-Cola FEMSA is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

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

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

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

The key assumptions by CGU for impairment test as of December 31, 2014 were as follows:

CGU	Pre-tax WACC	WACC Real	Expected Annual Long-Term Inflation 2015-2024	Expected Volume Growth Rates 2015-2024
Mexico	5.5%	5.0%	3.5%	2.3%
Colombia	6.4%	5.9%	3.0%	5.3%
Venezuela	12.9%	12.3%	51.1%	3.9%
Costa Rica	7.7%	7.6%	4.7%	2.7%
Guatemala	10.0%	9.4%	5.0%	4.3%
Nicaragua	12.7%	12.2%	6.0%	2.7%
Panama	7.6%	7.2%	3.8%	4.1%
Argentina	9.9%	9.3%	22.3%	2.5%
Brazil	6.2%	5.6%	6.0%	3.8%

The key assumptions by CGU for impairment test as of December 31, 2013 were as follows:

CGU	Pre-tax WACC	WACC Real	Expected Annual Long-Term Inflation 2014-2024	Expected Volume Growth Rates 2014-2024
Mexico	5.7%	5.1%	3.9%	1.3%
Colombia	6.6%	6.0%	3.0%	5.0%
Venezuela	11.5%	10.8%	32.2%	2.5%
Costa Rica	7.5%	7.2%	5.0%	2.4%
Guatemala	10.4%	9.7%	5.2%	5.2%
Nicaragua	13.1%	12.5%	6.3%	4.1%
Panama	7.7%	7.1%	4.2%	5.7%
Argentina	11.6%	10.9%	11.1%	3.8%
Brazil	6.6%	5.9%	6.0%	4.4%

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 WACC's to perform its annual impairment testing.

Sensitivity to Changes in Assumptions

At December 31, 2014 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, except for Costa Rica and concluded that no impairment would be recorded.

CGU	Change in WACC	Change in Volume Growth CAGR ⁽¹⁾	Effect on Valuation
Mexico	+1.5 %	-1.0 %	Passes by 6.62x
Colombia	+0.6 %	-1.0 %	Passes by 6.17x
Venezuela	+5.8 %	-1.0 %	Passes by 8.94x
Costa Rica	+2.2 %	-0.6 %	Passes by 1.78x
Guatemala	+1.9 %	-1.0 %	Passes by 4.67x
Nicaragua	+3.6 %	-1.0 %	Passes by 1.77x
Panama	+1.9 %	-1.0 %	Passes by 7.00x
Argentina	+3.5 %	-1.0 %	Passes by 65.61x
Brazil	+2.0 %	-1.0 %	Passes by 1.86x

⁽¹⁾ Compound Annual Growth Rate (CAGR).

Note 13. Other Assets, Net and Other Financial Assets

13.1 Other assets, net

	December 31, 2014	December 31, 2013
Agreement with customers, net	Ps. 239	Ps. 314
Long term prepaid advertising expenses	87	102
Guarantee deposits ⁽¹⁾	1,400	1,147
Prepaid bonuses	92	116
Advances to acquire property, plant and equipment	988	866
Recoverable taxes	1,329	185
Others	782	770
	Ps. 4,917	Ps. 3,500

⁽¹⁾ As it is customary in Brazil, the Company is required to collateralize tax, legal and labor contingencies by guarantee deposits (see Note 25.7).

13.2 Other financial assets

	December 31, 2014	December 31, 2013
Non-current accounts receivable	Ps. 155	Ps. 1,120
Derivative financial instruments (see Note 20)	6,299	1,472
Other non-current financial assets	97	161
	Ps. 6,551	Ps. 2,753

As of December 31, 2014 and 2013, the fair value of long term accounts receivable amounted to Ps. 69 and Ps. 1,142, 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 receivable of similar amounts and maturities, which is considered to be level 2 in the fair value hierarchy.

Note 14. 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 positions and consolidated income statements include the following balances and transactions with related parties and affiliated companies:

	December 31, 2014	December 31, 2013
Balances		
Due from The Coca-Cola Company (see Note 7) ⁽¹⁾⁽⁹⁾	Ps. 1,584	Ps. 1,700
Balance with BBVA Bancomer, S.A. de C.V. ⁽²⁾	4,083	2,357
Balance with Grupo Financiero Banorte, S.A. de C.V. ⁽²⁾	3,653	817
Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C. ⁽³⁾	126	171
Due from Heineken Company ⁽¹⁾⁽⁷⁾	811	454
Due from Grupo Estrella Azul ⁽³⁾	59	-
Due from Compañía Panameña de Bebidas, S.A.P.I de C.V. ⁽³⁾⁽⁹⁾	-	893
Other receivables ⁽¹⁾⁽⁴⁾	1,209	924
Due to The Coca-Cola Company ⁽⁶⁾⁽⁹⁾	Ps. 4,343	Ps. 5,562
Due to BBVA Bancomer, S.A. de C.V. ⁽⁵⁾	149	1,080
Due to Caffeno ⁽⁶⁾⁽⁷⁾	70	7
Due to Grupo Financiero Banamex, S.A. de C.V. ⁽⁵⁾	-	1,962
Due to British American Tobacco Mexico ⁽⁶⁾	-	280
Due to Heineken Company ⁽⁶⁾⁽⁷⁾	2,408	2,339
Other payables ⁽⁶⁾	1,206	605

⁽¹⁾ Presented within accounts receivable.

⁽²⁾ Presented within cash and cash equivalents.

⁽³⁾ Presented within other financial assets.

⁽⁴⁾ Presented within other current financial assets.

⁽⁵⁾ Recorded within bank loans.

⁽⁶⁾ Recorded within accounts payable.

⁽⁷⁾ Associates.

⁽⁸⁾ Joint venture.

⁽⁹⁾ Non controlling interest.

Balances due from related parties are considered to be recoverable. Accordingly, for the years ended December 31, 2014 and 2013, there was no expense resulting from the uncollectibility of balances due from related parties.

Transactions	2014	2013	2012
Income:			
Services to Heineken Company ⁽¹⁾	Ps. 3,544	Ps. 2,412	Ps. 2,979
Logistic services to Grupo Industrial Saltillo, S.A. de C.V. ⁽³⁾	313	287	242
Sales of Grupo Inmobiliario San Agustín, S.A. shares to Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C. ⁽³⁾	-	-	391
Logistic services to Jugos del Valle ⁽¹⁾	513	471	431
Other revenues from related parties	670	399	341
Expenses:			
Purchase of concentrate from The Coca-Cola Company ⁽²⁾	Ps. 28,084	Ps. 22,988	Ps. 23,886
Purchases of raw material, beer and operating expenses from Heineken Company ⁽¹⁾	15,133	11,865	11,013
Purchase of coffee from Caffenio ⁽¹⁾	1,491	1,383	342
Purchase of baked goods and snacks from Grupo Bimbo, S.A.B. de C.V. ⁽³⁾	3,674	2,860	2,394
Purchase of cigarettes from British American Tobacco Mexico ⁽³⁾	-	2,460	2,342
Advertisement expense paid to The Coca-Cola Company ^{(2) (4)}	1,167	1,291	1,052
Purchase of juices from Jugos del Valle, S.A.P.I. de C.V. ⁽¹⁾	2,592	2,628	1,985
Purchase of sugar from Promotora Industrial Azucarera, S.A. de C.V. ⁽¹⁾	1,020	956	423
Interest expense and fees paid to BBVA Bancomer, S.A. de C.V. ⁽³⁾	99	77	205
Purchase of sugar from Beta San Miguel ⁽³⁾	1,389	1,557	1,439
Purchase of sugar, cans and aluminum lids from Promotora Mexicana de Embotelladores, S.A. de C.V. ⁽³⁾	567	670	711
Purchase of canned products from IEQSA ⁽¹⁾	591	615	483
Advertising paid to Grupo Televisa, S.A.B. ⁽³⁾	158	92	124
Interest expense paid to Grupo Financiero Banamex, S.A. de C.V. ⁽³⁾	2	19	-
Insurance premiums for policies with Grupo Nacional Provincial, S.A.B. ⁽³⁾	140	67	57
Donations to Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C. ⁽³⁾	42	78	109
Donations to Fundación FEMSA, A.C. ⁽³⁾	-	27	864
Purchase of plastic bottles from Embotelladora del Atlántico, S.A. (formerly Complejo Industrial Pet, S.A.) ⁽³⁾	174	124	99
Donations to Difusión y Fomento Cultural, A.C. ⁽³⁾	73	-	29
Interest expense paid to The Coca-Cola Company ⁽²⁾	4	60	24
Other expenses with related parties	321	299	389

⁽¹⁾ Associates.

⁽²⁾ Non controlling interest.

⁽³⁾ Members of the board of directors in FEMSA participate in board of directors of this entity.

⁽⁴⁾ Net of the contributions from The Coca-Cola Company of Ps. 4,118, Ps. 4,206 and Ps. 3,018, for the years ended in 2014, 2013 and 2012, respectively.

Also as disclosed in Note 10, during January 2013, Coca-Cola FEMSA purchased its 51% interest in CCFPI from The Coca-Cola Company. The remainder of CCFPI is owned by The Coca-Cola Company and Coca-Cola FEMSA has currently outstanding certain call and put options related to CCFPI's equity interests.

Commitments with related parties

Related Party	Commitment	Conditions
Heineken Company	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 exclusive contract with another supplier of beer for the next 3 years. Commitment term, Jan 1st, 2010 to Jun 30, 2020.

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

	2014	2013	2012
Short-term employee benefits paid	Ps. 964	Ps. 1,268	Ps. 1,022
Postemployment benefits	45	37	37
Termination benefits	114	25	13
Share based payments	283	306	275

Note 15. 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. As of the end and for the years ended on December 31, 2014, 2013 and 2012, assets, liabilities and transactions denominated in foreign currencies, expressed in Mexican pesos (contractual amounts) are as follows:

Balances	Assets		Liabilities	
	Short-Term	Long-Term	Short-Term	Long-Term
As of December 31, 2014				
U.S. dollars	Ps. 5,890	Ps. 989	Ps. 7,218	Ps. 66,140
Euros	32	-	27	-
Other currencies	27	1,214	50	31
Total	Ps. 5,949	Ps. 2,203	Ps. 7,295	Ps. 66,171
As of December 31, 2013				
U.S. dollars	Ps. 5,340	Ps. 969	Ps. 6,061	Ps. 53,929
Euros	333	-	152	-
Other currencies	-	186	251	115
Total	Ps. 5,673	Ps. 1,155	Ps. 6,464	Ps. 54,044

Transactions	Revenues	Disposal Shares	Other Revenues	Purchases of Raw Materials	Interest Expense	Consulting Fees	Assets Acquisitions	Other
For the year ended December 31, 2014								
U.S. dollars	Ps. 2,817	Ps. -	Ps. 641	Ps. 15,006	Ps. 1,669	Ps. 14	Ps. 478	Ps. 2,068
Euros	7	-	-	80	15	-	5	13
Other currencies	178	-	-	10	-	-	-	4
Total	Ps. 3,002	Ps. -	Ps. 641	Ps. 15,096	Ps. 1,684	Ps. 14	Ps. 483	Ps. 2,085
For the year ended December 31, 2013								
U.S. dollars	Ps. 2,013	Ps. -	Ps. 605	Ps. 15,017	Ps. 435	Ps. 11	Ps. 80	Ps. 1,348
Euros	1	-	3	55	9	-	2	15
Other currencies	-	-	-	-	-	-	-	3
Total	Ps. 2,014	Ps. -	Ps. 608	Ps. 15,072	Ps. 444	Ps. 11	Ps. 82	Ps. 1,366
For the year ended December 31, 2012								
U.S. dollars	Ps. 1,631	Ps. 1,127	Ps. 717	Ps. 12,016	Ps. 380	Ps. 13	Ps. 154	Ps. 1,585
Euros	-	-	-	-	-	-	32	10
Other currencies	-	-	-	-	-	-	-	68
Total	Ps. 1,631	Ps. 1,127	Ps. 717	Ps. 12,016	Ps. 380	Ps. 13	Ps. 186	Ps. 1,663

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

	December 31,		February 25,
	2014	2013	2015
U.S. dollar	14.7180	13.0765	15.0832
Euro	17.9182	18.0079	16.9269

Note 16. Post-Employment and Other Long-Term 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 and Venezuela, which comprise the substantial majority of those recorded in the consolidated financial statements.

During 2014, Coca-Cola FEMSA settled its pension plan in Brazil and consequently Coca-Cola FEMSA recognized the corresponding effects of the settlement as disclosed below.

16.1 Assumptions

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

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 non-hyperinflationary Mexico and Brazil:

Mexico	December 31, 2014	December 31, 2013	December 31, 2012
Financial:			
Discount rate used to calculate the defined benefit obligation	7.00%	7.50%	7.10%
Salary increase	4.50%	4.79%	4.79%
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 82-89	EMSSA 82-89
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. Updated due to lower mortality rates.

⁽²⁾ IMSS. Mexican Experience of Instituto Mexicano del Seguro Social.

⁽³⁾ BMAR. Actuary experience.

Brazil	December 31, 2014	December 31, 2013	December 31, 2012
Financial:			
Discount rate used to calculate the defined benefit obligation	12.00%	10.70%	9.30%
Salary increase	7.20%	6.80%	5.00%
Future pension increases	6.20%	5.80%	4.00%
Biometric:			
Mortality ^{(1) (2)}	EMSSA 2009	UP84	UP84
Disability ⁽³⁾	IMSS - 97	IMSS-97	IMSS-97
Normal retirement age	65 years	65 years	65 years
Employee turnover table	Brazil ⁽⁴⁾	Brazil ⁽⁴⁾	Brazil ⁽⁴⁾

Measurement date December:

⁽¹⁾ EMSSA. Mexican Experience of social security. Updated due to lower mortality rates.

⁽²⁾ UP84. Unisex mortality table.

⁽³⁾ IMSS. Mexican Experience of Instituto Mexicano del Seguro Social.

⁽⁴⁾ Rest of employee turnover bases on the experience of the Company's subsidiary in Brazil.

Venezuela is a hyper-inflationary economy. The actuarial calculations for post-employment benefit (termination indemnity), as well as the associated cost for the period, were determined using the following long-term assumptions which are "real" assumptions (excluding inflation):

Venezuela	December 31, 2014	December 31, 2013	December 31, 2012
Financial:			
Discount rate used to calculate the defined benefit obligation	1.00%	1.00%	1.50%
Salary increase	1.00%	1.00%	1.50%
Biometric:			
Mortality ⁽¹⁾	EMSSA 2009	EMSSA 82-89	EMSSA 82-89
Disability ⁽²⁾	IMSS - 97	IMSS-97	IMSS - 97
Normal retirement age	65 years	65 years	65 years
Employee turnover table ⁽³⁾	BMAR 2007	BMAR 2007	BMAR 2007

Measurement date December:

⁽¹⁾ EMSSA. Mexican Experience of social security. Updated due to lower mortality rates.

⁽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 involves a yield curve. In this case, the expected rates of each period were taken from a yield curve of Mexican Federal Government Treasury Bond (known as CETES in Mexico).

In order to value the plan and the effects of the settlement in Brazil the methodology used to determine the discount rate was the Yield or Internal Rate of Return ("IRR") which involves a yield curve. In this case, the expected rates of each period were taken from a yield curve of fixed long term bonds of Federal Republic of Brazil.

In Venezuela the methodology used to determine the discount rate started with reference to the interest rate of bonds of similar denomination issued by the Republic of Venezuela, with subsequent consideration of other economic assumptions appropriate for hyper-inflationary economy. Ultimately, the discount rates disclosed in the table above are calculated in real terms (without inflation).

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		Post-Employment (Venezuela)		Total
	Ps.		Ps.		Ps.		Ps.		Ps.
2015		549		52		14		7	622
2016		192		41		31		8	272
2017		202		43		31		9	285
2018		210		43		32		9	294
2019		183		45		33		10	271
2020 to 2024		1,064		273		245		75	1,657

16.2 Balances of the liabilities for post-employment and other long-term employee benefits

	December 31, 2014		December 31, 2013	
Pension and Retirement Plans:				
Defined benefit obligation	Ps.	5,270	Ps.	4,866
Pension plan funds at fair value		(2,015)		(2,230)
Net defined benefit liability		3,255		2,636
Effect due to asset ceiling		-		94
Net defined benefit liability after asset ceiling	Ps.	3,255	Ps.	2,730
Seniority Premiums:				
Defined benefit obligation	Ps.	563	Ps.	475
Seniority premium plan funds at fair value		(87)		(90)
Net defined benefit liability	Ps.	476	Ps.	385
Postretirement Medical Services:				
Defined benefit obligation	Ps.	338	Ps.	267
Medical services funds at fair value		(56)		(51)
Net defined benefit liability	Ps.	282	Ps.	216
Post-employment:				
Defined benefit obligation	Ps.	194	Ps.	743
Post-employment plan funds at fair value		-		-
Net defined benefit liability	Ps.	194	Ps.	743
Total post-employment and other long-term employee benefits	Ps.	4,207	Ps.	4,074

As of December 2013, the net defined benefit liability of the pension and retirement plan includes an asset generated in Brazil (the following information is included in the consolidated information of the tables above), which is as follows:

	December 31, 2013	
Defined benefit obligation	Ps.	313
Pension plan funds at fair value		(498)
Net defined benefit asset		(185)
Effect due to asset ceiling		94
Net defined benefit asset after asset ceiling	Ps.	(91)

16.3 Trust assets

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

Type of Instrument	December 31, 2014	December 31, 2013
Fixed return:		
Traded securities	19%	15%
Bank instruments	8%	6%
Federal government instruments of the respective countries	57%	57%
Variable return:		
Publicly traded shares	16%	22%
	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.

At December 31, 2013, in Brazil, the regulatory framework for pension plans is established by the Brazilian Social Security Institute (INSS), which indicates that the contributions must be made by the Company and the workers. There are not minimum funding requirements of contributions in Brazil neither contractual nor given.

In Venezuela, the regulatory framework for post-employment benefits is established by the Organic Labor Law for Workers (LOTTT). The organic nature of this law means that its purpose is to defend constitutional rights, and therefore has precedence over other laws.

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 supervise 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 reviewing 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 so as to invest in assets whose expected return coincides with the estimated future payments.

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

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

At December 2013, in Brazil, the investment target is to obtain the consumer price index (inflation), plus six percent. Investment decisions are made to comply with this guideline insofar as the market conditions and available funds allow.

On May 7, 2012, the President of Venezuela amended the Organic Law for Workers (LOTTT), which establishes a minimum level of social welfare benefits to which workers have a right when their labor relationship ends for whatever reason. This benefit is computed based on the last salary received by the worker and retroactive to June 19, 1997 for any employee who joined the Company prior to that date. For employees who joined the Company after June 19, 1997, the benefit is computed based on the date on which the employee joined the Company. An actuarial computation must be performed using the projected unit credit method to determine the amount of the labor obligations that arise. As a result of the initial calculation, there was an amount for Ps. 381 included in the other expenses caption in the consolidated income statement reflecting past service costs during the year ended December 31, 2012 (see Note 19).

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

	December 31, 2014	December 31, 2013
Debt:		
Cementos Mexicanos, S.A.B. de C.V.	Ps. 7	Ps. -
Grupo Televisa, S.A.B. de C.V.	45	3
Grupo Financiero Banorte, S.A.B. de C.V.	12	-
El Puerto de Liverpool, S.A.B. de C.V.	5	5
Grupo Industrial Bimbo, S.A.B. de C.V.	3	3
Grupo Financiero Banamex, S.A.B. de C.V.	-	22
Teléfonos de México, S.A. de C.V.	-	4
Capital:		
Fomento Económico Mexicano, S.A.B. de C.V.	96	85
Coca-Cola FEMSA, S.A.B. de C.V.	12	19
Grupo Televisa, S.A.B. de C.V.	-	3
Alfa, S.A.B. de C.V.	8	4
Grupo Aeroportuario del Sureste, S.A.B. de C.V.	-	1
Grupo Industrial Bimbo, S.A.B. de C.V.	-	1
The Coca-Cola Company	11	-
Genera	7	-

At December 31, 2013, in Brazil, the amounts and types of securities of the Company in related parties included in plan assets are as follows:

	December 31, 2013
Brazil Portfolio	
Debt:	
HSBC - Sociedad de inversión Actuarial INPC (Brazil)	Ps. 383
Capital:	
HSBC - Sociedad de inversión Actuarial INPC (Brazil)	114

During the years ended December 31, 2014 and 2013, the Company did not make significant contributions to the plan assets and does not expect to make material contributions to the plan assets during the following fiscal year.

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

	Income Statement					OCI ⁽²⁾	
	Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest on the Net Defined Benefit Liability ⁽¹⁾	Remeasurements of the Net Defined Benefit Liability		
December 31, 2014							
Pension and retirement plans	Ps. 221	Ps. 54	Ps. (193)	Ps. 279	Ps. 998		
Seniority premiums	75	9	(27)	28	76		
Postretirement medical services	10	-	-	16	74		
Post-employment Venezuela	24	-	-	18	99		
Total	Ps. 330	Ps. 63	Ps. (220)	Ps. 341	Ps. 1,247		
December 31, 2013							
Pension and retirement plans	Ps. 220	Ps. 12	Ps. (7)	Ps. 164	Ps. 470		
Seniority premiums	55	-	-	22	44		
Postretirement medical services	11	-	-	15	14		
Post-employment Venezuela	48	-	-	67	312		
Total	Ps. 334	Ps. 12	Ps. (7)	Ps. 268	Ps. 840		
December 31, 2012							
Pension and retirement plans	Ps. 185	Ps. -	Ps. 1	Ps. 136	Ps. 499		
Seniority premiums	42	-	-	17	38		
Postretirement medical services	8	-	-	14	25		
Post-employment Venezuela	48	381	-	63	71		
Total	Ps. 283	Ps. 381	Ps. 1	Ps. 230	Ps. 633		

⁽¹⁾ Interest due to asset ceiling amounted to Ps. 8 and Ps. 11 in 2013 and 2012, respectively.

⁽²⁾ Amounts accumulated in other comprehensive income as of the end of the period.

For the years ended December 31, 2014, 2013 and 2012, current service cost of Ps. 330, Ps. 334 and Ps. 283 has been included in the consolidated income statement as cost of goods sold, administration and selling expenses.

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

	December 31, 2014	December 31, 2013	December 31, 2012
Amount accumulated in other comprehensive income as of the beginning of the period, net of tax	Ps. 585	Ps. 469	Ps. 190
Actuarial losses arising from exchange rates	(173)	(26)	(13)
Remeasurements during the year, net of tax	318	251	20
Actuarial gains arising from changes in demographic assumptions	41	-	-
Actuarial gains and (losses) arising from changes in financial assumptions	171	(109)	281
Changes in the effect of limiting a net defined benefit asset to the asset ceiling	-	-	(9)
Amount accumulated in other comprehensive income as of the end of the period, net of tax	Ps. 942	Ps. 585	Ps. 469

Remeasurements of the net defined benefit liability include the following:

- The return on plan assets, excluding amounts included in interest expense.
- Actuarial gains and losses arising from changes in demographic assumptions.
- Actuarial gains and losses arising from changes in financial assumptions.
- Changes in the effect of limiting a net defined benefit asset to the asset ceiling, excluding amounts included in interest expense.

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

	December 31, 2014	December 31, 2013	December 31, 2012
Pension and Retirement Plans:			
Initial balance	Ps. 4,866	Ps. 4,495	Ps. 3,972
Current service cost	221	220	185
Past service cost	54	-	-
Interest expense	353	311	288
Settlement	(482)	(7)	1
Remeasurements of the net defined benefit obligation	378	(143)	238
Foreign exchange (gain) loss	42	(60)	(67)
Benefits paid	(162)	(152)	(154)
Plan amendments	-	28	-
Acquisitions	-	174	32
Ending balance	Ps. 5,270	Ps. 4,866	Ps. 4,495
Seniority Premiums:			
Initial balance	Ps. 475	Ps. 324	Ps. 241
Current service cost	75	55	42
Past service cost	9	-	-
Interest expense	33	24	19
Curtailment	(27)	-	(2)
Remeasurements of the net defined benefit obligation	29	2	33
Benefits paid	(37)	(36)	(23)
Acquisitions	6	106	14
Ending balance	Ps. 563	Ps. 475	Ps. 324
Postretirement Medical Services:			
Initial balance	Ps. 267	Ps. 267	Ps. 235
Current service cost	10	11	8
Interest expense	20	17	17
Remeasurements of the net defined benefit obligation	60	(11)	25
Benefits paid	(19)	(17)	(18)
Ending balance	Ps. 338	Ps. 267	Ps. 267
Post-employment:			
Initial balance	Ps. 743	Ps. 594	Ps. -
Current service cost	24	48	48
Past service cost	-	-	381
Interest expense	18	67	63
Remeasurements of the net defined benefit obligation	54	238	108
Foreign exchange (gain) loss	(638)	(187)	-
Benefits paid	(7)	(17)	(6)
Ending balance	Ps. 194	Ps. 743	Ps. 594

16.6 Changes in the balance of plan assets

	December 31, 2014	December 31, 2013	December 31, 2012
Total Plan Assets:			
Initial balance	Ps. 2,371	Ps. 2,110	Ps. 1,991
Actual return on trust assets	133	29	145
Foreign exchange (gain) loss	(8)	(73)	(91)
Life annuities	197	88	29
Benefits paid	-	-	(12)
Acquisitions	-	201	48
Plan amendments	-	16	-
Effect due to settlement	(535)	-	-
Ending balance	Ps. 2,158	Ps. 2,371	Ps. 2,110

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

16.7 Variation in assumptions

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

	Income Statement					OCI				
		Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest on the Net Defined Benefit Liability (Asset)	Remeasurements of the Net Defined Benefit Liability (Asset)				
+0.5%:										
Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability										
Pension and retirement plans	Ps.	209	Ps.	52	Ps.	(95)	Ps.	192	Ps.	545
Seniority premiums		71		8		(25)		29		36
Postretirement medical services		10		-		-		16		35
Post-employment		22		-		-		17		85
Total	Ps.	312	Ps.	60	Ps.	(120)	Ps.	254	Ps.	701
Expected salary increase										
Pension and retirement plans	Ps.	231	Ps.	56	Ps.	(111)	Ps.	206	Ps.	1,083
Seniority premiums		78		9		(28)		30		93
Postretirement medical services		10		-		-		16		74
Post-employment		27		-		-		19		124
Total	Ps.	346	Ps.	65	Ps.	(139)	Ps.	271	Ps.	1,374
Assumed rate of increase in healthcare costs										
Postretirement medical services	Ps.	11	Ps.	-	Ps.	-	Ps.	17	Ps.	88
-0.5%:										
Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability										
Pension and retirement plans	Ps.	234	Ps.	57	Ps.	(108)	Ps.	198	Ps.	1,070
Seniority premiums		79		9		(29)		29		113
Postretirement medical services		11		-		-		16		87
Post-employment		26		-		-		19		117
Total	Ps.	350	Ps.	66	Ps.	(137)	Ps.	262	Ps.	1,387
Expected salary increase										
Pension and retirement plans	Ps.	210	Ps.	53	Ps.	(99)	Ps.	183	Ps.	547
Seniority premiums		73		8		(27)		27		69
Postretirement medical services		10		-		-		16		74
Post-employment		22		-		-		15		79
Total	Ps.	315	Ps.	61	Ps.	(126)	Ps.	241	Ps.	769
Assumed rate of increase in healthcare costs										
Postretirement medical services	Ps.	10	Ps.	-	Ps.	-	Ps.	15	Ps.	34

16.8 Employee benefits expense

For the years ended December 31, 2014, 2013 and 2012, employee benefits expenses recognized in the consolidated income statements are as follows:

	2014	2013	2012
Wages and salaries	Ps. 35,659	Ps. 36,995	Ps. 31,561
Social security costs	5,872	5,741	3,874
Employee profit sharing	1,138	1,936	1,650
Post employment benefits	514	607	514
Post employment benefits recognized in other expenses (Note 19)	-	-	381
Share-based payments	283	306	275
Termination benefits	431	480	541
	Ps. 43,897	Ps. 46,065	Ps. 38,796

Note 17. Bonus Programs

17.1 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 granted to the eligible employee on an annual basis and after withholding applicable taxes.

17.2 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 Economic Value Added, or 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 determine the employees eligible to participate in the plan and the bonus formula to determine the number of shares to be received, which vest ratably over a six year period. On such date, the Company and the eligible employee agree to the share-based payment arrangement, being when it and the counterparty have a shared understanding of the terms and conditions of the arrangement. 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 with the objective of administering 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 (repurchase) of shares associated with share-based payment plans. Should an employee leave prior to their shares vesting, they 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, 2014, 2013 and 2012, the compensation expense recorded in the consolidated income statement amounted to Ps. 283, Ps. 306 and Ps. 275, 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, 2014 and 2013, the number of shares held by the trust associated with the Company’s share based payment plans is as follows:

	Number of Shares			
	2014	FEMSA UBD 2013	2014	KOF L 2013
Beginning balance	7,001,428	8,416,027	1,780,064	2,421,876
Shares acquired by the administrative trust to employees	517,855	2,285,948	330,730	407,487
Shares released from administrative trust to employees upon vesting	(2,755,528)	(3,700,547)	(812,261)	(1,049,299)
Forfeitures	-	-	-	-
Ending balance	4,763,755	7,001,428	1,298,533	1,780,064

The fair value of the shares held by the trust as of the end of December 31, 2014 and 2013 was Ps. 788 and Ps. 1,166, respectively, based on quoted market prices of those dates.

Note 18. Bank Loans and Notes Payables

(in millions of Mexican pesos)	At December 31, ⁽¹⁾										Carrying	Fair	Carrying	
	2015		2016		2017		2018		2019		2020 and Thereafter	Value at December 31, 2014	Value at December 31, 2014	Value at December 31, 2013 ⁽¹⁾
Short-term debt:														
Fixed rate debt:														
Argentine pesos														
Bank loans	Ps. 301	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 301	Ps. 304	Ps. 495
Interest rate	30.9%	-	-	-	-	-	-	-	-	-	-	30.9%	-	25.4%
Variable rate debt:														
Brazilian Reals														
Bank loans	148	-	-	-	-	-	-	-	-	-	-	148	148	34
Interest rate	12.6%	-	-	-	-	-	-	-	-	-	-	12.6%	-	9.7%
Total short-term debt	Ps. 449	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 449	Ps. 452	Ps. 529
Long-term debt:														
Fixed rate debt:														
U.S. dollars														
Senior notes	Ps. -	Ps. -	Ps. -	Ps. 14,668	Ps. -	Ps. 29,225	Ps. -	Ps. 43,893	Ps. 46,924	Ps. 34,272	-	-	-	-
Interest rate	-	-	-	2.4%	-	4.5%	-	3.8%	-	3.7%	-	-	-	-
Senior note (FEMSA USD 2023)	-	-	-	-	-	4,308	-	4,308	4,117	3,736	-	-	-	-
Interest rate	-	-	-	-	-	2.9%	-	2.9%	-	2.9%	-	-	-	-
Senior note (FEMSA USD 2043)	-	-	-	-	-	9,900	-	9,900	9,594	8,377	-	-	-	-
Interest rate	-	-	-	-	-	4.4%	-	4.4%	-	4.4%	-	-	-	-
Bank loans	30	-	-	-	-	-	-	30	30	123	-	-	-	-
Interest rate	3.9%	-	-	-	-	-	-	3.9%	-	3.8%	-	-	-	-
Mexican pesos														
Units of investment (UDIs)	-	-	3,599	-	-	-	-	3,599	3,599	3,630	-	-	-	-
Interest rate	-	-	4.2%	-	-	-	-	4.2%	-	4.2%	-	-	-	-
Domestic senior notes	-	-	-	-	-	9,988	-	9,988	9,677	9,987	-	-	-	-
Interest rate	-	-	-	-	-	6.2%	-	6.2%	-	6.2%	-	-	-	-
Brazilian reais														
Bank loans	116	120	123	91	54	97	-	601	553	337	-	-	-	-
Interest rate	4.1%	4.3%	4.5%	5.1%	5.2%	4.9%	-	4.6%	-	3.1%	-	-	-	-
Finance leases	223	192	168	88	41	50	-	762	642	965	-	-	-	-
Interest rate	4.7%	4.6%	4.6%	4.6%	4.6%	4.6%	-	4.6%	-	4.6%	-	-	-	-
Argentine pesos														
Bank loans	124	131	54	-	-	-	-	309	302	358	-	-	-	-
Interest rate	24.9%	27.5%	30.2%	-	-	-	-	26.8%	-	20.3%	-	-	-	-
Subtotal	Ps. 493	Ps. 443	Ps. 3,944	Ps. 14,847	Ps. 95	Ps. 53,568	Ps. -	Ps. 73,390	Ps. 75,438	Ps. 61,785	Ps. -	Ps. -	Ps. -	Ps. -
Variable rate debt:														
U.S. dollars														
Bank loans	Ps. -	Ps. 2,108	Ps. -	Ps. 4,848	Ps. -	Ps. -	Ps. -	Ps. 6,956	Ps. 7,001	Ps. 5,843	-	-	-	-
Interest rate	-	0.9%	-	0.9%	-	-	-	0.9%	-	0.9%	-	-	-	-
Mexican pesos														
Domestic senior notes	-	2,473	-	-	-	-	-	2,473	2,502	2,517	-	-	-	-
Interest rate	-	3.4%	-	-	-	-	-	3.4%	-	3.9%	-	-	-	-
Bank loans	-	-	-	-	-	-	-	-	-	4,132	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-	-	4.0%	-	-	-	-
Argentine pesos														
Bank loans	17	215	-	-	-	-	-	232	227	180	-	-	-	-
Interest rate	24.9%	21.3%	-	-	-	-	-	21.5%	-	25.7%	-	-	-	-
Brazilian reais														
Bank loans	64	27	17	17	17	14	-	156	146	167	-	-	-	-
Interest rate	12.3%	9.7%	7.6%	7.6%	7.6%	6.0%	-	6.7%	-	11.3%	-	-	-	-
Finance leases	38	25	-	-	-	-	-	63	63	100	-	-	-	-
Interest rate	10.0%	10.0%	-	-	-	-	-	10.0%	10.0%	10.0%	-	-	-	-
Colombian pesos														
Bank loans	492	277	-	-	-	-	-	769	766	1,495	-	-	-	-
Interest rate	5.9%	5.9%	-	-	-	-	-	5.9%	-	5.7%	-	-	-	-
Subtotal	Ps. 611	Ps. 5,125	Ps. 17	Ps. 4,865	Ps. 17	Ps. 14	Ps. -	Ps. 10,649	Ps. 10,705	Ps. 14,434	Ps. -	Ps. -	Ps. -	Ps. -
Total long-term debt	Ps. 1,104	Ps. 5,568	Ps. 3,961	Ps. 19,712	Ps. 112	Ps. 53,582	Ps. -	Ps. 84,039	Ps. 86,143	Ps. 76,219	Ps. -	Ps. -	Ps. -	Ps. -
Current portion of long term debt	-	-	-	-	-	-	-	(1,104)	-	(3,298)	-	-	-	-
								Ps. 82,935		Ps. 72,921				

⁽¹⁾ All interest rates shown in this table are weighted average contractual annual rates.

Hedging Derivative Financial Instruments ⁽¹⁾	2015	2016	2017	2018	2019	2020 and Thereafter	2014	2013
	(notional amounts in millions of Mexican pesos)							
Cross currency swaps:								
Units of investments to Mexican pesos and variable rate:								
Fixed to variable	Ps. -	Ps. -	Ps. 2,500	Ps. -	Ps. -	Ps. -	Ps. 2,500	Ps. 2,500
Interest pay rate	-	-	3.1%	-	-	-	3.1%	4.1%
Interest receive rate	-	-	4.2%	-	-	-	4.2%	4.2%
U.S. dollars to Mexican pesos:								
Fixed to variable	-	-	-	-	-	11,403	11,403	11,403
Interest pay rate	-	-	-	-	-	4.6%	4.6%	5.1%
Interest receive rate	-	-	-	-	-	4.0%	4.0%	4.0%
Variable to fixed	-	-	-	6,476	-	-	6,476	-
Interest pay rate	-	-	-	3.2%	-	-	3.2%	-
Interest receive rate	-	-	-	2.4%	-	-	2.4%	-
Fixed to fixed	-	-	-	-	-	1,267	1,267	2,575
Interest pay rate	-	-	-	-	-	5.7%	5.7%	7.2%
Interest receive rate	-	-	-	-	-	2.9%	2.9%	3.8%
U.S. dollars to Brazilian reais:								
Fixed to variable	30	-	-	6,623	-	-	6,653	6,017
Interest pay rate	13.7%	-	-	11.2%	-	-	11.3%	9.5%
Interest receive rate	3.9%	-	-	2.7%	-	-	2.7%	2.7%
Variable to variable	-	-	-	20,311	-	-	20,311	18,046
Interest pay rate	-	-	-	11.3%	-	-	11.3%	9.5%
Interest receive rate	-	-	-	1.5%	-	-	1.5%	1.5%
Interest rate swap:								
Mexican pesos								
Variable to fixed rate: ⁽²⁾								2,538
Interest pay rate	-	-	5.0%	-	-	-	5.0%	8.6%
Interest receive rate	-	-	3.2%	-	-	-	3.2%	4.0%
Variable to fixed rate: ⁽³⁾								2,538
Interest pay rate	-	-	-	-	7.2%	-	7.2%	8.6%
Interest receive rate	-	-	-	-	4.6%	-	4.6%	4.0%

⁽¹⁾ All interest rates shown in this table are weighted average contractual annual rates.

⁽²⁾ IRS with a notional of Ps. 1,500, that receives a variable rate of 3.2% and pays a fixed rate of 5.0%; joined with a cross currency swap which covers units of investments to Mexican pesos that receives a fixed rate of 4.2% and pays a variable rate of 3.2%.

⁽³⁾ IRS with notional of Ps. 11,403, that receives a variable rate of 4.6% and pays 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 4.6%.

For the years ended December 31, 2014, 2013 and 2012, the interest expense is comprised as follows:

	2014	2013	2012
Interest on debts and borrowings	Ps. 3,992	Ps. 3,055	Ps. 2,029
Finance charges payable under capitalized interest	(117)	(59)	(38)
Finance charges for employee benefits	341	268	230
Derivative instruments	2,413	825	142
Finance operating charges	66	225	98
Finance charges payable under finance leases	6	17	45
	Ps. 6,701	Ps. 4,331	Ps. 2,506

On May 7, 2013, the Company issued long-term debt on the NYSE in the amount of \$1,000, which was made up of senior notes of \$300 with a maturity of 10 years and a fixed interest rate of 2.875%; and senior notes of \$700 with a maturity of 30 years and a fixed interest rate of 4.375%. After the issuance, the Company contracted cross-currency swaps to reduce its exposure to risk of exchange rate and interest rate fluctuations associated with this issuance, see Note 20.

In November, 2013, Coca-Cola FEMSA issued U.S.\$1,000 in aggregate principal amount of 2.375% Senior Notes due 2018, U.S.\$750 in aggregate principal amount of 3.875% Senior Notes due 2023 and U.S.\$400 in aggregate principal amount of 5.250% Senior Notes due 2043, in an SEC registered offering. These notes are guaranteed by its 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., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V. and Yoli de Acapulco, S.A. de C.V. ("Guarantors").

On December 4, 2007, the Company obtained the approval from the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores or "CNBV") for the issuance of long-term domestic senior notes ("Certificados Bursátiles") in the amount of Ps. 10,000 (nominal amount) or its equivalent in investment units. As of December 31, 2014 the Company has issued the following domestic senior notes: i) on December 7, 2007, the Company issued domestic senior notes composed of Ps. 3,500 (nominal amount) with a maturity date on November 29, 2013 and a floating interest rate, which was paid at maturity; ii) on December 7, 2007, the Company issued domestic senior notes in the amount of 637,587,000 investment units (Ps. 2,500 nominal amount), with a maturity date on November 24, 2017 and a fixed interest rate.

Coca-Cola FEMSA has the following bonds: a) registered with the Mexican stock exchange: i) Ps. 2,500 (nominal amount) with a maturity date in 2016 and a variable interest rate, ii) Ps. 2,500 (nominal amount) with a maturity date in 2021 and fixed interest rate of 8.3% and iii) Ps. 7,500 (nominal amount) with a maturity date in 2023 and fixed interest rate of 5.5%; b) registered with the SEC : i) Senior notes of \$500 with interest at a fixed rate of 4.6% and maturity date on February 15, 2020, ii) Senior notes of \$1,000 with interest at a fixed rate of 2.4% and maturity date on November 26, 2018, iii) Senior notes of \$750 with interest at a fixed rate of 3.9% and maturity date on November 26, 2023 and iv) Senior notes of \$400 with interest at a fixed rate of 5.3% and maturity date on November 26, 2043 which are guaranteed by the Guarantors.

During 2013, Coca-Cola FEMSA contracted and prepaid in part the following Bank loans denominated in dollars: i) \$500 (nominal amount) with a maturity date in 2016 and variable interest rate and prepaid \$380 (nominal amount) in November 2013, the outstanding amount of this loan is \$120 (nominal amount) and ii) \$1,500 (nominal amount) with a maturity date in 2018 and variable interest rate and prepaid \$1,170 (nominal amount) in November 2013, the outstanding amount of this loan is \$330 (nominal amount). In December 2013, Coca-Cola FEMSA prepaid in full outstanding Bank loans denominated in dollars for a total amount of \$600 (nominal amount).

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 was in compliance with all restrictions and covenants contained in its financing agreements.

In January 13, 2014, Coca-Cola FEMSA issued an additional U.S. \$350 million of Senior Notes comprised of 10 year and 30 year bonds. The interest rates and maturity dates of the new notes are the same as those of the initial 2013 notes offering. These notes are also guaranteed by the same Guarantors.

In February 2014, Coca-Cola FEMSA prepaid in full outstanding Bank loans denominated in pesos for a total amount of Ps. 4,175 (nominal amount).

Note 19. Other Income and Expenses

	2014		2013		2012	
Gain on sale of shares (see Note 4)	Ps.	-	Ps.	-	Ps.	1,215
Gain on sale of long-lived assets		-		41		132
Gain on sale of other assets		276		170		38
Sale of waste material		44		43		43
Write off-contingencies		475		120		76
Recoveries from previous years		89		-		-
Insurance rebates		18		-		-
Others		196		277		241
Other income	Ps.	1,098	Ps.	651	Ps.	1,745
Contingencies associated with prior acquisitions or disposals		-		385		213
Loss on sale of long-lived assets		7		-		-
Impairment of long-lived assets		145		-		384
Disposal of long-lived assets ⁽¹⁾		153		122		133
Foreign Exchange		147		99		40
Securities taxes from Colombia		69		51		40
Severance payments		277		190		349
Donations ⁽²⁾		172		119		200
Legal fees and other expenses from past acquisitions		31		110		-
Effect of new labor law (LOTTT) (see Note 16) ⁽³⁾		-		-		381
Other		276		363		233
Other expenses	Ps.	1,277	Ps.	1,439	Ps.	1,973

⁽¹⁾ Charges related to fixed assets retirement from ordinary operations and other long-lived assets.

⁽²⁾ In 2012 are included the gain on the sale of 45% interest held by FEMSA in the parent companies of the Mareña Renovables Wind Power Farm (see Note 10) offsetting to the donation made to Fundación FEMSA, A. C. (see Note 14).

⁽³⁾ This amount relates to the past service cost related to post-employment by Ps. 381 as a result of the effect of the change in LOTTT and it is included in the consolidated income statement under the "Other expenses" caption.

Note 20. Financial Instruments

Fair Value of Financial Instruments

The Company measures the fair value of its financial assets and liabilities classified as level 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, 2014 and 2013:

	December 31, 2014		December 31, 2013	
	Level 1	Level 2	Level 1	Level 2
Derivative financial instrument (current asset)	-	384	2	26
Derivative financial instrument (non-current asset)	-	6,299	-	1,472
Derivative financial instrument (current liability)	313	34	272	75
Derivative financial instrument (non-current liability)	112	39	-	1,526

20.1 Total debt

The fair value of bank and syndicated loans is calculated based on the discounted value of contractual cash flows whereby the discount rate is estimated using rates currently offered for debt of similar amounts and maturities, which is considered to be level 2 in the fair value hierarchy. The fair value of the Company's publicly traded debt is based on quoted market prices as of December 31, 2014 and 2013, which is considered to be level 1 in the fair value hierarchy.

		2014		2013
Carrying value	Ps.	84,488	Ps.	76,748
Fair value		86,595		76,077

20.2 Interest rate swaps

The Company uses interest rate swaps to offset the interest rate risk associated with its borrowings, pursuant to 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 such time as the hedged amount is recorded in the consolidated income statements.

At December 31, 2014, the Company has the following outstanding interest rate swap agreements:

Maturity Date	Notional Amount	Fair Value Liability December 31, 2014	Fair Value Asset December 31, 2014
2017	Ps. 1,250	Ps. (35)	Ps. -
2023	11,403	(4)	12

At December 31, 2013 the Company has the following outstanding interest rate swap agreements:

Maturity Date	Notional Amount	Fair Value Liability December 31, 2013	Fair Value Asset December 31, 2013
2014	Ps. 575	Ps. (18)	Ps. -
2015	1,963	(122)	-

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

20.3 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 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 cost of goods sold when the raw material is included in sale transaction, and as a part of foreign exchange when the inflow in Euros are received.

At December 31, 2014, the Company had the following outstanding forward agreements to purchase foreign currency:

Maturity Date	Notional Ncional	Fair Value Liability December 31, 2014	Fair Value Asset December 31, 2014
2015	Ps. 4,411	Ps. -	Ps. 298
2016	1,192	(26)	-

At December 31, 2013, the Company had the following outstanding forward agreements to purchase foreign currency:

Maturity Date	Notional Ncional	Fair Value Liability December 31, 2013	Fair Value Asset December 31, 2013
2014	Ps. 3,002	Ps. (17)	Ps. -
2015	614	-	1

20.4 Options to purchase foreign currency

The Company has entered into a collar strategy to reduce its exposure to the risk of exchange rate fluctuations. A collar is a strategy that limits the exposure to the risk of exchange rate fluctuations in a similar way as a forward agreement.

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

At December 31, 2014, the Company had the following outstanding collars agreements to purchase foreign currency:

Maturity Date	Notional Amount	Fair Value Liability December 31, 2014	Fair Value Asset December 31, 2014
2015	Ps. 402	Ps. -	Ps. 56

At December 31, 2013, the Company had no outstanding collars to purchase foreign currency (composed of a call and a put option with different strike levels with the same notional amount and maturity).

20.5 Cross-currency swaps

The Company has contracted for a number of cross-currency swaps to reduce its exposure to 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.

At December 31, 2014, the Company had the following outstanding cross currency swap agreements:

Maturity Date	Notional Amount	Fair Value Liability December 31, 2014	Fair Value Asset December 31, 2014
2015	Ps. 30	Ps. -	Ps. 6
2017	2,711	-	1,209
2018	33,410	-	3,002
2019	369	-	15
2023	12,670	-	2,060

At December 31, 2013, the Company had the following outstanding cross currency swap agreements:

Maturity Date	Notional Amount	Fair Value Liability December 31, 2013	Fair Value Asset December 31, 2013
2014	Ps. 1,358	Ps. -	Ps. 18
2015	83	-	11
2017	2,711	-	1,180
2018	23,930	(825)	-
2023	12,670	(350)	-

20.6 Commodity price contracts

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

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

At December 31, 2014, Coca-Cola FEMSA had the following sugar price contracts:

Maturity Date	Notional Amount	Fair Value Liability December 31, 2014	Fair Value Asset December 31, 2014
2015		Ps. 1,341	Ps. (285)
2016		952	(101)
2017		37	(2)

At December 31, 2014, Coca-Cola FEMSA had the following aluminum price contracts:

Maturity Date		Notional Amount	Fair Value Liability December 31, 2014
2015	Ps.	361	Ps. (12)
2016		177	(9)

At December 31, 2013, Coca-Cola FEMSA had the following outstanding sugar price contracts:

Maturity Date	Notional Amount	Fair Value Liability December 31, 2013	Fair Value Asset December 31, 2013
2014	Ps. 1,183	Ps. (246)	Ps. -
2015	730	(48)	-
2016	103	-	2

At December 31, 2013, Coca-Cola FEMSA had the following aluminum price contracts:

Maturity Date		Notional Amount	Fair Value Liability December 31, 2013
2014	Ps.	205	Ps. (10)

20.7 Financial Instruments for CCFPI acquisition

The Coca-Cola FEMSA's call option related to the remaining 49% ownership interest in CCFPI is calculated using a Level 3 concept. The call option had an estimated fair value of approximately Ps. 859 million at inception of the option, and approximately Ps. 799 million and Ps. 755 million as of December 31, 2013 and 2014, respectively. Significant observable inputs into that Level 3 estimate include the call option's expected term (7 years at inception), risk free rate as expected return (LIBOR), implied volatility at inception (19.77%) and the underlying enterprise value of the CCFPI. The enterprise value of CCFPI for the purpose of this estimate was based on CCFPI's long-term business plan. The Coca-Cola FEMSA acquired its 51% ownership interest in CCFPI in January 2013 and continues to integrate CCFPI into its global operations using the equity method of accounting, and currently believes that the underlying exercise price of the call option is "out of the money."

The Level 3 fair value of the Company's put option related to its 51% ownership interest approximates zero as its exercise price as defined in the contract adjusts proportionately to the underlying fair value of CCFPI.

20.8 Net effects of expired contracts that met hedging criteria

Type of Derivatives	Impact in Consolidated Income Statement	2014	2013	2012
Interest rate swaps	Interest expense	Ps. (337)	Ps. (214)	Ps. (147)
Forward agreements to purchase foreign currency	Foreign exchange	(38)	1,710	126
Commodity price contracts	Cost of goods sold	(291)	(362)	6
Options to purchase foreign currency	Cost of goods sold	-	-	13
Forward agreements to purchase foreign currency	Cost of goods sold	(22)	-	-

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

Type of Derivatives	Impact in Consolidated Income Statement	2014	2013	2012
Interest rate swaps	Market value gain (loss) on financial instruments	Ps. 10	Ps. (7)	Ps. (4)
Cross currency swaps		59	33	(2)
Others		3	(19)	(29)

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

Type of Derivatives	Impact in Consolidated Income Statement	2014	2013	2012
Cross-currency swaps	Market value gain (loss) on financial instruments	Ps. -	Ps. -	Ps. 42

20.11 Market risk

Market risk is the risk that the fair value of 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 in order to reduce its exposure to the risk of exchange rate fluctuations.
- Cross-Currency Swaps in order to reduce its exposure to the risk of exchange rate fluctuations.
- Interest Rate Swaps in order to reduce its exposure to the risk of interest rate fluctuations.
- Commodity price contracts in order to reduce its exposure to the risk of fluctuation in the costs of certain raw materials.

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

The following disclosures provide a sensitivity analysis of the market risks management considered to be reasonably possible at the end of the reporting period, which the Company is exposed to as it relates to foreign exchange rates and commodity prices, which it considers in its existing hedging strategy:

Foreign Currency Risk	Change in Exchange Rate		Effect on Equity		Effect on Profit or Loss
2014					
FEMSA ⁽³⁾	+9% MXN/EUR	Ps.	(278)	Ps.	-
	-9% MXN/EUR		278		
Coca-Cola FEMSA	+7% MXN/USD	Ps.	119	Ps.	-
	+14% BRL/USD		96		-
	+9% COP/USD		42		-
	+11% ARS/USD		22		-
	-7% MXN/USD		(119)		-
	-14% BRL/USD		(96)		-
	-9% COP/USD		(42)		-
	-11% ARS/USD		(22)		-
2013					
FEMSA ⁽³⁾	+7% MXN/EUR	Ps.	(157)	Ps.	-
	-7% MXN/EUR		157		-
Coca-Cola FEMSA	+11% MXN/USD		67		-
	+13% BRL/USD		86		-
	+6% COP/USD		19		-
	-11% MXN/USD		(67)		-
	-13% BRL/USD		(86)		-
	-6% COP/USD		(19)		-
2012					
FEMSA ⁽³⁾	+9% MXN/EUR/+11% MXN/USD	Ps.	(250)	Ps.	-
	-9% MXN/EUR/-11% MXN/USD		104		-
Coca-Cola FEMSA	-11% MXN/USD		(204)		-
Cross Currency Swaps ^{(1) (2)}					
2014					
FEMSA ⁽³⁾			-7% MXN/USD		(22)
Coca-Cola FEMSA			-7% MXN/USD		(481)
			-14% USD/BRL		(3,935)
2013					
FEMSA ⁽³⁾			-11% MXN/ USD		(1,581)
Coca-Cola FEMSA			-11% MXN/ USD		(392)
			-13% USD/BRL		(3,719)
2012					
FEMSA ⁽³⁾			-		-
Coca-Cola FEMSA			-11% MXN/ USD		(234)

⁽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
2014		
FEMSA ⁽³⁾	+9% EUR/+7%USD	Ps. 233
	-9% EUR/-7%USD	(233)
Coca-Cola FEMSA	+7%USD	(747)
	-7%USD	747
2013		
FEMSA ⁽³⁾	+7% EUR/+11% USD	Ps. 335
	-7% EUR/-11% USD	(335)
Coca-Cola FEMSA	+11% USD	(1,090)
	-11% USD	1,090
2012		
FEMSA ⁽³⁾	+9% EUR/+11% USD	Ps. 809
	-9% EUR/-11% USD	(809)
Coca-Cola FEMSA	+15% USD	(362)
Commodity Price Contracts ⁽¹⁾		
2014		
Coca-Cola FEMSA	Sugar -27%	Ps. (528)
	Aluminum -17%	(87)
2013		
Coca-Cola FEMSA	Sugar -18%	Ps. (298)
	Aluminum -19%	(36)
2012		
Coca-Cola FEMSA	Sugar -30%	Ps. (732)
	Aluminum -20%	(66)

⁽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.

20.12 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
2014		
FEMSA ⁽²⁾	(100 Bps.)	(528)
Coca-Cola FEMSA	-	-
2013		
FEMSA ⁽²⁾	-	-
Coca-Cola FEMSA	(100 Bps.)	(32)
2012		
FEMSA ⁽²⁾	-	-
Coca-Cola FEMSA	(100 Bps.)	(57)

⁽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	2014	2013	2012
Change in interest rate	+100 Bps.	+100 Bps.	+100 Bps.
Effect on profit loss	Ps. (244)	Ps. (332)	Ps. (198)

20.13 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, 2014 and 2013, 80.66% and 79.48%, 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 to finance its operations and capital requirements primarily at the level of its sub-holding companies. Nonetheless, they may decide to incur indebtedness at its holding company in the future to finance the 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 are on a cash or short-term credit basis, and FEMSA Comercio's OXXO stores are able to 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 reserves and credit facilities, by continuously monitoring forecast and actual cash flows, and with a low concentration of maturities per year.

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

As part of the Company's financing policy, management expects to continue financing its liquidity needs with cash from operations. Nonetheless, as a result of regulations in certain countries in which the Company operates, it may not be beneficial or, as in the case of exchange controls in Venezuela, practicable to remit cash generated in local operations to fund cash requirements in other countries. Exchange controls like those in Venezuela may also increase the real price of remitting cash from operations to fund debt requirements in other countries. In the event that cash from operations in these countries is not sufficient to fund future working capital requirements and capital expenditures, management may decide, or be required, to fund cash requirements in these countries through local borrowings rather than remitting funds another country. In addition, the Company's liquidity in Venezuela could be affected by changes in the rules applicable to exchange rates as well as other regulations, such as exchange controls. In the future the Company 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 in the event that 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, 2014, see Note 18. 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, 2014. Such expected net cash outflows are determined based on each particular settlement date of an instrument. The amounts disclosed are undiscounted net cash outflows for the respective upcoming fiscal years, based on the earliest date on which the Company could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on economic conditions (like interest rates and foreign exchange rates) existing at December 31, 2014.

	2015	2016	2017	2018	2019	2020 and Thereafter
Non-derivative financial liabilities:						
Notes and bonds	Ps. 2,375	Ps. 4,821	Ps. 5,643	Ps. 16,972	Ps. 1,934	Ps. 69,001
Loans from banks	1,587	3,015	267	5,013	78	122
Obligations under finance leases	289	237	180	94	45	54
Derivative financial liabilities	2,316	2,393	1,218	(1,906)	-	(2,060)

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

20.14 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 31 December 2014 and 2013 is the carrying amounts (see Note 7).

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company manages the credit risk related to its derivative portfolio by only entering into transactions with reputable and credit-worthy counterparties as well as by maintaining 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, 2014, the Company concluded that the maximum exposure to credit risk related with derivative financial instruments is not significant given the high credit rating of its counterparties.

Note 21. Non-Controlling Interest in Consolidated Subsidiaries

An analysis of FEMSA's non-controlling interest in its consolidated subsidiaries for the years ended December 31, 2014 and 2013 is as follows:

	December 31, 2014		December 31, 2013	
Coca-Cola FEMSA	Ps.	59,202	Ps.	62,719
Other		447		439
	Ps.	59,649	Ps.	63,158

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

	2014		2013		2012	
Balance at beginning of the year	Ps.	63,158	Ps.	54,902	Ps.	47,949
Net income of non controlling interest ⁽¹⁾		5,929		6,233		7,344
Other comprehensive income:						
Exchange differences on translation of foreign operation		(6,264)		(664)		(1,342)
Remeasurements of the net defined benefits liability		(110)		(80)		(60)
Valuation of the effective portion of derivative financial instruments		109		(166)		(113)
Increase in capital stock		-		515		-
Acquisitions effects (see Note 4)		-		5,550		4,172
Disposal effects		-		-		(50)
Dividends		(3,152)		(3,125)		(2,986)
Share based payment		(21)		(7)		(12)
Balance at end of the year	Ps.	59,649	Ps.	63,158	Ps.	54,902

⁽¹⁾ For the years ended at 2014, 2013 and 2012, Coca-Cola FEMSA's net income allocated to non-controlling interest was Ps. 424, 239 and 565, respectively.

Non controlling cumulative other comprehensive income is comprised as follows:

	December 31, 2014		December 31, 2013	
Exchange differences on translation foreign operation	Ps.	(6,326)	Ps.	(62)
Remeasurements of the net defined benefits liability		(316)		(206)
Valuation of the effective portion of derivative financial instruments		(129)		(238)
Cumulative other comprehensive income	Ps.	(6,771)	Ps.	(506)

Coca-Cola FEMSA shareholders, especially The Coca-Cola Company which hold 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, 2014		December 31, 2013	
Total current assets	Ps.	38,128	Ps.	43,231
Total non-current assets		174,238		173,434
Total current liabilities		28,403		32,398
Total non-current liabilities		73,845		67,114
Total revenue	Ps.	147,298	Ps.	156,011
Total consolidated net income		10,966		11,782
Total consolidated comprehensive income	Ps.	(1,005)	Ps.	9,791
Net cash flow from operating activities		24,406		22,097
Net cash flow from used in investing activities		(11,137)		49,481
Net cash flow from financing activities		(11,350)		23,506

Note 22. Equity

22.1 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, 2014 and 2013, the capital stock of FEMSA was comprised 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, 2014 and 2013, 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 capital 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, 2014 and 2013, 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 and when the distributions of dividends come from net taxable income, denominated "Cuenta de Utilidad Fiscal Neta" ("CUFIN").

Dividends paid in excess of CUFIN are subject to income tax at a grossed-up rate based on the current statutory rate. Since 2003, this tax may be credited against the income tax of the year in which the dividends are paid, and in the following two years against the income tax and estimated tax payments. Due to the Mexican Tax Reform, 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, 2014 amounted to Ps. 83,314.

In addition, the new LISR sets forth that entities that distribute dividends to its stockholders who are individuals and foreign residents must withhold 10% thereof for ISR purposes, which will be paid in Mexico. The foregoing will not be applicable when distributed dividends arise from the accumulated CUFIN balance as of December 31, 2013.

At an ordinary shareholders' meeting of FEMSA held on March 15, 2013, the shareholders approved a dividend of Ps. 6,684 that was paid 50% on May 7, 2013 and other 50% on November 7, 2013; and a reserve for share repurchase of a maximum of Ps. 3,000. As of December 31, 2014, the Company has not repurchased shares. Treasury shares resulted from share-based payment bonus plan are disclosed in Note 17.

At an ordinary shareholders' meeting of FEMSA held on December 6, 2013, the shareholders approved a dividend of Ps. 6,684 that was paid on December 18, 2013.

At an ordinary shareholders' meeting of Coca-Cola FEMSA held on March 5, 2013, the shareholders approved a dividend of Ps. 5,950 that was paid 50% on May 2, 2013 and other 50% on November 5, 2013. The corresponding payment to the non-controlling interest was Ps. 3,073.

At an ordinary shareholders' meeting of Coca-Cola FEMSA held on March 6, 2014, the shareholders approved a dividend of Ps. 6,012 that was paid 50% on May 4, 2014 and other 50% on November 5, 2014. The corresponding payment to the non-controlling interest was Ps. 3,134.

For the years ended December 31, 2014, 2013 and 2012 the dividends declared and paid by the Company and Coca-Cola FEMSA were as follows:

	2014		2013		2012	
FEMSA	Ps.	-	Ps.	13,368	Ps.	6,200
Coca-Cola FEMSA (100% of dividend)		6,012		5,950		5,625

For the years ended December 31, 2014 and 2013 the dividends declared and paid per share by the Company are as follows:

Series of Shares	2014		2013	
"B"	Ps.	-	Ps.	0.66667
"D"		-		0.83333

22.2 Capital management

The Company manages its capital to ensure that its subsidiaries will be able to continue as going concerns while maximizing the return to shareholders through the optimization of its debt and equity balance in order to obtain the lowest cost of capital available. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2014 and 2013.

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

The Company's finance committee reviews the capital structure of the Company on a quarterly basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. In conjunction with this objective, the Company seeks to maintain the highest credit rating both nationally and internationally and is currently rated AAA in Mexico and BBB+ in the United States, which requires it to have a debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio lower than 2. As a result, prior to entering into new business ventures, acquisitions or divestitures, management evaluates the optimal ratio of debt to EBITDA in order to maintain its credit rating.

Note 23. Earnings per Share

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

Diluted earnings per share amounts are calculated by dividing consolidated net income for the year attributable to controlling interest by the weighted average number of shares outstanding during the period plus the weighted average number of shares for the effects of dilutive potential shares (originated by the Company's share based payment program).

	2014		2013		2012	
	Per Series "B" Shares	Per Series "D" Shares	Per Series "B" Shares	Per Series "D" Shares	Per Series "B" Shares	Per Series "D" Shares
Net Controlling Interest Income	7,701.08	8,999.92	7,341.74	8,579.98	9,548.21	11,158.58
Shares expressed in millions:						
Weighted average number of shares for basic earnings per share	9,240.54	8,621.18	9,238.69	8,613.80	9,237.49	8,609.00
Effect of dilution associated with nonvested shares for share based payment plans	5.88	23.53	7.73	30.91	8.93	35.71
Weighted average number of shares adjusted for the effect of dilution	9,246.42	8,644.71	9,246.42	8,644.71	9,246.42	8,644.71

Note 24. Income Taxes

At December 2013, the Mexican government enacted a package of tax reforms (the "2014 Tax Reform") which includes several significant changes to tax laws, discussed in further detail below, entering into effect on January 1, 2014. The following changes are expected to most significantly impact the Company's financial position and results of operations:

- The introduction of a new withholding tax at the rate of 10% for dividends and/or distributions of earnings generated in 2014 and beyond;
- A fee of one Mexican peso per liter on the sale and import of flavored beverages with added sugar, and an excise tax of 8% on food with caloric content equal to, or greater than 275 kilocalories per 100 grams of product;
- The prior 11% value added tax (VAT) rate that applied to transaction in the border region was raised to 16%, matching the general VAT rate applicable in the rest of Mexico;
- The elimination of the tax on cash deposits (IDE) and the business flat tax (IETU);
- Deductions on exempt payroll items for workers are limited to 53%;
- The income tax rate in 2013 was 30%. Scheduled decreases to the income tax rate that would have reduced the rate to 29% in 2014 and 28% in 2015 and thereafter, were canceled in connection with the 2014 Tax Reform;

- The repeal of the existing tax consolidation regime, which was effective as of January 1, 2014, modified the payment term of a tax on assets payable of Ps. 180, which will be paid over the following 5 years instead of an indefinite term. Additionally, deferred tax assets and liabilities associated with the Company's subsidiaries in Mexico are no longer offset as of December 31, 2014 and 2013, as the future income tax balances are expected to reverse in periods where the Company is no longer consolidating these entities for tax purposes and the right of offset does not exist; and
- The introduction of a new optional tax integration regime (a modified form of tax consolidation), which replaces the previous tax consolidation regime. The new optional tax integration regime requires an equity ownership of at least 80% for qualifying subsidiaries and would allow the Company to defer the annual tax payment of its profitable participating subsidiaries for a period equivalent to 3 years to the extent their individual tax expense exceeds the integrated tax expense of the Company.

The impacts of the 2014 Tax Reform on the Company's financial position and results of operations as of and for the year ended December 31, 2013, resulted from the repeal of the tax consolidation regime as described above regarding the payable of Ps. 180 and the effects of the changes in tax rates on deferred tax assets and liabilities as disclosed below, which was recognized in earnings in 2013.

On November 18, 2014, the Venezuelan government published two decrees which are effective as of the date of publication. This reform establishes that segregated loss carryforward (i.e. foreign operating or domestic operating) may be used only against future income of the same type. Additionally the three year carryforward for net operating losses is maintained, but the amount of losses available for carryforwards may not exceed twenty five percent of the tax period's taxable income.

24.1 Income Tax

The major components of income tax expense for the years ended December 31, 2014, 2013 and 2012 are:

	2014	2013	2012
Current tax expense	Ps. 7,810	Ps. 7,855	Ps. 7,412
Deferred tax expense:			
Origination and reversal of temporary differences	1,303	257	103
(Recognition) utilization of tax losses	(2,874)	(212)	434
Total deferred tax (income) expense	(1,571)	45	537
Change in the statutory rate ⁽¹⁾	14	(144)	-
	Ps. 6,253	Ps. 7,756	Ps. 7,949

⁽¹⁾ Effect due to 2014 Tax Reform.

Recognized in Consolidated Statement of Other Comprehensive Income (OCI)

Income tax related to items charged or recognized directly in OCI during the year:

	2014	2013	2012
Unrealized loss (gain) on cash flow hedges	Ps. 219	Ps. (128)	Ps. (120)
Unrealized gain on available for sale securities	-	(1)	(1)
Exchange differences on translation of foreign operations	(60)	1,384	(1,012)
Remeasurements of the net defined benefit liability	(49)	(56)	(113)
Share of the other comprehensive income of associates and joint ventures	189	(1,203)	(304)
Total income tax cost (benefit) recognized in OCI	Ps. 299	Ps. (4)	Ps. (1,550)

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, 2014, 2013 and 2012 is as follows:

	2014	2013	2012
Mexican statutory income tax rate	30.0%	30.0%	30.0%
Difference between book and tax inflationary values and translation effects	(3.1%)	(0.2%)	(0.8%)
Annual inflation tax adjustment	(4.4%)	(1.2%)	(0.3%)
Difference between statutory income tax rates	0.9%	1.2%	1.1%
Non-deductible expenses	3.7%	1.0%	0.8%
Taxable (non-taxable) income, net	(1.1%)	0.7%	(1.3%)
Change in the statutory Mexican tax rate	0.1%	(0.6%)	-
Others	0.2%	-	(0.6%)
	26.3%	30.9%	28.9%

Deferred Income Tax Related to:

	Consolidated Statement of Financial Position as of		Consolidated Statement of Income		
	December 31, 2014	December 31, 2013	2014	2013	2012
Allowance for doubtful accounts	Ps. (242)	Ps. (148)	Ps. (106)	Ps. (24)	Ps. (33)
Inventories	132	9	77	(2)	51
Other current assets	114	147	(18)	109	(104)
Property, plant and equipment, net	(1,654)	(452)	(968)	(630)	(101)
Investments in associates and joint ventures	(176)	(271)	87	115	1,589
Other assets	226	(188)	422	(2)	238
Finite useful lived intangible assets	246	384	(133)	236	(38)
Indefinite lived intangible assets	75	299	(195)	88	32
Post-employment and other long-term employee benefits	(753)	(636)	(92)	30	(40)
Derivative financial instruments	(38)	61	(99)	62	(14)
Provisions	(1,318)	(860)	(477)	(164)	(12)
Temporary non-deductible provision	2,534	(150)	2,450	562	51
Employee profit sharing payable	(268)	(255)	(13)	(27)	(13)
Tax loss carryforwards	(3,249)	(393)	(2,874)	(212)	434
Cumulative other comprehensive income ⁽¹⁾	(303)	(479)	-	-	-
Exchange differences on translation of foreign operations in OCI	2,135	2,195	-	-	-
Other liabilities	(96)	(62)	475	(131)	72
Deferred tax (income) expense			Ps. (1,464)	Ps. 10	Ps. 2,112
Deferred tax income net recorded in share of the profit of associates and joint ventures accounted for using the equity method			(93)	(109)	(1,575)
Deferred tax (income) expense, net			Ps. (1,557)	Ps. (99)	Ps. 537
Deferred income taxes, net	(2,635)	(799)			
Deferred tax asset	(6,278)	(3,792)			
Deferred tax liability	Ps. 3,643	Ps. 2,993			

⁽¹⁾ Deferred tax related to derivative financial instruments and remeasurements of the net defined benefit liability.

Deferred tax related to Other Comprehensive Income (OCI)

Income tax related to items charged or
recognized directly in OCI as of the year:

	2014	2013
Unrealized loss (gain) on derivative financial instruments	Ps. 12	Ps. (209)
Remeasurements of the net defined benefit liability	(315)	(270)
Total deferred tax income related to OCI	Ps. (303)	Ps. (479)

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

	2014	2013	2012
Initial balance	Ps. (799)	Ps. (1,328)	Ps. (1,586)
Deferred tax provision for the year	(1,571)	45	537
Change in the statutory rate	14	(144)	-
Deferred tax income net recorded in share of the profit of associates and joint ventures accounted for using the equity method	93	109	1,575
Acquisition of subsidiaries (see Note 4)	(516)	647	(77)
Disposal of subsidiaries	-	-	16
Effects in equity:			
Unrealized loss (gain) on cash flow hedges	109	(149)	(76)
Unrealized gain on available for sale securities	-	(1)	(1)
Exchange differences on translation of foreign operations	617	2	(974)
Remeasurements of the net defined benefit liability	(427)	102	(532)
Retained earnings of associates	(180)	(121)	(189)
Restatement effect of beginning balances associated with hyperinflationary economies	25	39	(21)
Ending balance	Ps. (2,635)	Ps. (799)	Ps. (1,328)

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

Tax Loss Carryforwards

The subsidiaries in Mexico and Brazil have tax loss carryforwards. The tax effect net of consolidation benefits and their years of expiration are as follows:

Year	Tax Loss Carryforwards
2015	Ps. -
2016	-
2017	-
2018	3
2019	24
2020	10
2021	13
2022	41
2023 and thereafter	1,860
No expiration (Brazil)	7,842
	9,793
Tax losses used in consolidation	(1,059)
	Ps. 8,734

During 2013 Coca-Cola FEMSA completed certain acquisitions in Brazil as disclosed in Note 4. In connection with those acquisition Coca-Cola FEMSA recorded certain goodwill balances that are deductible for Brazilian income tax reporting purposes. The deduction of such goodwill amortization has resulted in the creation of NOLs in Brazil. NOLs in Brazil have no expiration, but their usage is limited to 30% of Brazilian taxable income in any given year. As of December 31, 2014 Coca-Cola FEMSA 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 no valuation allowance has been provided.

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

	2014	2013
Balance at beginning of the year	Ps. 558	Ps. 91
Additions	8,199	593
Usage of tax losses	(45)	(122)
Translation effect of beginning balances	22	(4)
Balance at end of the year	Ps. 8,734	Ps. 558

There were no withholding taxes associated with the payment of dividends in either 2014, 2013 or 2012 by the Company to its shareholders.

The Company has determined that undistributed profits of its subsidiaries, joint ventures or associates will not be distributed in the foreseeable future. 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. 43,394 (December 31, 2013: Ps. 44,920 and December 31, 2012: Ps. 43,569).

24.2 Other taxes

The operations in Guatemala, Nicaragua, Colombia and Argentina are subject to a minimum tax, which is based primary on a percentage of assets. Any payments are recoverable in future years, under certain conditions.

Note 25. Other Liabilities, Provisions, Contingencies and Commitments

25.1 Other current financial liabilities

	December 31, 2014	December 31, 2013
Sundry creditors	Ps. 4,515	Ps. 3,998
Derivative financial instruments	347	347
Total	Ps. 4,862	Ps. 4,345

25.2 Provisions and other long term liabilities

	December 31, 2014	December 31, 2013
Provisions	Ps. 4,285	Ps. 4,674
Taxes payable	444	558
Others	890	885
Total	Ps. 5,619	Ps. 6,117

25.3 Other financial liabilities

	December 31, 2014	December 31, 2013
Derivative financial instruments	Ps. 151	Ps. 1,526
Security deposits	177	142
Total	Ps. 328	Ps. 1,668

25.4 Provisions recorded in the consolidated statement of financial position

The Company has various loss contingencies, and has recorded reserves as other liabilities for those legal proceedings for which it believes an unfavorable resolution is probable. Most of these loss contingencies are the result of the Company's business acquisitions. The following table presents the nature and amount of the loss contingencies recorded as of December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
Indirect taxes ⁽¹⁾	Ps. 2,271	Ps. 3,300
Labor	1,587	1,063
Legal	427	311
Total	Ps. 4,285	Ps. 4,674

⁽¹⁾ As of December 31, 2013 indirect taxes include Ps. 246 of tax loss contingencies regarding indemnification accorded with Heineken over FEMSA Cerveza prior tax contingencies.

25.5 Changes in the balance of provisions recorded

25.5.1 Indirect taxes

	December 31, 2014	December 31, 2013	December 31, 2012
Balance at beginning of the year	Ps. 3,300	Ps. 1,263	Ps. 1,405
Penalties and other charges	220	1	107
New contingencies	38	263	56
Reclasification in tax contingencies with Heineken	1,349	-	-
Contingencies added in business combination	1,190	2,143	117
Cancellation and expiration	(798)	(5)	(124)
Payments	(2,517)	(303)	(157)
Current portion	-	(163)	(52)
Brazil amnesty adoption	(599)	-	-
Restatement of the beginning balance of subsidiaries in hyperinflationary economies	88	101	(89)
Balance at end of the year	Ps. 2,271	Ps. 3,300	Ps. 1,263

During 2014, Coca-Cola FEMSA took advantage of a Brazilian tax amnesty program. The settlement of certain outstanding matters under that amnesty program generated a benefit Ps. 455 which is reflected in other income during the year ended December 31, 2014.

25.5.2 Labor

	December 31, 2014	December 31, 2013	December 31, 2012
Balance at beginning of the year	Ps. 1,063	Ps. 934	Ps. 1,128
Penalties and other charges	107	139	189
New contingencies	145	187	134
Contingencies added in business combination	442	157	15
Cancellation and expiration	(53)	(226)	(359)
Payments	(57)	(69)	(91)
Restatement of the beginning balance of subsidiaries in hyperinflationary economies	(60)	(59)	(82)
Balance at end of the year	Ps. 1,587	Ps. 1,063	Ps. 934

A roll forward for legal contingencies is not disclosed because the amounts are not considered to be material.

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

25.6 Unsettled lawsuits

The Company has entered into several proceedings with its labor unions, tax authorities and other parties that primarily involve Coca-Cola FEMSA and its subsidiaries. These proceedings have resulted in the ordinary course of business and are common to the industry in which the Company operates. The aggregate amount being claimed against the Company resulting from such proceedings as of December 31, 2014 is Ps. 30,071. Such contingencies were classified by 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, amounting to approximately Ps.21,217, with loss expectations assessed by management and supported by the analysis of legal counsel which it considers possible. Among these possible contingencies, are Ps. 8,625 in various tax disputes related primarily to credits for ICMS (VAT) and Industrialized Products Tax (IPI). Possible claims also include Ps. 10,194 related to the disallowance of IPI credits on the acquisition of inputs from the Manaus Free Trade Zone. Cases related to these matters are pending final decision at the administrative level. Possible claims also include Ps. 1,817 related to compensation of federal taxes not approved by the IRS (Tax authorities). Cases related to these matters are pending final decision in the administrative and judicial spheres. Finally, possible claims include Ps. 538 related to the requirement by the Tax Authorities of State of São Paulo for ICMS (VAT), interest and penalty due to the alleged underpayment of tax arrears for the period 1994-1996. Coca-Cola FEMSA is defending its position in these matters and final decision is pending in court. In addition, the Company has Ps. 5,162 in unsettled indirect tax contingencies regarding indemnification accorded with Heineken over FEMSA Cerveza. These matters are related to different Brazilian federal taxes which are pending final decision.

At December 31, 2014 there are not important labor and legal contingencies that we have to disclose.

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

25.7 Collateralized contingencies

As is customary in Brazil, the Company has been required by the tax authorities there to collateralize tax contingencies currently in litigation amounting to Ps. 3,026 and Ps. 2,248 as of December 31, 2014 and 2013, respectively, by pledging fixed assets and entering into available lines of credit covering the contingencies (see Note 13).

25.8 Commitments

As of December 31, 2014, the Company has contractual commitments for finance leases for machinery and transport equipment and operating lease for the rental of production machinery and equipment, distribution and computer equipment, and land for FEMSA Comercio's operations.

The contractual maturities of the operating lease commitments by currency, expressed in Mexican pesos as of December 31, 2014, are as follows:

	Mexican Pesos	U.S. Dollars	Others
Not later than 1 year	Ps. 3,434	Ps. 196	Ps. 29
Later than 1 year and not later than 5 years	12,340	689	15
Later than 5 years	15,672	361	3
Total	Ps. 31,446	Ps. 1,246	Ps. 47

Rental expense charged to consolidated net income was Ps. 4,988, Ps. 4,345 and Ps. 4,032 for the years ended December 31, 2014, 2013 and 2012, respectively.

Future minimum lease payments under finance leases with the present value of the net minimum lease payments are as follows:

	2014 Minimum Payments	Present Value of Payments	2013 Minimum Payments	Present Value of Payments
Not later than 1 year	Ps. 299	Ps. 263	Ps. 322	Ps. 276
Later than 1 year and not later than 5 years	596	568	852	789
Total minimum lease payments	895	831	1,174	1,065
Less amount representing finance charges	64	-	109	-
Present value of minimum lease payments	831	831	Ps. 1,065	Ps. 1,065

The Company through its subsidiary Coca-Cola FEMSA has firm commitments for the purchase of property, plant and equipment of Ps. 2,077 as of December 31, 2014.

25.9 Restructuring provision

Coca-Cola FEMSA recorded a restructuring provision. This provision relates principally to reorganization in the structure of the Company. The restructuring plan was drawn up and announced to the employees of the Company in 2014 when the provision was recognized in its consolidated financial statements. The restructuring of the Company is expected to complete by 2015 and it is presented in current liabilities within accounts payable caption in the consolidated statement of financial position.

	December 31, 2014	December 31, 2013	December 31, 2012
Balance at beginning of the year	Ps. -	Ps. 90	Ps. 153
New	199	179	195
Payments	(142)	(234)	(258)
Cancellation	(25)	(35)	-
Balance at end of the year	Ps. 32	Ps. -	Ps. 90

Note 26. Information by Segment

The analytical information by segment is presented considering the Company's business units (Subholding Companies as defined in Note 1), 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 Company's other components. All segments' operating results are reviewed regularly by the Chief Operating Decision Maker, which makes decisions about the resources that would be allocated to the segment and to assess its performance, and for which financial information is available.

Inter-segment transfers or transactions are entered into and presented under accounting policies of each segment, which are the same to 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:

2014	Coca-Cola FEMSA	FEMSA Comercio	CB Equity	Other ⁽¹⁾	Consolidation Adjustments	Consolidated
Total revenues	Ps. 147,298	Ps. 109,624	Ps. -	Ps. 20,069	Ps. (13,542)	Ps. 263,449
Intercompany revenue	3,475	-	-	10,067	(13,542)	-
Gross profit	68,382	39,386	-	4,871	(2,468)	110,171
Administrative expenses	-	-	-	-	-	10,244
Selling expenses	-	-	-	-	-	69,016
Other income	-	-	-	-	-	1,098
Other expenses	-	-	-	-	-	(1,277)
Interest expense	(5,546)	(686)	-	(1,093)	624	(6,701)
Interest income	379	23	16	1,068	(624)	862
Other net finance expenses ⁽³⁾	-	-	-	-	-	(1,149)
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method	14,952	7,959	8	905	(80)	23,744
Income taxes	3,861	541	2	1,849	-	6,253
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	(125)	37	5,244	(17)	-	5,139
Consolidated net income	-	-	-	-	-	22,630
Depreciation and amortization ⁽²⁾	6,949	2,872	-	193	-	10,014
Non-cash items other than depreciation and amortization	693	204	-	87	-	984
Investments in associates and joint ventures	17,326	742	83,710	381	-	102,159
Total assets	212,366	43,722	85,742	51,251	(16,908)	376,173
Total liabilities	102,248	31,860	2,005	26,846	(16,908)	146,051
Investments in fixed assets ⁽⁴⁾	11,313	5,191	-	1,955	(296)	18,163

⁽¹⁾ Includes other companies (see Note 1) and corporate.

⁽²⁾ Includes bottle breakage.

⁽³⁾ Includes foreign exchange loss, net; loss on monetary position for subsidiaries in hyperinflationary economies; and market value gain on financial instruments.

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

2013	Coca-Cola FEMSA	FEMSA Comercio	CB Equity	Other ⁽¹⁾	Consolidation Adjustments	Consolidated
Total revenues	Ps. 156,011	Ps. 97,572	Ps. -	Ps. 17,254	Ps. (12,740)	Ps. 258,097
Intercompany revenue	3,116	-	-	9,624	(12,740)	-
Gross profit	72,935	34,586	-	4,670	(2,537)	109,654
Administrative expenses	-	-	-	-	-	9,963
Selling expenses	-	-	-	-	-	69,574
Other income	-	-	-	-	-	651
Other expenses	-	-	-	-	-	(1,439)
Interest expense	(3,341)	(601)	-	(865)	476	(4,331)
Interest income	654	5	12	1,030	(476)	1,225
Other net finance expenses ⁽³⁾	-	-	-	-	-	(1,143)
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method	17,224	2,890	4	5,120	(158)	25,080
Income taxes	5,731	339	1	1,685	-	7,756
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	289	11	4,587	(56)	-	4,831
Consolidated net income	-	-	-	-	-	22,155
Depreciation and amortization ⁽²⁾	7,132	2,443	-	121	-	9,696
Non-cash items other than depreciation and amortization	12	197	-	108	-	317
Investments in associates and joint ventures	16,767	734	80,351	478	-	98,330
Total assets	216,665	39,617	82,576	45,487	(25,153)	359,192
Total liabilities	99,512	37,858	1,933	21,807	(24,468)	136,642
Investments in fixed assets ⁽⁴⁾	11,703	5,683	-	831	(335)	17,882
2012						
Total revenues	Ps. 147,739	Ps. 86,433	Ps. -	Ps. 15,899	Ps. (11,762)	Ps. 238,309
Intercompany revenue	2,873	5	-	8,884	(11,762)	-
Gross profit	68,630	30,250	-	4,647	(2,227)	101,300
Administrative expenses	-	-	-	-	-	9,552
Selling expenses	-	-	-	-	-	62,086
Other income	-	-	-	-	-	1,745
Other expenses	-	-	-	-	-	(1,973)
Interest expense	(1,955)	(445)	-	(511)	405	(2,506)
Interest income	424	19	18	727	(405)	783
Other net finance expenses ⁽³⁾	-	-	-	-	-	(181)
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method	19,992	6,146	10	1,620	(238)	27,530
Income taxes	6,274	729	-	946	-	7,949
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	180	(23)	8,311	2	-	8,470
Consolidated net income	-	-	-	-	-	28,051
Depreciation and amortization ⁽²⁾	5,692	2,031	-	293	(126)	7,890
Non-cash items other than depreciation and amortization	580	200	-	237	-	1,017
Investments in associates and joint ventures	5,352	459	77,484	545	-	83,840
Total assets	166,103	31,092	79,268	31,078	(11,599)	295,942
Total liabilities	61,275	21,356	1,822	12,409	(11,081)	85,781
Investments in fixed assets ⁽⁴⁾	10,259	4,707	-	959	(365)	15,560

⁽¹⁾ Includes other companies (see Note 1) and corporate.

⁽²⁾ Includes bottle breakage.

⁽³⁾ Includes foreign exchange loss, net; loss on monetary position for subsidiaries in hyperinflationary economies; and market value gain on financial instruments.

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

b) Information 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) and (ii) the South America division (comprising the following countries: Brazil, Argentina, Colombia and Venezuela). Venezuela operates in an economy with exchange controls and hyper-inflation; and as a result, it is not aggregated into the South America area, (iii) Europe (comprised of the Company's equity method investment in Heineken) and (iv) the Asian division comprised of the Coca-Cola FEMSA's equity method investment in CCFPI (Philippines) which was acquired in January 2013.

Geographic disclosure for the Company is as follow:

	Total Revenues	Total Non Current Assets
2014		
Mexico and Central America ^{(1) (2)}	Ps. 186,736	Ps. 139,899
South America ⁽³⁾	69,172	67,078
Venezuela	8,835	6,374
Europe	-	83,710
Consolidation adjustments	(1,294)	-
Consolidated	Ps. 263,449	Ps. 297,061
2013		
Mexico and Central America ^{(1) (2)}	Ps. 171,726	Ps. 133,571
South America ⁽³⁾	55,157	61,143
Venezuela	31,601	10,558
Europe	-	80,351
Consolidation adjustments	(387)	-
Consolidated	Ps. 258,097	Ps. 285,623
2012		
Mexico and Central America ⁽¹⁾		Ps. 155,576
South America ⁽³⁾		56,444
Venezuela		26,800
Europe		-
Consolidation adjustments		(511)
Consolidated		Ps. 238,309

⁽¹⁾ Central America includes Guatemala, Nicaragua, Costa Rica and Panama. Domestic (Mexico only) revenues were Ps. 178,125, Ps. 163,351 and Ps. 148,098 during the years ended December 31, 2014, 2013 and 2012, respectively. Domestic (Mexico only) non-current assets were Ps. 138,662 and Ps. 127,693, as of December 31, 2014, and December 31, 2013, respectively.

⁽²⁾ Coca-Cola FEMSA's Asian division consists of the 51% equity investment in CCFPI (Philippines) which was acquired in 2013, and is accounted for using the equity method of accounting (see Note 10). The equity in earnings of the Asian division were Ps. (334) and Ps. 108 in 2014 and 2013, respectively as is the equity method investment in CCFPI was Ps. 9,021 and Ps. 9,398 and this is presented as part of the Company's corporate operations in 2014 and 2013, respectively and thus disclosed net in the table above as part of the "Total Non Current assets" in the Mexico & Central America division. However, the Asian division is represented by the following investee level amounts, prior to reflection of the Company's 51% equity interest in the accompanying consolidated financial statements: revenues Ps. 16,548 and Ps. 13,438, gross profit Ps. 4,913 and Ps. 4,285, income before income taxes Ps. 664 and Ps. 310, depreciation and amortization Ps. 643 and Ps. 1,229, total assets Ps. 19,877 and Ps. 17,232, total liabilities Ps. 6,614 and Ps. 4,488, capital expenditures Ps. 2,215 and Ps. 1,889, as of December 31, 2014 and 2013, respectively.

⁽³⁾ South America includes Brazil, Argentina, Colombia and Venezuela, although Venezuela is shown separately above. South America revenues include Brazilian revenues of Ps. 45,799, Ps. 31,138 and Ps. 30,930 during the years ended December 31, 2014, 2013 and 2012, respectively. Brazilian non-current assets were Ps. 51,587 and Ps. 45,900, as of December 31, 2014 and December 31, 2013, respectively. South America revenues include Colombia revenues of Ps. 14,207, Ps. 13,354 and Ps. 14,597 during the years ended December 31, 2014, 2013 and 2012, respectively. Colombia non-current assets were Ps. 12,933 and Ps. 12,888, as of December 31, 2014 and December 31, 2013, respectively. South America revenues include Argentina revenues of Ps. 9,714, Ps. 10,729 and Ps. 10,270 during the years ended December 31, 2014, 2013 and 2012, respectively. Argentina non-current assets were Ps. 2,470 and Ps. 2,042, as of December 31, 2014 and December 31, 2013, respectively.

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

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

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The transition to IFRS 9 differs by requirements and is partly retrospective and partly prospective. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Company has not early adopted this IFRS, and the Company has yet to complete its evaluation of whether it will have a material impact on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, "Revenue from Contracts with Customers", was issued in May 2014 and applies to annual reporting periods beginning on or after January 1, 2017, earlier application is permitted. Revenue is recognized as control is passed, either over time or at a point in time.

The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. In applying the revenue model to contracts within its scope, an entity will: 1) Identify the contract(s) with a customer; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to the performance obligations in the contract; 5) Recognize revenue when (or as) the entity satisfies a performance obligation. Also, an entity needs to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company has yet to complete its evaluation of whether these changes will have a significant impact on its consolidated financial statements.

Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Amendments to IFRS 11, Joint Arrangements: Accounting for acquisitions of interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company anticipates that no impact is expected on the financial statements from the adoption of these amendments because it does not have investment in a joint operation.

Note 28. Subsequent Events

On February 11, 2015, the Venezuelan government announced plans for a new foreign currency exchange system with three markets. The new legislation, maintains the official exchange rate of 6.3 bolivars to the U.S. dollar (USD) that will continue to be available for certain foods and medicines; furthermore the new legislation merges SICAD I and SICAD II into a new SICAD that is currently valued at 12 bolivars per USD, and creates a new open market foreign exchange system (SIMADI) that started at 170 Bolivars per USD. At the date of this report, no specific guidance has been defined with respect to the use of each exchange rate available. The Company will closely monitor developments in this area, which may affect the exchange rate(s) used prospectively.

On December 2014, FEMSA Comercio agreed to acquire 100% of Farmacias Farmacon, a regional drugstore operator in the western Mexican states of Sinaloa, Sonora, Baja California and Baja California Sur. Headquartered in the city of Culiacan, Sinaloa, Farmacias Farmacon currently operates 213 stores. The transaction is pending customary regulatory approvals, including the authorization of the Mexican Federal Economic Competition Commission ("Comisión Federal de Competencia Económica").

Since 1995, FEMSA Comercio has been providing services and assets for the operation of gasoline service stations through agreements with third parties that own Petroleos Mexicanos (PEMEX) franchises, using the commercial brand OXXO Gas. As of December 31, 2014 there were 227 OXXO Gas stations, most of them adjacent to OXXO stores.

Mexican legislation precluded FEMSA Comercio from participating in the retail of gasoline and therefore from owning PEMEX franchises given FEMSA's foreign institutional investor base. In light of recent changes to the legal framework as part of Mexico's energy reform, FEMSA Comercio is no longer precluded from owning PEMEX franchises and participating in the retail of gasoline. In order to enable this, FEMSA Comercio has agreed to acquire the related PEMEX franchises from the aforementioned third parties and plans to lease, acquire or open more gasoline service stations in the future.

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The FEMSA 2014 Annual Report may contain certain forward-looking statements concerning FEMSA and its subsidiaries' future performance and should be considered as good faith estimates of FEMSA and its subsidiaries. These forward-looking statements reflect management's expectations and are based upon currently available data. Actual results are subject to further events and uncertainties which could materially impact the Company's subsidiaries' actual performance.

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Stock Markets and Symbols

Fomento Económico Mexicano, S.A.B. de C.V. stock trades on the Bolsa Mexicana de Valores (BMV) in the form of units under the symbols FEMSA UBD and FEMSA UB. The FEMSA UBD units also trade on The New York Stock Exchange, Inc. (NYSE) in the form of ADRs under the symbol FMX.



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