

As filed with the Securities and Exchange Commission on April 21, 2023

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022
Commission file number 001-35934

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

(Exact name of registrant as specified in its charter)

Mexican Economic Development, Inc.

(Translation of registrant's name into English)

United Mexican States

(Jurisdiction of incorporation or organization)

General Anaya No. 601 Pte., Colonia Bella Vista, Monterrey, NL 64410 Mexico

(Address of principal executive offices)

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General Anaya No. 601 Pte., Colonia Bella Vista, Monterrey, NL 64410 Mexico
(Name, telephone, email and/or facsimile number and address of company contact person)

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

Title of each class:	Trading Symbols:	Name of each exchange on which registered:
American Depositary Shares, each representing 10 BD Units, and each BD Unit consisting of one Series B Share, two Series D-B Shares and two Series D-L Shares, without par value	FMX	New York Stock Exchange
2.875% Senior Notes due 2023	FMX23	New York Stock Exchange
4.375% Senior Notes due 2043	FMX43	New York Stock Exchange
3.500% Senior Notes due 2050	FMX50	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

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

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

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

Yes

No

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

Yes

No

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

Yes

No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes

No

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

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Emerging Growth Company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Yes

No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Yes

No

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

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

Item 17

Item 18

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

Yes

No

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INTRODUCTION

References

The terms “FEMSA,” “our company,” “the Group,” “we,” “us” and “our” are used in this annual report to refer to Fomento Económico Mexicano, S.A.B. de C.V. and, except where the context otherwise requires, its subsidiaries on a consolidated basis. We refer to our former subsidiary Cuauhtémoc Moctezuma Holding, S.A. de C.V. (formerly FEMSA Cerveza, S.A. de C.V.) as “Heineken Mexico” or “FEMSA Cerveza”. FEMSA divested itself of its ownership of FEMSA Cerveza in 2010. We refer to our subsidiary Coca-Cola FEMSA, S.A.B. de C.V. as “Coca-Cola FEMSA,” to our subsidiary FEMSA Comercio, S.A. de C.V. as “FEMSA Comercio” and to our subsidiaries Solística, S.A. de C.V. (“Solística”) and Envoy Solutions, LLC (“Envoy Solutions”), collectively, as “Logistics and Distribution.” FEMSA Comercio is a holding company that directly and indirectly owns our operating subsidiaries that make up the “Proximity Americas Division,” “Proximity Europe Division,” “Fuel Division” and “Health Division.” “Heineken” refers to Heineken N.V. and Heineken Holding N.V., together with their respective subsidiaries. The term “Digital@FEMSA” refers to our digital and financial ecosystem business.

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

“U.S. dollars,” “US\$,” “dollars” or “\$” refer to the lawful currency of the United States of America (“United States”). “Mexican pesos,” “pesos” or “Ps.” refer to the lawful currency of Mexico. “Euros” or “€” refer to the lawful currency of the European Economic and Monetary Union (the “Euro Zone”).

As used in this annual report, “sparkling beverages” refers to non-alcoholic carbonated beverages. “Still beverages” refers to non-alcoholic non-carbonated beverages. “Waters” refers to flavored and non-flavored waters, whether or not carbonated.

Currency Translations and Estimates

This annual report contains translations of certain Mexican peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from Mexican pesos at an exchange rate of Ps. 19.4960 to US\$ 1.00, the noon buying rate for Mexican pesos on December 31, 2022, as published by the U.S. Federal Reserve Board in its H.10 Weekly Release of Foreign Exchange Rates. On April 14, 2023, this exchange rate was Ps. 18.0490 to US\$ 1.00.

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

Per capita growth rates, consumer price indices and population data have been taken from statistics prepared by the National Institute of Statistics, Geography and Information of Mexico (*Instituto Nacional de Estadística, Geografía e Informática* or “INEGI”), the U.S. Federal Reserve Board and the Mexican Central Bank *Banco de México*, local entities in each country where we have operations and upon our estimates.

Forward-Looking Information

This annual report contains words such as “believe,” “expect,” “anticipate” and similar expressions that identify forward-looking statements. Use of these words reflects our views about future events and financial performance. Actual results could differ materially from those projected in these forward-looking statements as a result of various factors that may be beyond our control, including, but not limited to, effects on our company from changes in our relationship with or among our affiliated companies, fluctuation in the prices of raw materials, effects on our company’s points of sale performances from changes in economic conditions, changes or interruptions in our information technology systems, effects on our company from changes to our various suppliers’ business and demands, competition, significant developments in the countries where we operate, our ability to successfully integrate mergers and acquisitions we have completed in recent years, international economic or political conditions, health epidemics, pandemics (including COVID-19 and its existing and future variants, if any) and similar outbreaks including future outbreak of diseases and their effect on customer behavior and on economic, political, social and other conditions in the countries where we have operations and globally. Accordingly, we caution readers not to place undue reliance on these forward-looking statements. In any event, these statements speak only as of their respective dates, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

ITEMS 1-2. NOT APPLICABLE

ITEM 3. KEY INFORMATION

This annual report includes (under Item 18) our audited consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated income statements, consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2022, 2021 and 2020. Our audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

This annual report presents financial information for 2022, 2021 and 2020 in nominal terms in Mexican pesos, taking into account local inflation of any hyperinflationary economic environment pursuant to IFRS. Our non-Mexican subsidiaries maintain their accounting records in their local currency and in accordance with accounting principles generally accepted in the country where they are located. For presentation in our consolidated financial statements, we adjust these accounting records into IFRS and report in Mexican pesos under these standards.

In the case of Argentina, the economy satisfies the conditions under IFRS to be treated as a hyperinflationary economy based on various economic factors, including that Argentina’s cumulative inflation over the three-year period prior to December 31, 2022 exceeded 100%, according to available indexes in the country. We therefore adjust the financial information of our Argentine operations to recognize inflationary effects. Our functional currency in Argentina was converted to Mexican pesos for the periods ended December 31, 2022, 2021 and 2020 using the exchange rates at the end of such periods. See Note 3.4 to our audited consolidated financial statements.

In February 2023, in connection with our announcement of the FEMSA Forward initiative, our representatives resigned from the supervisory board of Heineken N.V. and the board of directors of Heineken Holding N.V., and we completed a series of transactions that resulted in the reduction of our combined economic interest in Heineken from 14.76% to 8.13% (the “Heineken Investment”). See “Item 4—Recent Developments”. During the first quarter of 2023, we discontinued the use of the equity method of accounting for the Heineken Investment.

Except when specifically indicated, information in this annual report is presented as of December 31, 2022 and does not give effect to any transaction, financial or otherwise, subsequent to that date. Starting in 2022, we opted to report the Proximity Americas Division and the Proximity Europe Division separately. The financial information and results for the Proximity Europe Division are only included from the date of acquisition, for the last 23 days of October and the entirety of November and December 2022.

Dividends

We have historically declared annual dividends in respect each Series of Shares (including in the form of American Depositary Shares, or “ADSs”), subject to changes in our results and financial position, including due to extraordinary economic events and to the factors described in “Item 3. Key Information— Risk Factors” that affect our financial condition and liquidity. These factors may affect whether or not dividends are declared and the amount of such dividends. We do not expect to be subject to any contractual restrictions on our ability to pay dividends, although our subsidiaries may be subject to such restrictions. Because we are a holding company with no significant operations of our own, we will have distributable profits and cash to pay dividends only to the extent that we receive dividends from our subsidiaries. Accordingly, we cannot assure you that we will pay dividends or as to the amount of any dividends.

The table below sets forth the nominal amount of dividends paid per share in Mexican pesos and translated into U.S. dollars and their respective payment dates for the 2020 to 2022 fiscal years.

Date Dividend Paid	Fiscal Year with Respect to which Dividend was Declared		Aggregate Amount of Dividend Declared	Per Series B Share Dividend	Per Series B Share Dividend ⁽¹⁾	Per Series D Share Dividend	Per Series D Share Dividend ⁽¹⁾
August 20, 2020 and November 5, 2020	2019	Ps.	10,360,354,065	Ps. 0.5167	\$ 0.0241	Ps. 0.6458	\$ 0.0301
August 20, 2020				Ps. 0.2583	\$ 0.0117	Ps. 0.3229	\$ 0.0146
November 5, 2020				Ps. 0.2583	\$ 0.0124	Ps. 0.3229	\$ 0.0155
May 6, 2021 and November 5, 2021	2020	Ps.	7,686,624,026	Ps. 0.3833	\$ 0.0189	Ps. 0.4792	\$ 0.0236
May 6, 2021				Ps. 0.1917	\$ 0.0095	Ps. 0.2396	\$ 0.0119
November 5, 2021				Ps. 0.1917	\$ 0.0094	Ps. 0.2396	\$ 0.0117
May 5, 2022 and November 7, 2022	2021	Ps.	11,358,251,673.0000	Ps. 0.5660	\$ 0.0285	Ps. 0.7085	\$ 0.0357
May 5, 2022				Ps. 0.2830	\$ 0.0145	Ps. 0.3543	\$ 0.0175
November 7, 2022				Ps. 0.2830	\$ 0.0145	Ps. 0.3543	\$ 0.0182

(1) Translations to U.S. dollars are based on the exchange rates on the dates the payments were made.

On March 31, 2023, our shareholders approved a cash dividend of Ps. 12,246,519,120, consisting of Ps. 0.6107 per Series B Share and Ps. 0.7634 per Series D Share, for the 2022 fiscal year, which will be paid in two equal installments on May 8, 2023 and November 7, 2023.

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

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

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

Risk Factors

Risks Related to Our Company

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

Substantially all of Coca-Cola FEMSA's sales are derived from sales of *Coca-Cola* trademark beverages. Coca-Cola FEMSA produces, markets, sells and distributes *Coca-Cola* trademark beverages through standard bottler agreements in the territories where it operates, which we refer to as "Coca-Cola FEMSA's territories." Coca-Cola FEMSA is required to purchase concentrate for all *Coca-Cola* trademark beverages from affiliates of The Coca-Cola Company ("TCCC"), which price is determined from time to time by TCCC in all such territories. Coca-Cola FEMSA is also required to purchase sweeteners and other raw materials only from companies authorized by TCCC. Increases in the cost, disruption of supply or shortage of ingredients for concentrate could have an adverse effect on Coca-Cola FEMSA's business. See "Item 4. Information on the Company—Coca-Cola FEMSA—Coca-Cola FEMSA's Territories."

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

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

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

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

TCCC has substantial influence on the conduct of Coca-Cola FEMSA's business. As of the date of this report, TCCC indirectly owned 27.8% of Coca-Cola FEMSA's outstanding capital stock, representing 32.9% of Coca-Cola FEMSA's capital stock with full voting rights. TCCC is entitled to appoint up to five of Coca-Cola FEMSA's maximum of 21 directors and the vote of at least two of them is required to approve certain actions by Coca-Cola FEMSA's board of directors. See "Item 10. Additional Information—Material Contracts—Material Contracts Relating to Coca-Cola FEMSA—Shareholders Agreements." The interests of TCCC may be different from the interests of Coca-Cola FEMSA's other shareholders, which may result in Coca-Cola FEMSA taking actions contrary to the interests of such other shareholders.

Proximity Americas Division may not be able to maintain its historic growth rate.

Proximity Americas Division increased the number of OXXO stores at a compound annual growth rate of 4.5% from 2018 to 2022. The growth in the number of OXXO stores has driven growth in total revenue and results of operations at Proximity Americas Division over the same period. As the overall number of stores increases, percentage growth in the number of OXXO stores is likely to slow. In addition, as small-format store penetration in Mexico grows, the number of viable new store locations may decrease, and new store locations may be less favorable in terms of same-store sales, average ticket, and store traffic. As a result, our future results and financial condition may not be consistent with prior periods and may be characterized by lower growth rates in terms of total revenue and results of operations. We cannot assure that the revenues and cash flows of Proximity Americas Division that come from future retail stores will be comparable with those generated by existing retail stores. See "Item 4. Information on the Company—Proximity Americas Division —Store Locations."

The Health Division's sales may be affected by a material change in institutional sale trends in some of the markets where it has operations.

In some of the markets where we have operations, the sales of the Health Division are highly dependent on institutional sales, as well as traditional, open-market sales. The institutional market involves public and private health care providers, and the performance of the Health Division could be affected by its ability to maintain and grow its client base.

The Health Division's performance may be affected by contractual conditions with its suppliers.

The Health Division acquires the majority of its inventories and healthcare products from a limited number of suppliers. Its ability to maintain favorable conditions in its current commercial agreements could potentially affect the Health Division's operating and financial performance.

The Fuel Division's performance may be affected by changes in commercial terms with suppliers, or disruptions to the industry supply chain.

The Fuel Division mainly purchases gasoline and diesel for its operations in Mexico. The fuel market in Mexico has experienced structural changes that could gradually decrease the number of suppliers. In the event of global changes in the industry, commercial terms for the Fuel Division could deteriorate in the future, adversely impacting the financial performance of the Fuel Division.

The nature of the Fuel Division's operations exposes it, and the communities in which it operates, to a range of health, safety, security and environmental risks.

The nature of the Fuel Division's operations exposes it to certain risks, particularly at its fuel stations. These risks include equipment failure, work accidents, fires, explosions, vapor emissions, spills and leaks at its facilities, service stations or other sites. These types of hazards and accidents may cause personal injuries or the loss of life, business interruptions and damage or contamination to the environment and the Fuel Division's property, equipment or reputation. Further, we may be subject to litigation, compensation claims, governmental fines or penalties or other liabilities or losses in relation to such incidents and accidents and may incur significant costs as a result. Such incidents and accidents may also affect our reputation or our brands, leading to a decline in sales of our products and services, and may adversely impact our business, financial condition and results of operations.

Our business expansion strategy may not be successful and may lead to decreased profit margins.

We recently announced our FEMSA Forward initiative to focus on our core business units of retail, Coca-Cola FEMSA and Digital@FEMSA. See “Item 4. Information on the Company—Corporate History and Recent Developments.” In recent periods, we have entered into new markets and new lines of business through the acquisition of other businesses, and we continue to seek investment opportunities in our core business, while we are planning to divest in others. These new businesses or investments may not result in the same growth rates that we have historically experienced, may experience long lead times before returns on our investment materialize or may be less profitable than our more established businesses.

Key elements to achieving the benefits and expected synergies of these acquisitions are the ability to implement our strategies for these acquisitions, the effectiveness of those strategies, the integration of acquired businesses’ operations into ours in a timely and effective manner, the funding of capital expenditures and the retention of qualified and experienced key personnel. Investments in Digital@FEMSA may also be subject to us selecting the right business to acquire or technology or platform to develop in a highly competitive and dynamic industry. We may incur unforeseen liabilities in connection with acquiring, taking control of, or managing businesses and may encounter difficulties and unforeseen or additional costs in restructuring and integrating them into our operating structure. We cannot assure you that these efforts will be successful or completed as expected, and our business, financial condition and results of operations could be adversely affected if we are unable to do so.

An erosion of our business reputation could have a material adverse effect on our brand, our ability to secure new resources and our business and results of operations.

Our reputation, trademarks and other proprietary rights are important to our competitive position. Coca-Cola FEMSA and OXXO stores, in particular, benefit from a well-recognized brand, and we are in the process of establishing our brands in Digital@FEMSA.

If we are unsuccessful in protecting our intellectual property rights, or if another party prevails in litigation claiming any rights thereto, the value of the brands could be diminished, causing customer confusion and materially adversely impacting our business and financial results. Failure to maintain product safety and quality could materially adversely affect our brand image and reputation and lead to potential product liability claims, governmental agency investigations and damages claims.

Substantially all of Coca-Cola FEMSA’s sales are derived from sales of *Coca-Cola* trademark beverages owned by TCCC. Maintenance of the reputation and intellectual property rights of these trademarks is essential to Coca-Cola FEMSA’s ability to attract and retain retailers and consumers and is a key driver for its success. Failure to maintain the reputation of *Coca-Cola* trademarks and/or to effectively protect these trademarks could have a material adverse effect on its business, financial condition and results of operations.

Societal expectations of businesses are also increasing, with a focus on business ethics, contribution to society, safety and minimizing damage to the environment, among others. Also, there is increasing focus on the role of oil and gas and large retail businesses in the context of climate change and energy transition. If we are unable to meet society demands in this regard, our brands, reputation and price of securities could be negatively affected, thus limiting our ability to deliver our strategy, reducing consumer demand for our products, harming our ability to secure new resources and contracts and restricting its ability to access capital markets or attract employees. Many other factors, including the materialization of the risks discussed in several of the other risk factors herein, could negatively affect our reputation and could have a material adverse effect on our business, financial condition and results of operations.

Our businesses highly depend on information technology and a failure, interruption or breach of our IT systems could adversely affect them.

Our businesses rely heavily on advanced IT systems to effectively manage our data, communications, connectivity and other business processes. We invest aggressively in IT to maximize its value generation potential. The development of IT systems, hardware and software needs to keep pace with the businesses’ growth due to the high speed at which the divisions add new services and products to their commercial offerings. If these systems become obsolete or if the planning for future IT investments is inadequate, our businesses could be adversely affected, so we constantly strive to improve and protect our IT systems with advanced security measures, including in Digital@FEMSA.

In order to address risks to our IT systems, we continue to make investments in training personnel, technologies and cyber insurance. We maintain an IT risk management program which is supervised by senior management. Reports on such IT risk management program are presented to the Audit Committee of the board of directors on a quarterly basis. As part of this program, we have a cybersecurity framework, internal policies and functional surveillance and governance.

Cybersecurity incidents, system disruptions and other breaches of network or information technology security could have an adverse effect on our business and our reputation.

We use networks and information systems to operate our business, to process financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements. Some of these information systems include the Internet and third-party hosted platforms and services used for procurement, supply chain, manufacturing, invoicing and storing client and employee personal data. Because information systems are critical to many of our operating activities, our business and new acquisitions may be impacted by system shutdowns, service disruptions or security breaches, such as failures during routine operations, network or hardware failures, malicious or disruptive software, unintentional or malicious actions of employees or contractors, cyber-attacks by hackers, criminal groups or nation-state organizations or social-activist (hacktivist) organizations, natural disasters, failures or impairments of telecommunication networks or other catastrophic events. Such incidents could result in unauthorized disclosure of material confidential information, and we could experience delays in reporting our financial results. In addition, misuse, leakage or falsification of information could result in violations of data privacy laws and regulations, damage to our reputation and credibility, loss of customers, and, therefore, could have a material adverse effect on our financial condition and results, or may require us to spend significant financial and other resources to prevent future attacks, remedy the damage caused by a security breach or to repair or replace networks and information systems.

We have adopted comprehensive policies and procedures related to our information security and privacy controls that assess compliance on these matters, including the sufficiency of the controls and procedures related to cybersecurity disclosure, through our Chief Information Security Officer as an internal consultant for the Audit Committee and board of directors.

Proximity Americas Division and Digital@FEMSA offer several financial and payments services for their customers. Cyber-security events such as the ones described above could result in unauthorized disclosure of customers' confidential information, violations of data privacy laws and regulations, or in the total or partial loss of our customers funds, that could therefore require us to spend significant financial and other resources to prevent future attacks, remedy the damage caused by a security breach or to repair or replace networks and information systems. As we grow our digital business, we expect to hold more personal information of our customers. Therefore, we expect these risks to increase.

We make investments in technologies, cyber insurance and training of our personnel. We also maintain an information security program that is presented to and supervised by the Audit Committee and information security committee on a quarterly basis. As part of this information security program based on a risk approach, we have a cybersecurity framework, internal policies and cross-functional surveillance. Despite our investments and focus on risk management programs, we may be subject to unexpected security breaches, and there is no assurance that the measures we implement will be sufficient to prevent such breaches.

Negative or inaccurate information on social media could adversely affect our reputation.

In recent years, there has been a considerable increase in the use of social media and similar platforms, including weblogs (blogs), social media websites, and other forms of Internet-based communications that allow individual access to a broad audience of consumers and other interested persons. Consumers value readily available information concerning retailers, manufacturers and their goods and services, and often act on such information without further investigation, authentication and without regard to its accuracy. The availability of information on social media platforms and devices is virtually immediate as is its impact. Social media platforms and devices immediately publish the content their subscribers and participants post, often without filters or checks on accuracy of the content posted. The opportunity for dissemination of information, including inaccurate information, is virtually limitless.

Negative or inaccurate information concerning or affecting us, or our brands' trademarks may be posted at any time on traditional media outlets, social media and similar platforms, including weblogs (blogs), social media websites, and other forms of Internet-based communications which allow individual access to a broad audience of consumers and other interested persons. We may experience additional risks as we grow our Digital@FEMSA business. This information may harm our reputation without affording us an opportunity for redress or correction, which could in turn have a material adverse effect on its business, financial condition and results of operations.

Regulatory developments in the countries where we operate may adversely affect our business, financial condition and results of operations.

The principal areas in which we are subject to laws and regulations are labor, zoning, operations, environmental and related local permits, health and safety, anti-bribery, energy, taxation, antitrust and anti-money laundering, among others. We are also subject to additional regulations applicable to payment providers and fintechs in the markets where we conduct those operations. See "Item 4. Information on the Company—Regulatory Matters—Fintech Regulations." Changes in existing laws and regulations, the adoption of new laws or regulations, or a stricter interpretation or enforcement thereof in the countries where we have operations may increase our operating and compliance costs or

impose restrictions on our operations which, in turn, may adversely affect our business, financial condition and results of operations. In addition, changes in current laws and regulations may negatively impact customer traffic, revenues, operational costs and commercial practices, which may have an adverse effect on results of our operations and financial condition.

Our business could be affected by new safety and environmental regulations enforced by governments, global environmental regulations and new energy technologies. Federal, state, and municipal laws and regulations for the installation and operation of service stations are becoming more stringent. Compliance with these laws and regulations is often difficult and costly. Global trends to reduce the consumption of fossil fuels through incentives and taxes could push sales of these fuels at service stations to slow or decrease in the future and automotive technologies, including efficiency gains in fossil fuel vehicles and increased popularity of alternative fuel vehicles, such as electric and liquefied petroleum gas (“LPG”) vehicles, have caused a reduction in fuel consumption globally. Other new technologies could further reduce the sale of fossil fuels, all of which could adversely affect results of operations and financial condition of the Fuel Division. See “Item 4. Information on the Company—Regulatory Matters—Environmental Regulations.”

Consumers’ increased concerns and changing attitudes about the solid waste streams and environmental responsibility and the related publicity could result in the adoption of such legislation or regulations. If these types of requirements are adopted and implemented on a large scale in any of our territories, they could affect our costs or require changes in our distribution model and packaging, which could reduce net operating revenues and profitability. For example, certain legislative and regulatory reforms have been proposed in some of the territories where Coca-Cola FEMSA operates to restrict the sale of single-use plastics and similar legislation or regulations may be proposed or enacted in the future, which may affect Coca-Cola FEMSA’s use of non-refillable and refillable containers. Such changes in regulations might also affect FEMSA’s ability to meet the KPIs required by the sustainability-linked bond. See “Item 4. Information on the Company—Coca-Cola FEMSA—Raw Materials” and “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources.”

Energy regulatory changes may impact fuel prices and therefore adversely affect our business. The Fuel Division mainly sells gasoline and diesel through owned or leased retail service stations. Previously, the prices of these products were regulated in Mexico by the Energy Regulatory Commission (*Comisión Reguladora de Energía*, or “CRE”). See “Item 4. Information on the Company—Regulatory Matters—Energy Regulations.”

We are required to comply with anti-money laundering laws and regulations in the jurisdictions in which we have operations, which are particularly applicable to our retail and fintech businesses. Such laws and regulations require FEMSA to adopt and implement policies, procedures and controls designed to detect and prevent transactions with third parties involved in money laundering. Although we have such policies, procedures and controls in place, given the number of transactions made in its stores, we may be subject to the risk that our clients or third parties may misuse our services and engage in money laundering or other related illegal activities. There can be no assurance that FEMSA’s internal policies, procedures and controls will be sufficient to detect or prevent all inappropriate practices, including money laundering, fraud or other violations of law or that any person will not take actions in violation of FEMSA policies, procedures and controls. As we expand and grow our retail and fintech businesses, including Digital@FEMSA, we will be subject to additional regulations applicable to financial technology companies in various jurisdictions. See “Item 4. Information on the Company—Regulatory Matters—Fintech Regulations.”

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries where we operate. See “Item 4. Information on the Company—Regulatory Matters—Price Controls.” We cannot assure you that existing or future laws and regulations in the countries where we operate relating to goods and services (in particular, laws and regulations imposing statutory price controls) will not affect our products, our ability to set prices for our products, or that we will not need to implement price restraints, which could have a negative effect on our business, financial condition and results of operations.

Unfavorable outcome of legal proceedings could have an adverse effect on our business, financial condition, and results of operations.

Our operations and the operations of our business units have from time to time been and may continue to be subject to investigations and proceedings on antitrust, tax, consumer protection, environmental, labor and commercial matters. We cannot assure you that these investigations and proceedings will not have an adverse effect on our business units’ business, financial condition, and results of operations. See “Item 8. Financial Information—Legal Proceedings.”

Taxes could adversely affect our business, financial condition and results of operations.

The imposition of new taxes, increases in existing taxes or changes in the interpretation of tax laws and regulations by tax authorities, may have a material adverse effect on the results of operations and financial condition of our business. The countries where we operate may adopt new tax laws or modify existing tax laws to increase taxes applicable to our business or products. For example, Coca-Cola FEMSA is subject to taxes aimed at discouraging the consumption of certain beverages, including sparkling beverages, beverages with added sugar and HFCS and beverages

containing below certain levels of fruit juice. See “Item 4. Information on the Company—Regulatory Matters—Tax Reforms”.

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

The beverage industry is evolving mainly because of changes in consumer preferences and regulatory actions. There have been different plans and actions adopted in recent years by governmental authorities in some of the countries where Coca-Cola FEMSA operates. These include increases in tax rates or the imposition of new taxes on the sale of certain beverages and other regulatory measures, such as restrictions on advertising for some of Coca-Cola FEMSA’s products and additional regulations concerning the labeling or sale of Coca-Cola FEMSA’s products. Moreover, researchers, health advocates and dietary guidelines encourage consumers to reduce their consumption of certain types of beverages sweetened with sugar, artificial sweeteners, and high fructose corn syrup (“HFCS”). In addition, concerns over the environmental impact of plastic may reduce the consumption of Coca-Cola FEMSA’s products sold in plastic bottles or result in additional taxes that could adversely affect consumer demand. Increasing public concern about these issues, new or increased taxes, other regulatory measures or Coca-Cola FEMSA’s failure to meet consumers’ preferences or its inability to successfully introduce new beverage products or replace plastic bottles with more environmentally friendly containers, could reduce demand for some of Coca-Cola FEMSA’s products, which would adversely affect its business, financial condition and results of operations. See “Item 4. Information on the Company—Coca-Cola FEMSA—Business Strategy.”

Competition in the markets where we have operations could adversely affect our business, financial condition and results of operations

We face strong competition across industries in the countries where we have operations and may face competition from new market participants. The increase in competition may limit the number of new locations available or result in a reduction in revenues. Consequently, future competition may affect our results of operations and financial condition. The shift in the retail sector from brick-and-mortar retailers to online and mobile platforms could also adversely affect FEMSA’s business, results of operations and financial condition. See “Item 4. Information on the Company.” We expect the competitive environment will continue to evolve as new technologies are developed based on changing consumer behavior. Lower pricing and activities by FEMSA’s competitors may affect our business. The continuing migration and evolution of the retail sector and financial services to online and mobile-based platforms for consumers may increase competition that could adversely affect our business, results of operations and financial condition.

FEMSA competes mainly in terms of price, packaging, effective promotional activities, access to retail outlets and sufficient shelf space, customer service, product innovation and product alternatives and the ability to identify and satisfy consumer preferences. See “Item 4. Information on the Company”

Global economic conditions have and may continue to cause an increase in the prices of raw materials, supply chain disruptions or shortages of raw materials and thus increase our cost of goods sold, therefore adversely affecting our business, financial conditions and results of operations.

Our sales volumes and revenues may be affected by economic conditions in the various countries where we have operations. The prices for our raw materials are driven by market prices and local availability, the imposition of import duties and restrictions and fluctuations in exchange rates. Global economic growth slowed in 2022. The inflationary pressures that first appeared in global markets in 2021 were exacerbated in 2022. Inflation has led to further increases in the costs of raw materials, utilities and services that we use to produce our products and provide services, which would adversely affect our business if we are not able to pass on the increased costs to our customers or successfully implement mitigating actions.

The effects of inflation impact each of our businesses differently. For example, in addition to water, Coca-Cola FEMSA’s most significant raw materials are concentrate, which Coca-Cola FEMSA acquires from affiliates of TCCC, sweeteners and packaging materials. Prices for *Coca-Cola* trademark beverages concentrate are determined by TCCC. Coca-Cola FEMSA is also required to meet all of its supply needs (including sweeteners and packaging materials) from suppliers approved by TCCC. Coca-Cola FEMSA’s most significant packaging raw material costs arise from the purchase of PET resin, the price of which is related to crude oil prices and global PET resin supply. Crude oil prices have a cyclical behavior and are determined with reference to the U.S. dollar; therefore, high currency volatility and inflation may affect the average price for PET resin in local currencies. Coca-Cola FEMSA cannot anticipate whether the U.S. dollar will appreciate or depreciate with respect to such local currencies in the future, and we cannot assure you that Coca-Cola FEMSA will be successful in mitigating any such fluctuations through derivative instruments or otherwise. See “Item 4. Information on the Company—Coca-Cola FEMSA—Raw Materials.”

For Proximity Americas Division and Proximity Europe Division, the higher price of raw materials and supply chain disruptions caused by inflation increased the cost of the goods sold.

Water shortages or any failure to maintain existing concessions or contracts could adversely affect Coca-Cola FEMSA's business, financial condition, and results of operations.

Water is an essential component of all of Coca-Cola FEMSA's products. Coca-Cola FEMSA obtains water from various sources in its territories, including springs, wells, rivers and municipal and state water companies pursuant to either concessions granted by governments in its various territories (including governments at the federal, state or municipal level) or pursuant to contracts.

Coca-Cola FEMSA obtains most of the water used in its production from municipal utility companies and pursuant to concessions to use wells, which are generally granted based on studies of the existing and projected groundwater supply. Coca-Cola FEMSA's existing water concessions or contracts to obtain water may be terminated by governmental authorities under certain circumstances and their renewal depends on several factors, including having paid all fees in full, having complied with applicable laws and obligations and receiving approval for renewal from local and/or federal water authorities. In some of Coca-Cola FEMSA's territories, its existing water supply may not be sufficient to meet its future production needs, and the available water supply may be adversely affected by shortages or changes in governmental regulations and environmental changes.

We cannot assure that water will be available in sufficient quantities to meet Coca-Cola FEMSA's future production needs or will prove sufficient to meet its water supply needs. Continued water scarcity in the regions where Coca-Cola FEMSA operates may adversely affect its business, financial condition and results of operations.

Increases in the cost, disruption of supply or shortage of energy or fuel could adversely affect our business and results of operations.

Our business depends heavily on energy and fuel to maintain operations across segments.

An increase in the price, disruption of supply or shortage of fuel and other energy sources in the countries where we operate, which may be caused by increased demand, natural disasters, power outages or government regulations, taxes, policies or programs, including programs designed to reduce greenhouse gas emissions to address climate change, could increase our operating costs and negatively impact our business and results of operations. Changes in government regulations in the countries where we have operations, including reforms related to transmission, sanctions, distribution, and other costs, could lead to a substantial increase in our electricity cost. See "Item 4. Information on the Company—Regulatory Matters." The price of fuel has also increased not only as a result of inflation and increases in energy demand, but also as a result of the conflict in Ukraine and Russia and subsequent economic sanctions imposed on Russia, which may continue to impact us throughout 2023, particularly in Europe, and may continue to impact us in the future.

Coca-Cola FEMSA's bottling operations operate large fleets of trucks and other motor vehicles to distribute and deliver beverage products to its business partners and customers. In addition, Coca-Cola FEMSA uses a significant amount of electricity, natural gas and other energy sources to operate its bottling plants and distribution facilities.

Logistics and Distribution relies heavily on availability of certain fuels. Therefore, any scarcity or sustained shortages of these fuels could materially impact Logistics and Distribution's business, financial conditions and results of operations.

The performance of FEMSA's points of sale would be adversely affected by increases in the price of utilities on which the stores and stations depend, such as electricity. Electricity prices could potentially increase further as a result of inflation, shortages, interruptions in supply, changes in the regulatory framework and its interpretation or other reasons, and such an increase could adversely affect the results of operations and financial condition of our business.

We are subject to risks related to pandemics and public health crises, including COVID-19, that may materially and adversely affect our business.

Public health crises such as pandemics, tainted food, food-borne illnesses, food tampering, tampering with or failure of water supply may negatively affect our business, and demand for our products and services. In the last three years, COVID-19 and its variants have caused serious disruptions in the global economy including consumer spending habits, supply chain disruptions and restrictions on individual and business activities.

At the outbreak of COVID-19 in March 2020, government responses aimed at containing the pandemic such as the promotion of social distancing, capacity restrictions, the adoption of work from home and in certain territories,

mandatory closures caused temporary closures of points of sale, distribution centers, warehouses and manufacturing facilities of our key suppliers, which have caused fluctuations in the availability, sales volumes and prices of certain relevant categories in our stores and products that we sell, such as beer, gasoline, some categories of beverages and presentations, among others. Starting in 2020, we adopted various protocols and safety measures for our operations and employees in response to the various regional policies in place in the countries in which we operate. Throughout 2022, both governmental and company measures were relaxed as a result of the vaccination of the population and biosafety protocols have been adopted in restaurants, sporting and entertainment events as part of a gradual return to a new normality.

The COVID-19 pandemic has also impacted, and may continue to impact, our non-consolidated entities. We cannot predict whether there will be further COVID-19 or other pandemic outbreaks in the future in any of the markets where we operate. COVID-19 has caused significant volatility in financial markets, undermining investors' confidence in the growth of countries and businesses. In addition, the longer-term economic effects of the COVID-19 pandemic may include increased inflation rates, supply-chain disruptions, exchange rates volatility in the countries where we have operations and reduced demand for the products we sell or a shift to lower margin products. These lingering effects could be exacerbated by any future pandemics or health crises.

Climate change and legal or regulatory responses thereto may have an adverse impact on our business.

There is increasing concern that a gradual rise of global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere will cause significant changes in weather patterns around the globe and an increase in the frequency and severity of natural disasters. Decreased agricultural productivity in certain regions of the world as a result of changing weather patterns may limit the availability or increase the cost of key agricultural commodities, such as sugarcane, and corn, which are important sources of ingredients for Coca-Cola FEMSA's products. Increasing concern over climate change also may result in additional legal or regulatory requirements designed to reduce or mitigate the effects of carbon dioxide and other greenhouse gas emissions on the environment. Increased energy or compliance costs and expenses due to increased legal or regulatory requirements may cause disruptions in, or an increase in the costs associated with, the manufacturing and distribution of Coca-Cola FEMSA's beverage products. Initiatives to address climate change may be aimed at discouraging the use of traditional fuels, which could materially impact the Fuel Division's business, financial conditions, and results of operations. The effects of climate change and legal or regulatory initiatives to address climate change could have an adverse impact on our business.

In addition, from time to time, we establish and publicly announce goals and commitments to reduce our carbon footprint by increasing our use of recycled packaging materials and participating in environmental and sustainability programs and initiatives organized or sponsored by non-governmental organizations and other groups to reduce greenhouse gas emissions industry wide. If we fail to achieve these goals due to restrictions to access or short supply of energy from renewable sources or improperly report on its progress toward achieving our carbon footprint reduction goals and commitments, the resulting negative publicity could adversely affect consumer preference and demand for our products.

Weather conditions and natural disasters may adversely affect our business, financial condition and results of operations.

Lower temperatures, higher rainfall and other adverse weather conditions such as hurricanes, natural disasters such as earthquakes, torrential rains, hurricanes and floods in the countries in which we operate may negatively impact consumer patterns, which may result in reduced sales of our products and at points of sale. Additionally, such adverse weather conditions and natural disasters may affect plant installed capacity, road infrastructure, personnel, assets and points of sale in the territories where we operate. Such events, or the containment measures to prevent or control them could also trigger increases in costs, disruption of supply, shortages of products, or consumer behavior changes including a decrease in an overall consumer mobility, thus affecting our business, financial condition, and results of operations. If any of these events becomes significant in duration, severity and frequency, our financial condition and results of operations could be materially adversely affected. FEMSA's points of sales and facilities have been affected by hurricanes and other weather events in the past, which have resulted in temporary closures and losses. Also, any of these events could force us to increase our capital expenditures to put our assets back in operation. See "Item 4. Information on the Company—Insurance."

Risks Related to Mexico and the Other Countries Where We Operate

Adverse economic conditions in Mexico may adversely affect our financial position and results.

We are a Mexican corporation, and our Mexican operations are our single most important geographic territory. For the year ended December 31, 2022, 62% of our consolidated total revenues were attributable to Mexico. During 2021 and 2022, Mexican gross domestic product ("GDP") increased by approximately 5.0% and 3.1%, respectively, on an annualized basis compared to the previous year. We cannot assure that such conditions will be maintained or continue

to increase in the future or will not have a material effect on our business, results of operations and financial condition going forward. The Mexican economy continues to be heavily influenced by the U.S. economy, and therefore, deterioration in economic conditions in, or delays in the recovery of, the U.S. economy may hinder any recovery. In the past, Mexico has experienced both prolonged periods of weak economic conditions and deteriorations in economic conditions that have had a negative impact on our results.

Our business may be significantly affected by the general condition of the Mexican economy, or by the rate of inflation in Mexico, interest rates in Mexico and exchange rates for, or exchange controls affecting, the Mexican peso. Decreases in the growth rate of the Mexican economy, periods of negative growth and/or increases in inflation or interest rates may result in lower demand for the products we carry in our stores, lower real pricing of products, a shift to lower margin products or decrease in store traffic. Because a large percentage of our costs and expenses are fixed, we may not be able to reduce costs and expenses upon the occurrence of any of these events and our profit margins may suffer as a result.

In addition, an increase in interest rates in Mexico would increase the cost of our debt and would cause an adverse effect on our financial position and results. Mexican peso-denominated debt (including currency hedges) represented 44.1% of our total debt as of December 31, 2022.

Geopolitical conditions could negatively impact our financial results.

Financial uncertainties in our major markets and unstable geopolitical conditions or events in certain markets, including civil unrest, acts of war, terrorism or governmental changes could undermine global consumer confidence and reduce consumers' purchasing power, thereby reducing demand for our products.

Geopolitical conflicts, including the ongoing military conflict involving Russia and Ukraine and the resulting economic sanctions imposed on Russia and certain Russian citizens and enterprises, could also cause significant disruptions in supply chains across the world, which may increase the cost of some of our raw materials and therefore have an adverse effect on our business, financial condition and results of operations. Our presence in Europe through the Valora acquisition positions FEMSA in closer proximity to the conflict in Russia and Ukraine and thus our European operations may be more significantly affected.

Volatility in other regions in which we have operations may also impact our financial results and operations. There can be no assurance that future developments in emerging market countries and in the United States, over which we have no control, will not have a material adverse effect on our financial condition and results.

Depreciation of the Mexican peso and of our other local currencies could adversely affect our financial position and results.

Depreciation of the Mexican peso and of our other local currencies increases the cost of a portion of the raw materials we acquire, the price of which is paid in or determined with reference to U.S. dollars, and of our debt obligations denominated in U.S. dollars, and thereby negatively affects our financial position and results. A severe devaluation or depreciation of the Mexican peso, which is our main operating currency, may result in disruption of the international foreign exchange markets and may limit our ability to transfer or to convert Mexican pesos into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal on our U.S. dollar-denominated debt or obligations in other currencies. The Mexican peso is a free-floating currency and, as such, it experiences exchange rate fluctuations relative to the U.S. dollar over time. As of December 31, 2022, the Mexican peso appreciated relative to the U.S. dollar by approximately 5.0% compared to 2021. As of December 31, 2021 and 2020, the Mexican peso experienced fluctuations relative to the U.S. dollar consisting of depreciation of 3.1% and 5.5%, respectively, compared to the prior year. Through April 14, 2023, the Mexican peso has appreciated 7.4% since December 31, 2022.

While the Mexican government does not currently restrict, and since 1982 has not restricted, the right or ability of Mexican or foreign persons or entities to convert Mexican pesos into U.S. dollars or to transfer other currencies out of Mexico, the Mexican government could impose restrictive exchange rate policies in the future, as it has done in the past. Currency fluctuations may have an adverse effect on our financial position, results, and cash flows in future periods.

When the financial markets are volatile, as they have been in recent periods, our results may be substantially affected by variations in exchange rates and commodity prices and, to a lesser degree, interest rates. These effects include foreign exchange gain and loss on assets and liabilities denominated in U.S. dollars, fair value gain and loss on derivative financial instruments, commodities prices and changes in interest income and interest expense. These effects can be much more volatile than our operating performance and our operating cash flows. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Exchange Rate Risk."

The devaluation of the local currencies against the U.S. dollar can increase the operating costs for Coca-Cola FEMSA, and depreciation of the local currencies against the Mexican peso can negatively affect the translation of Coca-

Cola FEMSA's results. Future currency devaluation or the imposition of exchange controls in any of these countries, or in Mexico, would have an adverse effect on their financial position and results.

Generally, future currency devaluations or the imposition of exchange controls in any of the countries where we have operations may potentially increase our operating costs, which could have an adverse effect on our results of operations and financial condition. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Exchange Rate Risk."

Political, social and security events in Mexico could adversely affect our operations.

Mexican political events may significantly affect our operations. We cannot predict whether potential changes in Mexican governmental and economic policy could adversely affect economic conditions in Mexico or the sector in which we operate. The Mexican president and Congress have a strong influence over new policies and governmental actions regarding the Mexican economy, and the current federal administration could implement substantial changes in law, policy and regulations in Mexico, including reforms to the Constitution, which could negatively affect our business, results of operations and financial condition. In response to these actions, opponents of the administration could react with, among other things, riots, protests and looting that could negatively affect our operations.

As of the date of this annual report, the Morena Political Party, in conjunction with its allied political parties, holds a simple majority in the Senate and in the Chamber of Deputies and a strong influence in various local legislatures. We cannot provide any assurances that political developments in Mexico, such as the election of new administrations, changes in laws, public policy or regulations, political disagreements or civil disturbances, over which we have no control, will not have an adverse effect on our business, results of operations and financial condition.

Mexico has experienced periods of increasing criminal activity and particularly homicide rates, primarily due to organized crime. This poses a risk to our business and might negatively impact business continuity. An increase in crime rates could negatively affect our sales and customer traffic, increase our security expenses, affect our hours of operation and result in higher turnover of personnel or damage to the perception of our brands. Furthermore, this could adversely impact our business and financial results because consumer habits and patterns adjust to the increased perceived and real security risks, as people refrain from going out as much and gradually shift some on-premises consumption to off-premises consumption of food and beverages on certain occasions

Economic and social conditions in Mexico and other countries may adversely affect our results.

The markets in which we operate are highly sensitive to economic conditions because a decline in consumer purchasing power is often a consequence of an economic slowdown which, in turn, results in a decline in the overall consumption of main product categories. During periods of economic slowdown, our points of sale may experience a decline in same-store traffic and average ticket per customer, which may result in a decline in overall performance. See "Item 5. Operating and Financial Review and Prospects—Overview of Events, Trends and Uncertainties."

Many countries worldwide, including Mexico, have suffered significant economic, political and social volatility in recent years, and this may occur again in the future. Global instability has been caused by many different factors, including substantial fluctuations in economic growth, high levels of inflation, changes in currency values, changes in governmental economic or tax policies and regulations and overall political, social, and economic instability. We cannot assure you that such conditions will not return or that such conditions will not have a material adverse effect on our financial condition and results.

The Mexican economy and the market value of securities issued by Mexican issuers may be, to varying degrees, affected by economic and market conditions in other emerging market countries and in the United States. Furthermore, economic conditions in Mexico have been highly correlated with economic conditions in the United States primarily as a result of the United States-Mexico-Canada Agreement ("USMCA"), which came into force on July 1, 2020.

Adverse economic conditions in the United States or other related events could have an adverse effect on the Mexican economy. Although economic conditions in other emerging market countries and in the United States may differ significantly from economic conditions in Mexico, investors' reactions to developments in other countries may have an adverse effect on the market value of securities of Mexican issuers or of Mexican assets.

Risks Related to Our Principal Shareholders and Capital Structure

A majority of our voting shares are held by a voting trust, which effectively controls the management of our company, and the interests of which may differ from those of other shareholders.

As of March 31, 2023 the voting trust owned 38.69% of our capital stock and 74.86% of our capital stock with full voting rights, consisting of Series B Shares. Consequently, the voting trust has the power to elect a majority of the

members of our board of directors and to play a significant or controlling role in the outcome of substantially all matters to be decided by our board of directors or our shareholders. The interests of the voting trust may differ from those of our other shareholders. See “Item 7. Major Shareholders and Related-Party Transactions” and “Item 10. Additional Information— Bylaws—Voting Rights and Certain Minority Rights.”

Holders of Series D-B and D-L Shares have limited voting rights.

Holders of Series D-B and D-L Shares have limited voting rights and are only entitled to vote on specific matters, such as certain changes in the form of our corporate organization, dissolution or liquidation, a merger with a company with a distinct corporate purpose, a merger in which we are not the surviving entity, a change of our jurisdiction of incorporation, the cancellation of the registration of the Series D-B and D-L Shares and any other matters that expressly require approval from such holders under the Mexican Securities Market Law. As a result of these limited voting rights, Series D-B and D-L holders will not be able to influence our business or operations. See “Item 7. Major Shareholders and Related-Party Transactions—Major Shareholders” and “Item 10. Additional Information—Bylaws—Voting Rights and Certain Minority Rights.”

Holders of ADSs may not be able to vote at our shareholder meetings.

Our shares are traded on the New York Stock Exchange (“NYSE”) in the form of ADSs. We cannot assure that holders of our shares in the form of ADSs will receive notice of shareholders’ meetings from our ADS depository in sufficient time to enable such holders to return voting instructions to the ADS depository in a timely manner. If instructions are not received with respect to any shares underlying ADSs, the ADS depository will, subject to certain limitations, grant a proxy to a person designated by us in respect of these shares. If this proxy is not granted, the ADS depository will vote these shares in the same manner as the majority of the shares of each class for which voting instructions are received.

Holders of BD Units in the United States and holders of ADSs may not be able to participate in any future preemptive rights offering and as a result may be subject to dilution of their equity interests.

Under applicable Mexican law, if we issue new shares for cash as a part of a capital increase, other than in connection with a public offering of newly issued shares or treasury stock, we are generally required to grant our shareholders the right to purchase enough shares to maintain their existing ownership percentage. Rights to purchase shares in these circumstances are known as preemptive rights. By law, we may not allow holders of our shares or ADSs who are in the United States to exercise any preemptive rights in any future capital increases unless (1) we file a registration statement with the U.S. Securities and Exchange Commission (“SEC”) with respect to that future issuance of shares or (2) the offering qualifies for an exemption from the registration requirements of the U.S. Securities Act of 1933. At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a registration statement with the SEC, as well as the benefits of preemptive rights to holders of our shares in the form of ADSs in the United States and any other factors that we consider important in determining whether to file a registration statement.

We may decide not to file a registration statement with the SEC to allow holders of our shares or ADSs who are located in the United States to participate in a preemptive right offering. In addition, under current Mexican law, the sale by the ADS depository of preemptive rights and the distribution of the proceeds from such sales to the holders of our shares in the form of ADSs is not possible. As a result, the equity interest of holders of our shares in the form of ADSs would be diluted proportionately. See “Item 10. Additional Information—Preemptive Rights.”

The protections afforded to minority shareholders in Mexico are different from those afforded to minority shareholders in the United States.

Under Mexican law, the protections afforded to minority shareholders are different from, and may be less than, those afforded to minority shareholders in the United States. Mexican laws do not provide a remedy to shareholders relating to violations of fiduciary duties. There is no procedure for class actions as such actions are conducted in the United States and there are different procedural requirements for bringing shareholder lawsuits against directors for the benefit of companies. Therefore, it may be more difficult for minority shareholders to enforce their rights against us, our directors or our controlling shareholders than it would be for minority shareholders of a United States company.

Investors may experience difficulties in enforcing civil liabilities against us or our directors, officers and controlling persons.

FEMSA is organized under the laws of Mexico, and most of our directors, officers and controlling persons reside outside the United States. In addition, nearly all or a substantial portion of our assets and the assets of our subsidiaries are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States on such persons or to enforce judgments against them, including any action based on civil

liabilities under the U.S. federal securities laws. There is doubt as to the enforceability against such persons in Mexico, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

The failure or inability of our subsidiaries to pay dividends or other distributions to us may adversely affect us and our ability to pay dividends to holders of ADSs.

We are a holding company. Accordingly, our cash flows are principally derived from dividends, interest and other distributions made to us by our subsidiaries. Currently, our subsidiaries do not have contractual obligations that require them to pay dividends to us. In addition, debt and other contractual obligations of our subsidiaries may in the future impose restrictions on our subsidiaries' ability to make dividend or other payments to us, which in turn may adversely affect our ability to pay dividends to shareholders and meet our debt and other obligations. As of April 21, 2023, we had no restrictions on our ability to pay dividends.

ITEM 4. INFORMATION ON THE COMPANY

Introduction

FEMSA is a leading company that participates in the following businesses:

- In the beverage industry, through Coca-Cola FEMSA, the largest franchise bottler of Coca-Cola products in the world by volume;
- In the retail industry, through the following divisions: (1) Proximity Americas Division, operating the OXXO small-format store chain in Latin America, (2) Proximity Europe Division, a small-format retail and foodvenience chains in Europe operated by Valora, (3) the Fuel Division, operating the OXXO Gas chain of retail service stations and (4) the Health Division, which includes pharmacy services locations and related operations;
- In the specialized distribution, facility and packaging supplies and third-party logistics industries through Logistics and Distribution, operated by Envoy Solutions and Solistica, which includes the sale of products in the distribution of supplies and packaging solutions industries, as well as integrated logistics services for third parties; and
- In other ancillary businesses, through our Other Businesses (as defined below), including Digital@FEMSA, point-of-sale refrigeration, food processing equipment and plastics solutions.

Corporate Information

Our company was incorporated under the laws of Mexico on May 30, 1936 for a duration of 99 years. The duration can be extended indefinitely by resolution of our shareholders. We are organized as a *sociedad anónima bursátil de capital variable* under the laws of Mexico. Our legal name is Fomento Económico Mexicano, S.A.B. de C.V., and in commercial and business contexts we frequently refer to ourselves as "FEMSA." Our principal headquarters are located at General Anaya No. 601 Pte., Colonia Bella Vista, Monterrey, Nuevo León 64410, Mexico. Our telephone number at this location is (+52-81) 8328-6000.

Any filings we make electronically are available to the public over the internet at our website www.femsa.com. This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to our website. The information on our website, which might be accessible through a hyperlink resulting from this URL, is not and shall not be deemed to be incorporated into this annual report. The SEC maintains an internet site that contains reports and other information regarding issuers that file electronically with the SEC at www.sec.gov. See "Item 10. Additional Information—Documents on Display."

Corporate History and Information

FEMSA traces its origins to the establishment of Mexico's first brewery, Cervecería Cuauhtémoc, S.A. ("Cervecería Cuauhtémoc"), which was established in 1890. Descendants of certain of the founders of Cervecería Cuauhtémoc are participants of the voting trust that controls our company.

Strategic Growth of our Businesses

The following paragraphs describe certain key transactions and developments of FEMSA in the past three years.

In January 2020, FEMSA, through its subsidiaries, became the sole shareholder of Grupo Socofar, a leading South American drugstore operator based in Santiago, Chile, acquiring the remaining 40% interest that it did not already own in Socofar following the exercise of a put right by its minority partner to sell its interest. FEMSA through its subsidiaries acquired its original 60% stake in Socofar in 2015.

In May 2020, FEMSA closed a transaction with the shareholders of WAXIE and North American Corporation to form a new company (now known as Envoy Solutions) within the janitorial-sanitation, packaging and specialized distribution industry in the United States, with FEMSA acquiring a majority controlling interest in the combined company.

In May 2020, Specialty's Cafe & Bakery, Inc. ("Specialty's"), a subsidiary of the company, filed for bankruptcy pursuant to Chapter 7 of the U.S. Bankruptcy Code after receiving approval to do so from its board of directors on May 26, 2020. The case is pending before the United States Bankruptcy Court for the Northern District of California.

In December 2020, FEMSA announced and closed the acquisition of two independent specialized distribution businesses in the United States: Southeastern Paper Group, Inc., based in Spartanburg, South Carolina, and Southwest Paper Company, Inc., (doing business as "SWPlus") based in Wichita, Kansas.

In February 2021, Coca-Cola FEMSA entered into a new distribution agreement with Heineken Brazil that replaced its previous distribution agreement with Heineken Brazil. Pursuant to this new distribution agreement, Coca-Cola FEMSA continues to sell and distribute Kaiser, Bavaria and Sol beer brands in Brazil and added the premium brand Eisenbahn and other premium international brands to its portfolio and has ceased to sell and distribute Heineken and Amstel beer brands in most of its territories. In addition, Coca-Cola FEMSA now has the right to produce and distribute alcoholic beverages and other beers in Brazil based on a certain proportion of Heineken's portfolio in Brazil. The new distribution agreement has a five-year term and may be automatically renewed for an additional five-year term subject to certain conditions. After entering into this new distribution agreement, Coca-Cola FEMSA withdrew from a then-existing legal proceeding with Heineken and Heineken Brazil asserting the right to distribute the beer Kirin and waived all rights with respect to any awards or judgments resulting from such legal proceeding.

In 2021 and 2022, Envoy completed a variety of acquisitions, largely to expand its geographic footprint in the United States and, in some cases, its product offering. See Note 4 to our audited consolidated financial statements.

In January 2022, Coca-Cola FEMSA, through its Brazilian subsidiary, acquired CVI, a Brazilian bottler of Coca-Cola trademark products with operations in the state of Rio Grande do Sul in Brazil.

In February 2022, we closed the transaction we entered into in October 2020 pursuant to which FEMSA Comercio acquired the OK Market store chain, with 134 locations, from SMU, S.A., a leading Chilean retailer.

In April 2022, Envoy Solutions acquired Sigma Supply of North America Inc., an independent specialized distribution company based in Hot Springs, Arkansas.

In October 2022, we acquired a controlling stake in Valora Holding AG, a European leading public company in the foodvenience market, through a public tender offer launched in July, 2022. We acquired the remaining minority interest effective in March 2023.

For more information, see "Item 4. Information on the Company" and "Item 10. Additional Information—Material Contracts."

Recent Developments

FEMSA Forward. On February 15, 2023, we announced the FEMSA Forward initiative, which was the result of a previously-discussed strategic review. Specifically, we plan to focus on our core business verticals of retail, Coca-Cola FEMSA and digital. We also announced our intention to divest our Heineken Investment and have our representatives resign from the supervisory board of Heineken N.V. and the board of directors of Heineken Holding N.V., to explore strategic alternatives for Envoy Solutions and other minority investments and non-core, non-strategic businesses, to seek to reduce existing debt and return excess capital to our shareholders.

Heineken Share Sale. On February 21, 2023, we completed a sale of ordinary shares of Heineken in an amount of approximately to €3.2 billion Euros. This offering was executed via an accelerated bookbuild to institutional investors outside of Mexico.

On February 23, 2023, we completed an offering of senior unsecured exchangeable bonds for a principal amount of €500 million Euros through a wholly owned subsidiary, exchangeable into existing issued ordinary shares of Heineken Holding N.V. This offering was made to institutional investors outside of Mexico, conducted through joint bookrunners. The Bonds have a maturity of three years.

Following the completion of these transactions, we reduced our combined economic interest in Heineken from 14.76% to 8.13%, without considering the potential conversion of the exchangeable bonds.

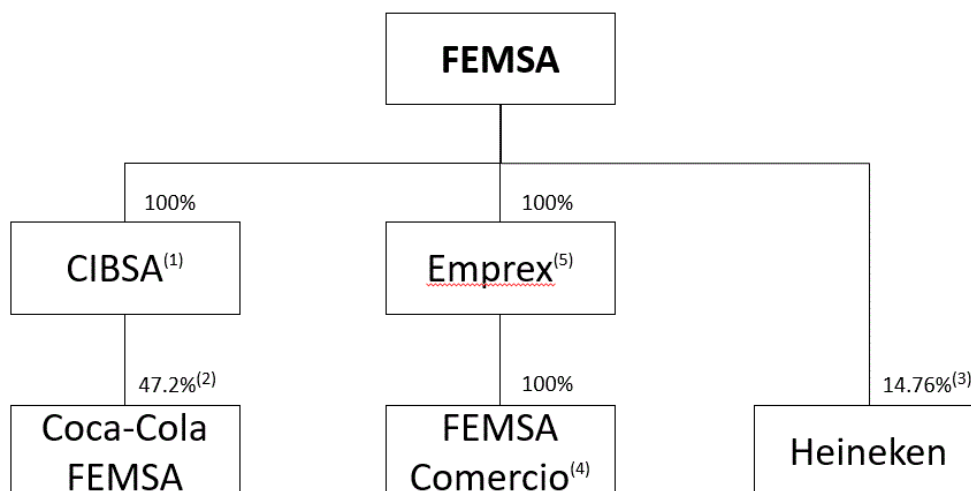
Tender Offer. On March 20, 2023, we completed a tender offer to purchase for cash our 3.500% Senior Notes due 2050 and 4.375% Senior Notes due 2043 denominated in US dollars, and our 0.500% Senior Notes due 2028 and 1.000% Senior Notes due 2023 denominated in Euros. As a result of this offer, we acquired Euro and U.S.-dollar denominated bonds totaling approximately €666 million Euros and US\$ 1,090 million. The purpose of the tender offer was to reduce our indebtedness.

Net Pay. In November, 2022, we reached an agreement to acquire the remaining 85.18% shares of Net Pay, S.A.P.I. de C.V., a payment solutions company. The transaction was subject to antitrust approvals in Mexico and closed on March 31, 2023. The closing of the transaction results in 100% ownership of the company.

Ownership Structure

We conduct our business through our principal subsidiary companies as shown in the following diagram and table:

Ownership Structure of Significant Subsidiaries as of December 31, 2022



(1) Compañía Internacional de Bebidas, S.A. de C.V., which we refer to as "CIBSA".

(2) Percentage of issued and outstanding capital stock owned by CIBSA (56% of Coca-Cola FEMSA's capital stock with full voting rights). See "Item 4. Information on the Company—Coca-Cola FEMSA—Capital Stock."

(3) Our Heineken Investment is held indirectly by various subsidiaries of FEMSA, including CB Equity. We subsequently reduced our combined economic interest in Heineken to 8.13%. See "Item 4. Information on the Company—Recent Developments."

(4) Includes Proximity Americas Division, the Health Division and the Fuel Division. See "Item 4. Information on the Company."

(5) Grupo Industrial Emprex, S. de R.L. de C.V., which we refer to as "Emprex."

Significant Subsidiaries

The following table sets forth our significant subsidiaries as of December 31, 2022:

Name of Company	Jurisdiction of Establishment	Percentage Owned
CIBSA:		
Coca-Cola FEMSA	Mexico	100.0 %
	Mexico	47.2 %
Emprex ⁽¹⁾:	Mexico	100.0 %
FEMSA Comercio	Mexico	100.0 %
CB Equity	United Kingdom	100.0 %

(1) Grupo Industrial Emprex, S. de R.L. de C.V.

The following table presents an overview of our operations by relevant reportable segment and by geographic area:

Operations by Segment—Overview
Year Ended December 31, 2022 and % of growth (decrease) vs. previous year

	Coca-Cola FEMSA		Proximity Americas Division		Proximity Europe Division		Fuel Division		Health Division		Logistics and Distribution		Heineken Investment	
	Ps.		Ps.		Ps.		Ps.		Ps.		Ps.		Ps.	
	(in millions of Mexican pesos, except for employees and percentages)													
Total revenues	226,740	16 %	233,958	18 %	9,809	— %	51,813	30 %	74,800	2 %	72,539	50 %	—	— %
Gross profit	100,300	13 %	97,586	16 %	4,599	— %	6,560	25 %	21,983	1 %	16,165	53 %	—	— %
Share of the profit of equity method accounted investees, net of tax	386	339 %	(276)	130 % (1)	—	— %	—	— %	—	— %	4	(50)%	7,359	(32)%
Total assets	277,995	2 %	143,877	11 %	38,759	— %	24,102	21 %	60,960	6 %	81,115	26 %	98,162	(4)%
Employees	97,213	16 %	172,692	8 %	5,047	— %	6,469	(6)%	32,802	9 %	27,274	10 %	—	— %

(1) Reflects the percentage increase between the loss of Ps. 276 million recorded in 2022 and the loss of Ps. 120 million recorded in 2021.

Total Revenues Summary by Segment (1)

	Year Ended December 31,		
	2022	2021	2020 (Revised)
	(in millions of Mexican pesos)		
Coca-Cola FEMSA	Ps. 226,740	Ps. 194,804	Ps. 183,615
Proximity Americas Division	233,958	198,586	181,277
Proximity Europe Division	9,809	—	—
Health Division	74,800	73,027	65,172
Fuel Division	51,813	39,922	34,322
Logistics and Distribution	72,539	48,412	31,568
Other Businesses	25,677	21,754	17,311
Consolidated total revenues	Ps. 673,202	Ps. 556,261	Ps. 492,966

(1) The sum of the financial data for each of our reportable segments differs from our consolidated total revenues due to intercompany transactions, which are eliminated in consolidation, and certain assets and activities of FEMSA.

Business Strategy

Our objective is to generate economic and social value through our business units. We generate economic value by designing, building and scaling mass business models, which enables us to meet our customers' daily needs in a distinguished and efficient manner. We generate social value by contributing to the improvement of the communities we serve through our actions, the comprehensive development of our employees, and the value proposals that generate well-being.

Everything we do across our three core businesses — retail, beverages and digital — is motivated and inspired by our commitments to our people, our community and our planet, underscored by strong governance practices. Our strategic framework is comprised of six priorities:

- **Continued growth:** We work to achieve balanced and sustainable growth by capitalizing on new and existing opportunities to create value within our core businesses. We have also increased our capabilities to operate and succeed in other geographic regions by improving management skills to obtain a precise understanding of local consumer needs. Going forward, we intend to use those capabilities to accelerate our expansion and maximize our value creation potential, focusing on our core businesses: retail, beverages and digital.
- **Going digital:** We are harnessing the power of technology to increase our businesses' efficiency while also exploring new business opportunities through Digital@FEMSA. We are leveraging the competitive advantages and strong market position of our businesses to build innovative digital businesses in the financial services

industry to address the financial needs of our customers and business partners, with an efficient and comprehensive value proposition. Additionally, we are developing and growing digitally-enabled loyalty initiatives leveraged on strategic partnerships and our businesses.

- **Think Global:** Our mindset is global. We believe that the competencies that our businesses have developed can be replicated in other geographic regions. This underlying principle guides our consolidation and growth efforts, which have led to our current footprint. We currently operate in Mexico, Central America, South America, Europe and in the United States, including some of the most populous metropolitan areas in Latin America. Our global presence provides us with opportunities to create value through an improved ability to execute our strategies in complex and developed markets.
- **Rooted Sustainability:** Sustainability is embedded in everything we do and it is central to the way we do business. Our strategic sustainability framework is composed of three pillars, supported by corporate governance best practices:
 - Our People: Our people's well-being, dignified work and professional growth
 - Our Community: Development and well-being within the communities where we operate
 - Our Planet: Harmony with the environment and sustainable use of natural resources
- **Talent & Culture:** Our people are integral to our business and their well-being is our highest priority. Our organizational culture is evolving, and we are finding new ways of working together collaboratively. We prioritize diversity, equity and inclusion within our corporate culture and hiring practices, including promoting the labor inclusion of minority groups and those in vulnerable situations.
- **Proactive Engagement with our Audiences:** We aim to facilitate open, clear, proactive, transparent and tailored dialogues with all of our stakeholders, using accessible tools and mediums of engagement. This is essential to understanding internal and external expectations and concerns so we can respond accordingly, and, in turn, strengthen our levels of credibility and trust, more easily navigate challenges, identify new opportunities, and ultimately drive continuous improvement across our business.

Moreover, we are convinced that a robust corporate governance is vital to the responsible management and operation of our business, ensuring the accountability and alignment with our stakeholders to create long-term value through strong economic and social performance. Our governance structure is the foundation for our value creation. We aim to have the right leaders, teams, tools, policies and feedback mechanisms in place across the organization, with tiered levels of accountability. Our Board of Directors is responsible for establishing the company's corporate strategy, and is supported by its committees that are focused on driving sustainable stakeholder value growth.

Coca-Cola FEMSA Overview

Coca-Cola FEMSA is the largest franchise bottler of *Coca-Cola* trademark beverages in the world in terms of volume. Coca-Cola FEMSA operates in territories in the following countries:

- Mexico—a substantial portion of central Mexico, the southeast and northeast of Mexico.
- Guatemala.
- Nicaragua.
- Costa Rica.
- Panama.
- Colombia—most of the country.
- Brazil—a major part of the states of São Paulo and Minas Gerais, the states of Parana, Santa Catarina, Mato Grosso do Sul and Rio Grande do Sul and part of the states of Rio de Janeiro and Goias.
- Argentina—Buenos Aires and surrounding areas.
- Uruguay.

Coca-Cola FEMSA also operates in Venezuela through its investment in Coca-Cola FEMSA de Venezuela, S.A., or KOF Venezuela.

Coca-Cola FEMSA was organized on October 30, 1991 as a stock corporation with variable capital (*sociedad anónima de capital variable*) under the laws of Mexico for a term of 99 years. On December 5, 2006, as required by amendments to the Mexican Securities Market Law, Coca-Cola FEMSA became a publicly traded stock corporation with variable capital (*sociedad anónima bursátil de capital variable*). Coca-Cola FEMSA's legal name is Coca-Cola FEMSA, S.A.B. de C.V. Coca-Cola FEMSA's principal executive offices are located at Calle Mario Pani No. 100, Colonia Santa Fe Cuajimalpa, Alcaldía Cuajimalpa de Morelos, 05348, Ciudad de México, México. Coca-Cola FEMSA's telephone number at this location is (52-55) 1519-5000. Coca-Cola FEMSA's website is www.coca-colafemsa.com.

The following is an overview of Coca-Cola FEMSA's operations by consolidated reporting segment in 2022.

Operations by Consolidated Reporting Segment—Overview Year Ended December 31, 2022

	Total Revenues		Gross Profit			
	(in millions of Mexican pesos)					
Mexico and Central America ⁽¹⁾	Ps.	131,002	57.8 %	Ps.	62,035	61.8 %
South America ⁽²⁾		95,738	42.2 %		38,265	38.2 %
Consolidated		226,740			100,300	

- (1) Includes Mexico, Guatemala, Nicaragua, Costa Rica and Panama.
(2) Includes Colombia, Brazil, Argentina and Uruguay.

Capital Stock

On April 11, 2019, Coca-Cola FEMSA completed an eight-for-one stock split, whereby (a) for each Series A share, holders of Series A shares received eight new Series A shares, (b) for each Series D share, holders of Series D shares received eight new Series D shares and (c) for each Series L share, holders of Series L shares received one unit (each consisting of 3 Series B shares (with full voting rights) and 5 Series L shares (with limited voting rights)). Effective on April 11, 2019, Coca-Cola FEMSA's units were listed for trading on the Mexican Stock Exchange and ADSs, each representing 10 units, were listed for trading on the NYSE.

As of the date of this report, (1) FEMSA indirectly owned Series A shares equal to 47.2% of Coca-Cola FEMSA's capital stock (56.0% of Coca-Cola FEMSA's capital stock with full voting rights), and (2) TCCC indirectly owned Series D shares equal to 27.8% of Coca-Cola FEMSA's capital stock (32.9% of Coca-Cola FEMSA's capital stock with full voting rights). Series L shares with limited voting rights constituted 15.6% of Coca-Cola FEMSA's capital stock, and Series B shares constituted the remaining 9.4% of Coca-Cola FEMSA's capital stock (the remaining 11.1% of Coca-Cola FEMSA's capital stock with full voting rights).



*Series L and Series B shares are listed and trade in the form of units (each unit consisting of 3 Series B shares and 5 Series L shares) in the Mexican Stock Exchange under the trading symbol "KOF UBL" and in the form of ADSs in the NYSE under the trading symbol "KOF" (each ADS represents 10 units)

Business Strategy

Coca-Cola FEMSA operates with a large geographic footprint in Latin America. To consolidate its position as a global leader in its industry and strengthen its value proposition for its retail clients and end consumers, Coca-Cola FEMSA is leveraging its strengths, working on the following six strategic priorities as its guiding principles: (i) grow its core, (ii) become its customers' preferred omnichannel commercial platform, (iii) de-bottleneck its infrastructure and digitize the enterprise, (iv) make a difference in environmental, social and corporate governance (ESG), (v) strengthen its customer-centric culture and (vi) pursue strategic acquisitions.

To maximize growth and profitability, and driven by its strategic priorities, Coca-Cola FEMSA plans on continuing to execute the following key strategies: (i) accelerate revenue growth, (ii) increase its business scale and profitability across categories, (iii) continue its expansion through organic growth, strategic joint ventures, business alliances and mergers and acquisitions, (iv) accelerate the digitization of Coca-Cola FEMSA's processes, (v) develop an agile, digital-savvy culture and (vi) create a leaner and more efficient organization focused on value creation.

Coca-Cola FEMSA seeks to accelerate its revenue growth through the introduction of new categories, products and presentations that better meet its consumers' needs and preferences, while maintaining its core products and improving its profitability. To address its consumers' diverse lifestyles, Coca-Cola FEMSA has developed new products through innovation and has expanded the availability of low-and non-caloric beverages by reformulating and broadening its product portfolio to reduce added sugar and offering smaller presentations of its products. As of December 31, 2022, approximately 38.1% of Coca-Cola FEMSA's brands were low-or non-caloric beverages, and Coca-Cola FEMSA continues to expand its product portfolio to offer more options to its consumers so they can satisfy their hydration and nutrition needs. See "Item 4. Information on the Company—Coca-Cola FEMSA Products" and "Item 4. Information on the Company—Coca-Cola FEMSA—Packaging." In addition, Coca-Cola FEMSA informs its consumers through front labeling on the nutrient composition and caloric content of its beverages. Coca-Cola FEMSA has been a pioneer in the introduction of the Guideline Daily Amounts ("GDA"), and Coca-Cola FEMSA performs responsible advertising practices and marketing. Coca-Cola FEMSA voluntarily adheres to national and international codes of conduct in advertising and marketing, including communications targeted to minors who are developed based on the Responsible Marketing policies and Global School Beverage Guidelines of TCCC, achieving full compliance with all such codes and guidelines in all of the countries where Coca-Cola FEMSA operates.

Coca-Cola FEMSA's Territories

The following map shows Coca-Cola FEMSA's territories, giving estimates in each case of the population to which Coca-Cola FEMSA offers products and the number of retailers carrying its beverages as of December 31, 2022:



(1) As of December 31, 2017, Venezuela is reported as an investment in shares, as a non-consolidated operation.

Coca-Cola FEMSA's Products

Coca-Cola FEMSA produces, markets, sells and distributes mainly TCCC trademark beverage portfolio. These include sparkling beverages (colas and flavored sparkling beverages), waters and other non-carbonated beverages

(including juice drinks, coffee, teas, milk, value-added dairy, sports drinks, energy drinks, certain alcoholic beverages, such as *Topo Chico* hard seltzer and plant-based drinks).

In addition, through certain distribution agreements, Coca-Cola FEMSA distributes and sells *Monster* products in all the countries where it operates and *Heineken*-owned brand beer products, *Estrella Galicia* beer products, *Campari* alcoholic beverages and *Perfetti* confectionary and chewing gum in its Brazilian territories.

Since 2021, Coca-Cola FEMSA has been testing distributing alcoholic beverages and consumer products in some of its territories. From its ongoing tests, Coca-Cola FEMSA has been learning new shopper and consumption trends, and gathering necessary insights to strengthen its value proposition for retailers and consumers in the market. This has allowed Coca-Cola FEMSA to complement its reach and joint consumer value proposition and provide its partners with a unique edge to communicate with target consumers. As these are ongoing tests, further details will be provided in due course.

The following table sets forth the trademarks of the main products Coca-Cola FEMSA distributed in 2022:

Colas:

Coca-Cola
Coca-Cola Sin Azúcar
Coca-Cola Light

Flavored Sparkling Beverages:

<i>Crush</i>	<i>Kuat</i>	<i>Schweppes</i>
<i>Fanta</i>	<i>Mundet</i>	<i>Sprite</i>
<i>Fresca</i>	<i>Quatro</i>	<i>Yoli</i>

Still Beverages:

<i>AdeS</i>	<i>Fuze Tea</i>	<i>Leão</i>	
<i>Cepita</i>	<i>Hi-C</i>	<i>Monster</i>	<i>Santa Clara</i>
<i>Del Valle</i>	<i>Kapo</i>	<i>Powerade</i>	<i>Valle Frut</i>

Water:

<i>Alpina</i>	<i>Brisa</i>	<i>Dasani</i>	<i>Shangri-la</i>
<i>Aquarius</i>	<i>Ciel</i>	<i>Manantial</i>	<i>Topo Chico</i>
<i>Bonaqua</i>	<i>Crystal</i>	<i>Kin</i>	<i>Vitale</i>

Packaging

Coca-Cola FEMSA produces, markets, sells and distributes Coca-Cola trademark beverages in each of its territories in containers authorized by TCCC, which consist primarily of a variety of returnable and non-returnable presentations in the form of glass bottles, cans and plastic bottles mainly made of PET resin. Coca-Cola FEMSA uses the term presentation to refer to the packaging unit in which Coca-Cola FEMSA sells its products. Presentation sizes for Coca-Cola FEMSA's Coca-Cola trademark beverages range from a 6.5-ounce personal size to a 3-liter multiple serving size. For all of Coca-Cola FEMSA's products excluding water, Coca-Cola FEMSA considers a multiple serving size as equal to, or larger than, 1.0 liter. In general, personal sizes have a higher price per unit case as compared to multiple serving sizes. Coca-Cola FEMSA offers both returnable and non-returnable presentations, which allow it to offer portfolio alternatives based on convenience and affordability to implement sales strategies and to target specific distribution channels and population segments in its territories. In addition, Coca-Cola FEMSA sells some Coca-Cola trademark beverage syrups in containers designed for soda fountain use, which Coca-Cola FEMSA refers to as fountain. Coca-Cola FEMSA also sells bottled water products in bulk sizes, which refer to presentations equal to or larger than 5.0 liters and up to 20.0 liters, which have a much lower average price per unit case than its other beverage products.

Sales Volume and Transactions Overview

Coca-Cola FEMSA measures total sales volume in terms of unit cases and number of transactions. "Unit case" refers to 192 ounces of finished beverage product (24 eight-ounce servings) and, when applied to soda fountains, refers to the volume of syrup, powders and concentrate that is required to produce 192 ounces of finished beverage product. "Transactions" refers to the number of single units (e.g. a can or a bottle) sold, regardless of their size or volume or whether they are sold individually or in multipacks, except for fountain which represents multiple transactions based on a standard 12 ounce serving.

Except when specifically indicated, “sales volume” in this annual report refers to sales volume in terms of unit cases.

Coca-Cola FEMSA’s most important brand, Coca-Cola, together with its line of low-calorie products, accounted for 61.2%, 62.6% and 63.9% of Coca-Cola FEMSA’s total sales volume in 2022, 2021 and 2020, respectively.

The following table illustrates historical sales volume and number of transactions for each of Coca-Cola FEMSA’s consolidated reporting segments, as well as its unit case and transaction mix by category.

	Sales Volume		Transactions	
	2022	2021	2022	2021
	(Millions of unit cases or millions of single units, except percentages)			
Mexico	1,888.9	1,790.0	9,276.4	8,569.5
Central America ⁽¹⁾	299.5	267.8	2,356.8	2,040.5
Mexico & Central America	2,188.4	2,057.9	11,633.2	10,610.0
<i>Growth</i>	6.3 %	3.3 %	9.6 %	7.8 %
Colombia	330.1	297.9	2,503.7	2,046.2
Brazil ⁽²⁾	1,016.2	903.3	7,014.5	5,866.6
Argentina	173.9	155.4	939.5	765.8
Uruguay	46.6	43.4	224.2	202.1
South America	1,566.8	1,400.0	10,681.9	8,880.9
<i>Growth</i>	11.9 %	8.3 %	20.3 %	17.5 %
Total	3,755.2	3,457.9	22,315.1	19,490.9
<i>Growth</i>	8.6 %	5.3 %	14.5 %	12.0 %

(1) Includes sales volume and transactions from Guatemala, Nicaragua, Costa Rica and Panama.

(2) Excludes beer sales volume and transactions.

The following table illustrates the multiple serving presentations and returnable packaging mix for sparkling beverages volume:

	Multiple Serving Presentations		Returnable packaging	
	2022	2021	2022	2021
Mexico	69.1 %	71.3 %	43.4 %	45.4 %
Central America ⁽¹⁾	55.2 %	58.4 %	31.3 %	34.9 %
Colombia	60.1 %	67.4 %	20.0 %	19.7 %
Brazil ⁽²⁾	67.0 %	69.6 %	15.7 %	16.3 %
Argentina	76.5 %	82.5 %	17.3 %	19.4 %
Uruguay	81.0 %	83.8 %	17.0 %	20.1 %
Total	66.7 %	70.2 %	31.5 %	32.7 %

(1) Includes sales volume and transactions from Guatemala, Nicaragua, Costa Rica and Panama.

(2) Excludes beer sales volume and transactions.

The following table illustrates Coca-Cola FEMSA's historical sales volume and number of transactions performance by category for each of its operations and its consolidated reporting segments for 2022 as compared to 2021:

	Year Ended December 31, 2022				
	Sparkling	Stills	Water	Bulk Water	Total
Sales Volume Growth					
Mexico	3.4 %	10.5 %	26.8 %	6.8 %	5.5 %
Central America ⁽¹⁾	10.3 %	26.8 %	10.1 %	39.8 %	11.8 %
Mexico and Central America	4.5 %	13.1 %	24.9 %	6.9 %	6.3 %
Colombia	8.5 %	34.3 %	27.4 %	(16.9) %	10.8 %
Brazil ⁽²⁾	8.7 %	39.2 %	37.3 %	36.2 %	12.5 %
Argentina	11.4 %	11.1 %	35.8 %	(28.6) %	11.9 %
Uruguay	4.2 %	94.2 %	18.0 %	—	7.5 %
South America	8.8 %	34.7 %	33.2 %	(4.4) %	11.9 %
Total	6.4 %	21.7 %	29.0 %	5.8 %	8.6 %

(1) Includes sales volume and transactions from Guatemala, Nicaragua, Costa Rica and Panama.

(2) Excludes beer sales volume and transactions.

	Year Ended December 31, 2022				
	Sparkling	Stills	Water	Bulk	Total
Number of Transactions Growth					
Mexico	6.5 %	12.6 %	22.3 %	—	8.2 %
Central America ⁽¹⁾	13.2 %	34.6 %	7.3 %	—	15.5 %
Mexico and Central America	7.8 %	17.4 %	20.5 %	—	9.6 %
Colombia	17.8 %	54.3 %	24.8 %	—	22.4 %
Brazil ⁽²⁾	14.2 %	47.1 %	38.6 %	—	19.6 %
Argentina	19.1 %	28.7 %	44.8 %	—	22.7 %
Uruguay	7.0 %	71.3 %	20.2 %	—	10.9 %
South America	15.2 %	47.0 %	33.8 %	—	20.3 %
Total	11.1 %	31.1 %	27.6 %	—	14.5 %

(1) Includes sales volume and transactions from Guatemala, Nicaragua, Costa Rica and Panama.

(2) Excludes beer sales volume and transactions.

The following table illustrates Coca-Cola FEMSA's unit case mix by category for each of its operations and its consolidated reporting segments for 2022:

Unit Case Mix by Category	Sparkling Beverages		Stills		Water ⁽³⁾	
	Years Ended December 31,					
	2022	2021	2022	2021	2022	2021
Mexico	71.4 %	72.8 %	7.2 %	6.8 %	21.4 %	20.3 %
Central America ⁽¹⁾	86.1 %	87.3 %	9.9 %	8.7 %	4.0 %	4.0 %
Mexico and Central America	73.4 %	74.7 %	7.5 %	7.1 %	19.1 %	18.2 %
Colombia	77.1 %	78.7 %	8.8 %	7.2 %	14.1 %	14.0 %
Brazil ⁽²⁾	84.1 %	87.0 %	8.3 %	6.7 %	7.6 %	6.2 %
Argentina	80.2 %	80.5 %	8.4 %	8.5 %	11.4 %	11.1 %
Uruguay	84.2 %	86.9 %	3.5 %	1.9 %	12.3 %	11.2 %
South America⁽⁴⁾	82.2 %	84.5 %	8.3 %	6.9 %	9.5 %	8.6 %
Total	77.1 %	78.7 %	7.8 %	7.0 %	15.1 %	14.3 %

(1) Includes sales volume and transactions from Guatemala, Nicaragua, Costa Rica and Panama.

(2) Excludes beer sales volume and transactions.

(3) Includes bulk water volume and transactions.

(4) Includes sales volume and transactions from CVI Refrigerantes Ltda., or CVI, from February 2022.

Seasonality

Sales of Coca-Cola FEMSA's products are seasonal in all the countries where it operates, as Coca-Cola FEMSA's sales volumes generally increase during the summer of each country and during the year-end holiday season. In Mexico, Central America and Colombia, Coca-Cola FEMSA typically achieves its highest sales during the months of April through August as well as during the year-end holidays in December. In Brazil, Uruguay and Argentina, Coca-Cola FEMSA's highest sales levels occur during the summer months of October through March, including the year-end holidays in December.

Marketing

Coca-Cola FEMSA, in conjunction with TCCC, has developed a marketing strategy to promote the sale and consumption of Coca-Cola FEMSA's products. Coca-Cola FEMSA relies extensively on advertising, sales promotions and retailer support programs to target the particular preferences of its consumers. Coca-Cola FEMSA's consolidated marketing expenses in 2022 were Ps. 3,983 million.

Retailer Support Programs. Support programs include providing retailers with point-of-sale display materials and consumer sales promotions, such as contests, sweepstakes and the giveaway of product samples.

Coolers. Coolers play an integral role in Coca-Cola FEMSA's clients' plans for success. Increasing both cooler coverage and the number of cooler doors among Coca-Cola FEMSA's retailers is important to ensure that its wide variety of products are properly displayed, while strengthening its merchandising capacity in its distribution channels to significantly improve its point-of-sale execution.

Advertising. Coca-Cola FEMSA advertises in all major communications media. Coca-Cola FEMSA focuses its advertising efforts on increasing brand recognition by consumers and improving its customer relations. National advertising campaigns are designed and proposed by TCCC's local affiliates in the countries where Coca-Cola FEMSA operates, with its input at the local or regional level. Point-of-sale merchandising and advertising efforts are proposed and implemented by Coca-Cola FEMSA, with a focus on increasing its connection with customers and consumers.

Marketing in Coca-Cola FEMSA's Distribution Channels. In order to provide more dynamic and specialized marketing of its products, Coca-Cola FEMSA's strategy is to classify its markets and develop targeted efforts for each consumer segment or distribution channel. Coca-Cola FEMSA's principal channels are small retailers, "on-premise" accounts, such as restaurants and bars, supermarkets and third-party distributors. Presence in these channels entails a comprehensive and detailed analysis of the purchasing patterns and preferences of various groups of beverage consumers in each of the different types of locations or distribution channels. In response to this analysis, Coca-Cola FEMSA tailors its product, price, packaging and distribution strategies to meet the particular needs of and exploit the potential of each channel.

Multi-Segmentation. Coca-Cola FEMSA has implemented a multi-segmentation strategy in all of its markets. These strategies consist of the definition of a strategic market cluster or group and the implementation and assignment of different product/price/package portfolios and service models to such market cluster or group. These clusters are defined based on consumption occasion, competitive environment, income level, and types of distribution channels.

Product Sales and Distribution

The following table provides an overview of Coca-Cola FEMSA's distribution centers and the retailers to which Coca-Cola FEMSA sold its products:

	As of December 31, 2022	
	Mexico and Central America ⁽¹⁾⁽³⁾	South America ⁽²⁾
Distribution centers	171	78
Retailers	1,099,732	1,026,732

(1) Includes Mexico, Guatemala, Nicaragua, Costa Rica and Panama.

(2) Includes Colombia, Brazil, Argentina and Uruguay.

(3) For purposes of this table, Coca-Cola FEMSA has considered owned and third-party distribution centers managed by us .

Coca-Cola FEMSA continuously evaluates its distribution model in order to fit with the local dynamics of the marketplace and analyze the way it goes to market, recognizing different service needs from its customers, while looking for more efficient distribution models. As part of this strategy, Coca-Cola FEMSA is rolling out a variety of new distribution models throughout its territories looking for improvements in its distribution network.

Coca-Cola FEMSA uses several sales and distribution models depending on market, geographic conditions and the customer's profile: (i) the pre-sale system, which separates the sales and delivery functions, permitting trucks to be loaded with the mix of products that retailers have previously ordered, thereby increasing both sales and distribution efficiency; (ii) the conventional truck route system, in which the person in charge of the delivery makes immediate sales from inventory available on the truck; (iii) sales through digital platforms to access technologically enabled customers; (iv) the telemarketing system, which could be combined with pre-sales visits; and (v) sales through third-party wholesalers and other distributors of Coca-Cola FEMSA's products.

As part of the pre-sale system, sales personnel also provide merchandising services during retailer visits, which Coca-Cola FEMSA believes enhance the shopper experience at the point-of-sale. Coca-Cola FEMSA believes that an adequate number of service visits to retailers and frequency of deliveries are essential elements in an effective selling and distribution system of its products.

As a result of the COVID-19 pandemic, Coca-Cola FEMSA continues to reinforce its presence in its emerging distribution channels, which consist primarily of digital sales channels, such as food aggregators, digital platforms, e-commerce websites and mobile device applications, in an effort to address the growing demand from its business partners through such sales channels. This reinforcement is aligned with Coca-Cola FEMSA's overall digitization and omnichannel strategies.

In 2022, no single customer accounted for more than 10.0% of Coca-Cola FEMSA's consolidated total sales.

Coca-Cola FEMSA's distribution centers range from large warehousing facilities to small cross-docking facilities. In addition to its fleet of trucks, Coca-Cola FEMSA distributes its products in certain locations through electric carts and hand-trucks in order to comply with local environmental and traffic regulations. In some of its territories, Coca-Cola FEMSA relies on third parties to transport its finished products from its bottling plants to its distribution centers and, in some cases, directly to its customers.

Mexico. Coca-Cola FEMSA contracts with a subsidiary of FEMSA, Solística, S.A. de C.V., for most of the transportation of finished products from Coca-Cola FEMSA's bottling plants to its distribution centers in Mexico. See "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions." From the distribution centers, Coca-Cola FEMSA distributes its finished products to retailers mainly through its own fleet of trucks. In designated areas in Mexico, third-party distributors deliver Coca-Cola FEMSA's products to retailers and consumers, allowing Coca-Cola FEMSA to access these areas on a cost-effective basis.

In Mexico, Coca-Cola FEMSA sells a majority of its beverages through its traditional distribution channel, which consists of sales at small retail stores to consumers who may take the beverages for consumption at home or elsewhere. Coca-Cola FEMSA also sells products through modern distribution channels, the "on-premise" consumption segment, home delivery routes, supermarkets and other locations. Modern distribution channels include large and organized chain retail outlets such as wholesale supermarkets, discount stores and convenience stores that sell fast-

moving consumer goods, where retailers can buy large volumes of products from various producers. The “on-premise” consumption segment consists of sales through points-of-sale where products are consumed at the establishment from which they were purchased. This includes retailers such as restaurants and bars as well as stadiums, auditoriums and theaters.

In 2021, the “on-premise” channel was the most affected in Coca-Cola FEMSA’s Mexican operations, as a result of COVID-19 confinement measures. This effect was partially offset by increased sales through its emerging distribution channels, which consist primarily of digital channels and platforms such as food aggregators, e-commerce and other digital platforms. The rollout of Coca-Cola FEMSA’s digital platforms allowed it to serve its customers in Mexico through a digital app and our proprietary chatbot-enabled order-taking platform. Additionally, other “direct-to-consumer” channels such as Coca-Cola FEMSA’s own home delivery routes had an increase in demand. During 2021 and 2022, as confinement measures were gradually reduced, Coca-Cola FEMSA saw a gradual recovery of the “on-premise” channel.

Brazil. In Brazil, Coca-Cola FEMSA distributes its finished products to retailers through a combination of its own fleet of trucks and third-party distributors, while maintaining control over the selling activities. In designated zones in Brazil, third-party distributors purchase Coca-Cola FEMSA’s products and resell them to retailers. In Brazil, Coca-Cola FEMSA sells a majority of its beverages at small retail stores. Coca-Cola FEMSA also sells products through modern distribution channels and “on-premise” consumption. Modern distribution channels in Brazil include large and organized chain retail outlets such as wholesale supermarkets and discount stores that sell fast-moving consumer goods.

In 2021, the “on-premise” channel in Coca-Cola FEMSA’s Brazilian operations was the most affected as a result of COVID-19 confinement measures. This effect was partially offset by resilient traditional trade channels and increased sales through its emerging distribution channels, which consist primarily of digital channels and platforms such as food aggregators, e-commerce and other digital platforms. Additionally, the rollout of the digital platforms allowed Coca-Cola FEMSA to complement its service to its consumers in Brazil through a digital app and its proprietary chatbot-enabled order-taking platform. During 2021 and 2022, as confinement measures were gradually reduced, Coca-Cola FEMSA saw a gradual recovery of the “on-premise” channel.

Territories other than Mexico and Brazil. Coca-Cola FEMSA distributes its finished products to retailers through a combination of its own fleet of trucks and third-party distributors. In most of Coca-Cola FEMSA’s territories, an important part of its total sales volume is sold through small retailers.

In 2021 and 2020, a large percentage of Coca-Cola FEMSA’s sales in its territories other than Mexico and Brazil were made through modern distribution channels, as the imposition of measures and regulations aimed at containing the COVID-19 pandemic had an impact on consumer preferences towards these channels. The “on-premise” channel was the most affected sales and distribution channel in these territories as a result of confinement measures. This effect was partially offset by an increased demand for digital channels and platforms such as food aggregators, e-commerce and other digital platforms. As these countries began to ease restrictions and lockdowns, there was a subsequent recovery in the “on-premise” channel.

Principal Competitors

Coca-Cola FEMSA is a leader in the beverage market, being the largest franchise bottler of Coca-Cola trademarks in the world by sales volume. During 2022, Coca-Cola FEMSA produced and sold approximately 11.5% of the Coca-Cola system’s volume worldwide.

Coca-Cola FEMSA’s principal competitors are local Pepsi bottlers and other bottlers and distributors of local beverage brands. Coca-Cola FEMSA also faces competition in many of its territories from producers of low-price beverages, commonly referred to as “B brands.” A number of Coca-Cola FEMSA’s competitors in Central America, Brazil, Argentina and Colombia offer beer in addition to sparkling beverages, still beverages and water, which may enable them to achieve distribution efficiencies that other competitors who do not offer an integrated portfolio may not be able to achieve.

While competitive conditions are different in each of its territories, Coca-Cola FEMSA competes mainly in terms of price, packaging, effective promotional activities, access to retail outlets and sufficient shelf space, customer service, product innovation and product alternatives and the ability to identify and satisfy consumer preferences. Coca-Cola FEMSA competes by seeking to offer products at an attractive price in the different segments in its markets and by building on the value of its brands. Coca-Cola FEMSA believes that the introduction of new products and new presentations has been a significant competitive advantage that allows Coca-Cola FEMSA to increase demand for its products, provide different options to consumers and increase new consumption opportunities. See “Item 4. Information on the Company—Coca-Cola FEMSA—Coca-Cola FEMSA’s Products” and “Item 4. Information on the Company—Coca-Cola FEMSA—Packaging.”

Mexico and Central America. Coca-Cola FEMSA's principal competitors in Mexico are bottlers of Pepsi products. Coca-Cola FEMSA competes with Organización Cultiva, S.A.B. de C.V., a joint venture formed by Grupo Embotelladoras Unidas, S.A.B. de C.V., the former Pepsi bottler in central and southeast Mexico, a subsidiary of PepsiCo and Empresas Polar, S.A., a beer distributor and Pepsi bottler. Coca-Cola FEMSA's main competition in the juice category in Mexico is Grupo Jumex. In the water category, Coca-Cola FEMSA's main competitor is Bonafont, a water brand owned by Danone. In addition, Coca-Cola FEMSA competes with Cadbury Schweppes in sparkling beverages and with other local brands in its Mexican territories, as well as "B brand" producers, such as Ajemex, S.A. de C.V. (Big Cola bottler) and Consorcio AGA, S.A. de C.V. (Red Cola bottler), that offer various presentations of sparkling and still beverages.

In the countries that comprise Coca-Cola FEMSA's Central America region, its main competitors are Pepsi and Big Cola bottlers. In Guatemala, Coca-Cola FEMSA competes with a joint venture between AmBev and The Central American Bottler Corporation. In Nicaragua, Coca-Cola FEMSA's principal competitor is AJE Group. Coca-Cola FEMSA also competes with the joint venture between The Central American Bottler Corporation and AmBev. In Costa Rica, Coca-Cola FEMSA's principal competitor is Florida Bebidas S.A., subsidiary of Florida Ice and Farm Co. and Cooperativa de Productores de Leche Dos Pinos R.L. in juices. In Panama, Coca-Cola FEMSA's main competitor is Cervecería Nacional, S.A., followed by AJE Group. Coca-Cola FEMSA also faces competition from "B brands" offering multiple serving size presentations in some Central American countries.

South America. Coca-Cola FEMSA's principal competitor in Colombia is Postobón, a local bottler (*Manzana Postobón*, *Uva Postobón* and *Colombiana*), still beverages (*Hit Juice*) and water (*Crystal*). Postobón sells *Pepsi* products and is a vertically integrated producer, the owners of which hold other significant commercial and industrial interests in Colombia. Coca-Cola FEMSA also competes with low-price producers, such as Ajecolombia S.A., the producers of Big Cola, which principally offer multiple serving size presentations in the sparkling and still beverage industry.

In Brazil, Coca-Cola FEMSA competes against AmBev, a company that distributes Pepsi brands, local brands with flavors such as guarana, and proprietary beer brands. Coca-Cola FEMSA also competes against "B brands" or "Tubainas," which are small, local producers of low-cost sparkling beverages that represent a significant portion of the sparkling beverage market.

In Argentina, Coca-Cola FEMSA's main competitor is Buenos Aires Embotellador S.A. (BAESA), a *Pepsi* bottler, which is owned by Argentina's principal brewery, Quilmes Industrial S.A., and indirectly controlled by AmBev. In the water category, *Levité*, *Villavicencio* and *Villa del Sur* are water brands owned by Danone, which is Coca-Cola FEMSA's main competition. In addition, Coca-Cola FEMSA competes with a number of producers offering "B brands," low-priced sparkling beverages, as well as many other generic products and private label proprietary supermarket brands that are gaining importance in the market. Manaos, a brand owned by Refres Now S.A. is Coca-Cola FEMSA's main competitor in this segment.

In Uruguay, Coca-Cola FEMSA's main competitor is *Salus*, a water brand owned by Danone. Coca-Cola FEMSA also competes against Fábricas Nacionales de Cerveza S.A. (FNC), a *Pepsi* bottler and distributor that is partially owned by Argentina's principal brewery, Quilmes Industrial S.A., and indirectly controlled by AmBev. In addition, Coca-Cola FEMSA competes with CCU Inversiones II Ltda, a water, soft drinks and brewery company and finally, with some low-priced regional producers.

Raw Materials

Pursuant to Coca-Cola FEMSA's bottler agreements, Coca-Cola FEMSA is authorized to manufacture, sell and distribute Coca-Cola trademark beverages within specific geographic areas, and Coca-Cola FEMSA is required to purchase concentrate for all *Coca-Cola* trademark beverages in all of its territories from affiliates of TCCC and sweeteners and other raw materials from companies authorized by TCCC. Concentrate prices for *Coca-Cola* trademark beverages are determined as a percentage of the weighted average retail price in local currency net of applicable taxes. Although TCCC has the right to set the price of concentrates, in practice this percentage has historically been set pursuant to periodic negotiations with TCCC. See "Item 10. Additional Information—Material Contracts—Material Contracts Relating to Coca-Cola FEMSA—Bottler Agreements."

Historically, TCCC has increased concentrate prices for Coca-Cola trademark beverages in some of the countries where Coca-Cola FEMSA operates. For example, TCCC increased concentrate prices for certain Coca-Cola trademark beverages in Mexico in 2020, 2021 and in 2022. TCCC may increase concentrate prices in the future, and we may not be successful in negotiating or implementing measures to mitigate the negative effect this may have on the prices of our products or our results. See "Item 10. Additional Information—Material Contracts—Material Contracts Relating to Coca-Cola FEMSA—Cooperation Framework with The Coca-Cola Company."

In addition to concentrate, Coca-Cola FEMSA purchases sweeteners, carbon dioxide, PET resin and preforms to make plastic bottles, finished plastic and glass bottles, cans, caps and fountain containers, as well as other packaging

materials and raw materials. Coca-Cola FEMSA's bottler agreements provide that these materials may be purchased only from suppliers approved by TCCC. Prices for certain raw materials, including those used in the bottling of Coca-Cola FEMSA's products, mainly PET resin, finished plastic bottles, aluminum cans, HFCS and certain sweeteners, are paid in or determined with reference to the U.S. dollar, and therefore local prices in a particular country may increase based on changes in the applicable exchange rates. Coca-Cola FEMSA's most significant packaging raw material costs arise from the purchase of PET resin, the price of which is related to crude oil prices and global PET resin supply. The average price that Coca-Cola FEMSA paid for PET resin in U.S. dollars in 2022 increased 23.5% as compared to 2021 in all Coca-Cola FEMSA's territories. In addition, given that high currency volatility has affected and continues to affect most of Coca-Cola FEMSA's territories, the average price for PET resin in local currencies was higher in 2021 in Mexico, Colombia, Brazil and Argentina. In 2022, Coca-Cola FEMSA purchased certain raw materials in advance, negotiated and locked in prices in advance and entered into certain derivative transactions, which helped Coca-Cola FEMSA capture opportunities with respect to raw material costs and currency exchange rates.

Under its agreements with TCCC, Coca-Cola FEMSA may use raw or refined sugar, artificial sweeteners and HFCS in its products. Sugar prices in all of the countries where Coca-Cola FEMSA operates, other than Brazil, are subject to local regulations and other barriers to market entry that, in certain countries, often cause Coca-Cola FEMSA to pay for sugar in excess of international market prices. In recent years, international sugar prices experienced significant volatility. Across Coca-Cola FEMSA's territories, its average price for sugar in U.S. dollars, taking into account its financial hedging activities, increased by approximately 12.4% in 2022 as compared to 2021.

Coca-Cola FEMSA considers water as a raw material in its business. Coca-Cola FEMSA obtains water for the production of some of its natural spring water products, such as *Manantial* in Colombia and *Crystal* in Brazil, from spring water pursuant to concessions granted.

None of the materials or supplies that Coca-Cola FEMSA uses is presently in short supply, although the supply of specific materials could be adversely affected by strikes, weather conditions, governmental controls, national emergency situations, water shortages or the failure to maintain Coca-Cola FEMSA's existing water concessions.

Mexico and Central America. In Mexico, Coca-Cola FEMSA mainly purchases PET resin from Indorama Ventures Polymers México, S. de R.L. de C.V. and DAK Resinas Americas Mexico, S.A. de C.V., which Alpla México, S.A. de C.V., known as Alpla, and Envases Universales de México, S.A.P.I. de C.V. manufacture into non-returnable plastic bottles for us. Also, Coca-Cola FEMSA has introduced into its business Asian global suppliers, such as Far Eastern New Century Corp., known as FENC, SFX – Jiangyin Xingyu New Material Co. Ltd. and Hainan Yisheng Petrochemical Co. Ltd., which support its PET resin strategy and are known as the top PET global suppliers.

Coca-Cola FEMSA purchases all of its cans from Crown Envases México, S.A. de C.V., formerly known as Fábricas de Monterrey, S.A. de C.V., and Envases Universales de México, S.A.P.I. de C.V. Coca-Cola FEMSA mainly purchases its glass bottles from Owens America, S. de R.L. de C.V., FEVISA Industrial, S.A. de C.V., known as FEVISA, and Glass & Silice, S.A. de C.V., and in 2021, Coca-Cola FEMSA introduced glass bottles from Middle East suppliers such as Saudi Arabian Glass Co. Ltd known as SAGCO.

Coca-Cola FEMSA purchases sugar from, among other suppliers, PIASA, Beta San Miguel, S.A. de C.V. or Beta San Miguel and Ingenio La Gloria, S.A., all of them sugar cane producers. As of April 8, 2022, Coca-Cola FEMSA held a 36.4% and 2.7% equity interest in PIASA and Beta San Miguel, respectively. Coca-Cola FEMSA purchases HFCS from Ingredion México, S.A. de C.V., Cargill de Mexico S.A. de C.V. and Almidones Mexicanos, S.A. de C.V., known as Almex.

Sugar prices in Mexico are subject to local regulations and other barriers to market entry that often cause Coca-Cola FEMSA to pay higher prices than those paid in the international market. As a result, prices in Mexico have no correlation to international market prices. However, in 2022, sugar prices in local currency in Mexico increased approximately 4.8% as compared to 2021.

In Central America, the majority of Coca-Cola FEMSA's raw materials such as glass and non-returnable plastic bottles are purchased from several local suppliers. Coca-Cola FEMSA purchases its cans from Envases Universales Ball de Centroamérica, S.A. and Envases Universales de México, S.A.P.I. de C.V. Sugar is available from suppliers that represent several local producers. In Costa Rica, Coca-Cola FEMSA acquires plastic non-returnable bottles from Alpla C.R. S.A., and in Nicaragua Coca-Cola FEMSA acquires such plastic bottles from Alpla Nicaragua, S.A.

South America. In Colombia, Coca-Cola FEMSA uses sugar as a sweetener in all its caloric beverages, which Coca-Cola FEMSA buys from several domestic sources. Sugar prices in Colombia increased by 26.7% in U.S. dollars and increased 51.9% in local currency, as compared to 2021. Coca-Cola FEMSA purchases non-returnable plastic bottles from Amcor Rigid Plastics de Colombia, S.A. and Envases de Tocancipa S.A.S. (affiliate of Envases Universales de México, S.A.P.I. de C.V.). Coca-Cola FEMSA has historically purchased all of its non-returnable glass bottles from O-I Peldar and other global suppliers in the Middle East. Coca-Cola FEMSA purchases all of its cans from Crown Envases

México, S.A. de C.V. and Crown Colombiana, S.A. Grupo Ardila Lulle (owners of Coca-Cola FEMSA's competitor Postobón) owns a minority equity interest in certain of Coca-Cola FEMSA's suppliers, including O-I Peldar and Crown Colombiana, S.A.

In Brazil, Coca-Cola FEMSA also uses sugar as a sweetener in all of its caloric beverages. Sugar is available at local market prices, which historically have been similar to international prices. Sugar prices in Brazil increased approximately 5.4% in U.S. dollars and increased 0.8% in local currency as compared to 2021. Taking into account Coca-Cola FEMSA's financial hedging activities, sugar prices in Brazil increased 29.0% in U.S. dollars and 23.0% in local currency as compared to 2021. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Commodity Price Risk." Coca-Cola FEMSA purchases non-returnable glass bottles, plastic bottles and cans from several domestic and international suppliers. Coca-Cola FEMSA mainly purchases PET resin from local suppliers such as Indorama Ventures Polímeros S.A.

In Argentina, Coca-Cola FEMSA mainly uses HFCS that it purchases from several different local suppliers as a sweetener in its products. Coca-Cola FEMSA purchases glass bottles and other raw materials from several domestic sources. Coca-Cola FEMSA purchases plastic preforms at competitive prices from Andina Empaques S.A., a local subsidiary of Embotelladora Andina, S.A., a *Coca-Cola* bottler with operations in Chile, Argentina, Brazil and Paraguay, Alpla Avellaneda, S.A., AMCOR Argentina, and other local suppliers.

In Uruguay, Coca-Cola FEMSA also uses sugar as a sweetener in all of its caloric beverages, which is available at Brazil's local market prices. Sugar prices in Uruguay increased approximately 20.0% in U.S. dollars and 12.9% in local currency as compared to 2021. Coca-Cola FEMSA's main supplier of sugar is Nardini Agroindustrial Ltda., which is based in Brazil. Coca-Cola FEMSA purchases PET resin from several Asian suppliers, such as SFX – Jiangyin Xingyu New Material Co. Ltd. and India Reliance Industry (a joint venture with DAK Resinas Americas Mexico, S.A. de C.V.), and Coca-Cola FEMSA purchases non-returnable plastic bottles from global PET converters, such as Cristalpet S.A. (affiliate of Envases Universales de México, S.A.P.I. de C.V.).

Proximity Americas Division Overview

Proximity Americas Division operates a chain of small-format stores with 21,458 locations as of December 31, 2022, under the trade name OXXO.

Proximity Americas Division—Overview Year Ended December 31, 2022

	(in millions of Mexican pesos, except percentages)					
	Total Revenues			Gross Profit		
	2022	2022 vs.2021		2022	2022 vs.2021	
Proximity Americas Division	Ps.	233,958	17.8 %	Ps.	97,586	15.9 %

Business Strategy

Proximity Americas Division intends to continue increasing its store base in all of its territories while capitalizing on the retail business and market knowledge gained through its existing network of stores. Proximity Americas Division intends to open new stores in locations where it believes there is high growth potential or unsatisfied demand, while also increasing customer traffic and average ticket per customer in existing stores. Proximity Americas Division's expansion focuses on both entering new markets and strengthening its presence in Mexico, Colombia, Chile, Brazil and Peru. A fundamental element of Proximity Americas Divisions' business strategy is to leverage its retail store formats, know-how, technology, and operational practices to continue growing in a cost-effective and profitable manner. This scalable business platform has provided a strong foundation for continued organic growth in Mexico, improving traffic and average ticket sales at our existing stores and facilitating entry into new small-format retail industries. To further increase customer traffic into Proximity Americas Division's stores, Proximity Americas Division has incorporated additional services to its value proposition in Mexico, such as utility bill payments, deposits into bank accounts held at our correspondent bank partners, remittances, payment of mobile phone fees and charges and other financial services, and it seeks to constantly increase the services it offers.

Beyond Mexico, Proximity Americas Division seeks to increase its scale while continuing its expansion in Colombia, Chile, Peru and Brazil. In Brazil, Proximity Americas Division's growth is accelerating through Raízen Conveniências, commercially known as Grupo Nós ("Grupo Nós"), our joint venture with Raízen Combustíveis S.A., which operates OXXO's value proposition while continuing to evolve with trends, and which continues to grow its

legacy format, Shell Select. As of December 31, 2022, there were 217 OXXO stores in the Campinas and Sao Paulo areas. As of the end of 2022, Grupo Nós had 1,213 franchised and 38 self-operated Shell Select locations through Raizen's service station network.

Proximity Americas Division has developed proprietary models to assist in identifying appropriate store locations, store formats and product categories. These models utilize location-specific demographic data and Proximity Americas Division's experience in similar locations to fine-tune store formats, product price ranges and product offerings to the target market. Market segmentation is becoming an important strategic tool that is expected to allow Proximity Americas Division to improve the operating efficiency of each location, cover a wider array of consumption occasions and increase its overall profitability.

Proximity Americas Division continues to improve its information-gathering and processing systems to allow it to connect with its customers at all levels and anticipate and respond efficiently to their changing demands and preferences. Most of the products carried through OXXO stores are bar-coded, and all OXXO stores are equipped with point-of-sale systems integrated into a company-wide computer network. Proximity Americas Division created a department in charge of product category management, for products such as beverages, fast food and perishables, responsible for analyzing data gathered to better understand our customers, develop integrated marketing plans and allocate resources more efficiently. This department utilizes a technology platform supported by an enterprise resource planning ("ERP") system, as well as other technological solutions such as merchandising and point-of-sale systems, which allow Proximity Americas Division to redesign and adjust its key operating processes and certain related business decisions. Our IT system also allows us to manage each store's working capital, inventories and investments in a cost-effective way while maintaining high sales volume and store quality. Supported by continued investments in IT, our supply chain network allows us to optimize working capital requirements through inventory rotation and reduction, reducing out-of-stock days and other inventory costs.

Proximity Americas Division maintains innovative promotional strategies in order to increase store traffic and sales. In particular, OXXO stores sell high-frequency items such as beverages, snacks and cigarettes at competitive prices. Proximity Americas Division's ability to implement this strategy profitably is partly attributable to the size of the OXXO chain, and its ability to work together with its suppliers to implement sales strategies such as differentiated promotions. OXXO stores' national and local marketing and promotional strategies are an effective revenue driver and a means of reaching new segments of the population while strengthening the OXXO brand. For example, the organization has refined its expertise in executing cross promotions (discounts on multi-packs or sales of complementary products at a special price) and targeted promotions to attract new customer segments by expanding the offerings in the grocery product category in certain stores.

Another fundamental element of Proximity Americas Division's strategy consists of leveraging Proximity Americas Division's reputation for quality and the position of the OXXO brand in the minds of its customers to expand its offering of private-label products. Proximity Americas Division's private-label products represent an alternative for value-conscious consumers, which, combined with its market position, allows Proximity Americas Division to increase sales and margins, strengthen customer loyalty and bolster its bargaining position with suppliers.

Historically, Proximity Americas Division has represented an effective distribution channel for its beverage products, as well as a rapidly-growing point of contact with its consumers. Based on the belief that location plays a major role in the long-term success of a small-format store retail operation, as well as a role in Proximity Americas Division's ability to accelerate and streamline the new store development process, Proximity Americas Division has focused on a strategy of rapid, profitable growth.

Finally, Proximity Americas Division seeks to leverage its scale, operating efficiency and customer knowledge to develop innovative value propositions to address the needs of the traditional trade channel in Mexico while simultaneously offering end customers price conscious retail formats such as "Bara" and "Pronto".

Store Locations

Proximity Americas Division operates the largest small-format store chain in the Americas, measured by number of stores. As of December 31, 2022, there are 20,883 OXXO stores in Mexico, 231 OXXO stores in Colombia, 269 stores in Chile and 75 stores in Peru. Proximity Americas Division expanded its operations by opening 1,027 new OXXO stores in Mexico, Colombia, Chile and Peru during 2022.

Additionally, as of December 31, 2022, Grupo Nós operated 217 OXXO stores and 38 Shell Select locations in Brazil, and managed 1,213 Shell Select stores operated by independent franchisees.

**OXXO Stores
Regional Allocation in Mexico
as of December 31, 2022**



Historically, Proximity Americas Division has rapidly expanded the number of OXXO stores but during 2022 and 2021, Proximity Americas Division stabilized its organic rate of expansion after a challenging consumer and operating environment driven by the COVID-19 pandemic in 2021 and 2020. Proximity Americas Division expects to gradually increase its expansion pace and growth strategy by emphasizing growth in areas of high economic potential in existing markets and by expanding in underserved and unexploited markets, while adjusting for post-pandemic changes in consumer behavior.

**OXXO Stores
Total Growth**

	Year Ended December 31,				
	2022	2021	2020	2019	2018
Total OXXO stores	21,458	20,431	19,566	19,330	17,999
Store growth (% change over previous year)	5.0 %	4.4 %	1.2 %	7.4 %	8.6 %

Most of the OXXO stores are operated under lease agreements, which are denominated in Mexican pesos and adjusted annually to an inflation index. This approach provides Proximity Americas Division the flexibility to adjust locations as cities grow and effectively adjust its footprint based on stores' performance.

Both the identification of locations and the pre-opening planning to optimize the results of new OXXO stores are important elements in Proximity Americas Division's growth plan. Proximity Americas Division continuously reviews store performance against certain operating and financial benchmarks to optimize the overall performance of the chain. Stores of Proximity Americas Division that are unable to maintain benchmark standards are generally closed. Between December 31, 2018 and 2022 the total number of OXXO stores increased by 3,459, which resulted from the opening of 4,565 new stores and the closing of 1,106 stores. These numbers reflect stores which were permanently closed during 2020 due to the impact that the COVID-19 pandemic had on their performance.

Competition

Proximity Americas Division, mainly through OXXO stores, competes in the retail market, which is highly competitive. OXXO stores face competition from small-format stores such as 7-Eleven and Circle K in Mexico, Tiendas D1, Ara and Tostao in Colombia, upa! in Chile, and Tambo Mas in Peru, as well as from other numerous retail and grocery chains (such as Wal-Mart, H-E-B, Soriana, La Comer and Chedraui, among others) to small informal neighborhood stores across the markets where they operate. In addition, as more services and products are offered in OXXO stores, the number and type of competitors have also increased, including banks and fast-food outlets, among

others. OXXO stores compete not only for consumers and new store locations but also for human resources to operate those stores. Proximity Americas Division has more presence in Mexico than any of its competitors, with operations in every state, and it also operates in Colombia, Chile and Peru.

Additionally, OXXO competes with delivery aggregators and express delivery services such as Rappi, Uber Eats, JOKR and PedidosYa, among others.

In Brazil, Grupo Nós competes in a fragmented traditional market and with institutional convenience store operators, such as BR Distribuidora and Ipiranga, among others.

Market and Store Characteristics

Market Characteristics

Proximity Americas Division is placing increased emphasis on market segmentation and store format differentiation to more appropriately serve the needs of customers on a location-by-location basis. The principal segments include residential neighborhoods, commercial office locations and stores near schools, universities and other types of specialized locations.

In Mexico, approximately 62% of OXXO stores' customers are between the ages of 15 and 35. Proximity Americas Division also segments the market according to demographic criteria, including income level.

OXXO Store Characteristics

The average size of an OXXO store is approximately 106 square meters of selling space, excluding space dedicated to refrigeration, storage or parking. The average constructed area of a store is approximately 191 square meters and, when parking areas are included, the average store size is approximately 409 square meters. In 2022, a typical OXXO store carried an average of 3,275 different stock keeping units (SKUs) in 29 main product categories. Additionally, a typical OXXO store offers approximately 7,400 different electronic and individual payment services, such as account deposits and cash withdrawals, including those offered by Spin by OXXO, remittances, and money transfers between stores, as well as bill payment services, such as household electricity bills, cable television, among others. These are accounted for as a fee income stream in Proximity Americas Division's revenues.

Proximity Americas Division—Operating Indicators

	Year Ended December 31,				
	2022	2021	2020	2019	2018 ⁽¹⁾
	(Percentage change compared to previous year)				
Total revenues	17.8 %	9.5 %	(1.9) %	10.4 %	11.8 %
OXXO same-store sales ⁽²⁾	14.3 %	7.7 %	(5.4) %	5.0 %	5.2 %

(1) In 2018, Proximity Americas Division removed operations that are not directly related to proximity store business, including restaurant and discount retail units. The removed operations are included in "Other Businesses."

(2) Same-store sales increase is calculated by comparing the sales of stores for each year that have been in operation for more than 12 months with the sales of those same stores during the previous year.

Beer, cigarettes, soft drinks and other beverages and snacks continue to represent the main product categories for OXXO stores, despite a changing sales mix in 2021 that resulted from a gradually recovering mobility and consumers adjusting their behavior as a consequence of the COVID-19 pandemic. In the past, OXXO stores in Mexico only carried beer brands produced and distributed by Heineken Mexico. However, following certain modifications to the terms of our existing commercial relationship with Heineken Mexico and our commercial relationship with Grupo Modelo starting in 2019, Proximity Americas Division now sells the beer brands of Grupo Modelo across Mexico.

Approximately 29% of OXXO stores in Mexico are operated by independent managers responsible for all aspects of store operations. The store managers are commission agents and are not employees of Proximity Americas Division. Each store manager is the legal employer of the store's staff, which typically numbers six people per store. Proximity Americas Division continually invests in on-site operating personnel, with the objective of promoting loyalty, customer service and reducing personnel turnover in the stores.

Advertising and Promotion

Proximity Americas Division's marketing efforts for OXXO stores include both specific product promotions and image advertising campaigns. These strategies are designed to increase store traffic, increase sales and continue to promote the OXXO brand and market position.

Proximity Americas Division manages its advertising for OXXO stores on three levels depending on the nature and scope of the specific campaign: (1) local or store-specific, (2) regional and (3) national. Store-specific and regional campaigns are closely monitored to ensure consistency with the overall corporate image of OXXO stores and to avoid conflicts with national campaigns. Proximity Americas Division primarily uses point-of-purchase materials, flyers, handbills and print and radio media for promotional campaigns, although television is used occasionally for the introduction of new products and services. OXXO stores' image and brand name are presented consistently across all stores, irrespective of location.

Inventory and Purchasing

Proximity Americas Division has placed considerable emphasis on improving operating performance. As part of these efforts, Proximity Americas Division continues to invest in extensive information management systems to improve inventory management.

Management believes that the OXXO store chain's scale of operations provides Proximity Americas Division with a competitive advantage in its ability to realize strategic alliances with suppliers. General category offerings are determined on a national level, although purchasing decisions are implemented on a local, regional or national level, depending on the nature of the product category. In Mexico, given the fragmented nature of the retail industry in general, Mexican producers of beer, soft drinks, bread, dairy products, snacks and other high-frequency products have established proprietary distribution systems with extensive direct distribution routes. As a result, approximately 56% of the OXXO store chain's total sales in Mexico consist of products that are delivered directly to the stores by suppliers. Other products with longer shelf lives are distributed to stores by Proximity Americas Division's Mexican distribution system, which includes 21 regional warehouses located in Guadalajara, Mexicali, Merida, Leon, Obregon, Puebla, Queretaro, Chihuahua, Reynosa, Saltillo, Tampico, Tijuana, Toluca, Veracruz, Villahermosa, Culiacan, Baja California, two in Mexico City and two in Monterrey. Additionally, there is a warehouse in each of Colombia, Chile, Peru and Brazil. Our logistics services subsidiary operates a fleet of approximately 896 trucks in Mexico dedicated to OXXO that make deliveries from the distribution centers to each store approximately two times per week.

Seasonality

OXXO stores in Mexico traditionally experience periods of high demand in December, as a result of the holidays, and in July and August, as a result of increased consumption of beer and soft drinks during these hot summer months. The months of November and February are generally the weakest sales months for OXXO stores. In general, the colder weather during these months reduces store traffic and cold beverage consumption overall.

Proximity Europe Division**Overview**

Proximity Europe Division has two main businesses, retail and food service. As of December 31, 2022, Proximity Europe Division had 2,766 multi-format outlets in Switzerland, Germany, Austria, Luxembourg and the Netherlands, with thirteen different sales formats. Most of Proximity Europe Division's outlets are organized as franchises. The following is a summary of the key brands under which Proximity Europe Division is operated:

	Brand	# of Outlets as of December 31, 2022	Switzerland	Germany	Austria	Luxembourg	Netherlands	Predominant Model
Retail	avec	273	✓	✓				Franchise
	ServiceStore DB	97		✓				Franchise
	U-Store	25		✓				Franchise
	k kiosk	1,055	✓	✓		✓		Franchise
	cigo	392		✓				Franchise
	Press & Books	193	✓	✓	✓	✓		Owned
	Total	2,035	✓	✓		✓		Franchise

	Brand	# of Outlets as of December 31, 2022	Switzerland	Germany	Austria	Luxembourg	Netherlands	Predominant Model
Food Service	BackWerk (including Back-Factory)	422	✓	✓	✓		✓	Franchise
	Brezelkönig	60	✓		✓			Franchise
	Ditsch	183		✓				Franchise
	Caffè Spettacolo	32	✓			✓		Owned
	Super Guud	3	✓					Owned
	Frittenwerk	31		✓				Owned
	Total	731	✓	✓	✓	✓	✓	Franchise

Additionally, Proximity Europe Division provides financial services on a digital platform through its fintech bob Finance and has sixteen pretzel production lines in Germany, the United States and Switzerland.

Business Strategy

A fundamental element of Proximity Europe Division's business strategy is to provide the best comprehensive "foodvenience" and convenience retail concepts offering in the geographies where it operates: nearby, quick, convenient and fresh products and services. Proximity Europe Division intends to move closer to its vision of having the best food and convenience concepts, focusing on five strategic pillars: (i) growth, (ii) efficiency, (iii) innovation, (iv) performance-oriented culture and (v) sustainability.

(i) *Growth*: Proximity Europe Division seeks to further expand its network of sales outlets, focusing on growing both its retail and food service network, leveraging its strong brand portfolio to expand in selected geographies while constantly evolving its value proposition to increase the contribution of higher-margin food categories, especially fresh products. Additionally, Proximity Europe Division aims to further expand its range of digital and other services.

(ii) *Efficiency*: Proximity Europe Division seeks to continue increasing its efficiency through automation, retail analytics and efficient working procedures as well as enhanced cooperation within its operations, in addition to enabling know-how transfer with Proximity Americas Division and other FEMSA businesses.

(iii) *Innovation*: Proximity Europe Division aims to access new income sources through innovation in order to remain competitive. Its objective is to launch fresh food and new concepts and products. It also uses new technologies to develop software-based solutions for customers, its own operations and the organization.

(iv) *Performance-oriented culture*: The Proximity Europe Division relies on entrepreneurial operators and motivated staff to implement its strategy. It plans to further expand the franchise model.

(v) *Sustainability*: The Proximity Europe Division pursues a comprehensive approach to sustainability in line with FEMSA's sustainability strategy.

Store Formats

Proximity Europe Division uses thirteen sales formats, which are principally small-scale points of sale that Proximity Europe Division seeks to locate at highly frequented locations.

Retail

k kiosk is a market leader in the convenience kiosk business, mainly supplying tobacco, lottery products, snacks and press. It also has a growing share of food, fresh products and a varied range of digital services offerings. As of December 31, 2022, k kiosk had 801 sales outlets in Switzerland, 189 sales outlets in Germany and 65 in Luxembourg, including own outlets, agencies and franchise stores.

cigo is a tobacco retailer also offering press products and a range of services for people on the move. As of December 31, 2022, cigo had 392 sales outlets in Germany, including own outlets and franchise stores.

avec provides a modern convenience format at highly frequented locations, for example train or service stations, with an extensive offering of fresh food and regional products. As of December 31, 2022, avec had 271 sales outlets in Switzerland and 2 sales outlets in Germany, including own outlets, agencies and franchise stores.

ServiceStore DB and U-Store are convenience formats located at Deutsche Bahn and U-Bahn (underground) as well as in major bus stations. As of December 31, 2022, ServiceStore DB had 97 sales outlets and U-Store had 25 sales outlets, both of them operated in Germany as own and franchise stores.

Press & Books is a market leader in the German railway station bookshop market with an extensive press and selected book offering complemented by a range of services for people on the move, including an online shop with store pick up. As of December 31, 2022, Press & Books had 21 sales outlets in Switzerland, 158 sales outlets in Germany, and 5 in Luxembourg and 9 in Austria, including own outlets and agencies.

Food Service

BackWerk (which includes Back-Factory) is Germany's largest food service bakery concept with a broad and flexible range of snacks and a growing offering of fresh products. As of December 31, 2022, BackWerk (including Back-Factory) had 1 sales outlet in Switzerland, 353 sales outlets in Germany, 25 in Austria and 43 in the Netherlands, which are mainly franchise stores.

Ditsch provides pretzels and other snacks at highly frequented locations in Germany. Brezelkönig sells high-end lye bread products, such as pretzels, baguettes, croissants, hot dogs and selected sandwich snacks. Super Guud provides a small snacking concept for the urban commuter. As of December 31, 2022, Ditsch had 183 sales outlets in Germany, mainly in agency format; Brezelkönig had 57 sales outlets in Switzerland and 3 in Austria, in agency and franchise format; and Super Guud had 3 own sales outlets in Switzerland.

Caffè Spettacolo is an Italian-themed coffee bar concept with its own locations and an integrated coffee module concept for other Proximity Europe Division formats. As of December 31, 2022, Caffè Spettacolo had 30 sales outlets in Switzerland and 2 in Luxembourg.

Frittenwerk is a leading fast-casual dining format in Germany focusing on modern interpretations of Canada's snack bar classic, poutine, with a fully developed self-service concept. As of December 31, 2022, Frittenwerk had 31 sales outlets in Germany, including owned outlets and franchise stores.

Proximity Europe Division is also one of the world's leading producers of pretzels. It operates sixteen production lines in Germany, the US and Switzerland. It primarily supplies a number of third-party food service customers as well as the retail and wholesale markets in addition to its own Ditsch, BackWerk and Back-Factory sales outlets in Germany, Brezelkönig branches in Switzerland and other Proximity Europe Division formats.

Competition

Proximity Europe Division competes in the highly competitive and fragmented retail and food service markets. Competitors include small scale stores or food services operations, grocery stores and retail locations and small informal neighborhood stores in the markets where Proximity Europe Division operates. Proximity Europe Division competes on product and service offering, convenience of locations and price.

Advertising and Promotion

Proximity Europe Division aims to further consolidate its position as a preferred marketing platform. The direct customer contact in the Proximity Europe Division formats allows partner companies to present their products and strengthen their brand value. Notable examples include promotions for food, tobacco products and press articles.

Inventory and Purchasing

Proximity Europe Division sources their inventory from international and local suppliers. Management constantly seeks to improve inventory management. The purchase process varies across the different business models and formats. For point of sales, the purchase process is largely decentralized, as the individual stores place their main orders under centralized supply contracts. In franchise formats, inventory is owned and managed by the franchisee.

Seasonality

Given the number of formats and locations in which Proximity Europe Division operates, the business has not historically experienced significant seasonality. Typically, between 40% and 45% of Proximity Europe Division's net revenues are generated in the first half of the year, while the remaining 55% to 60% is typically generated in the second half of the year.

Health Division Overview

The Health Division operates pharmacy services locations and related operations with 4,095 points of sale in Mexico, Chile, Ecuador and Colombia as of December 31, 2022.

Health Division—Overview
Year Ended December 31, 2022

	(in millions of Mexican pesos, except percentages)					
	Total Revenues			Gross Profit		
	2022	2022 vs.2021		2022	2022 vs.2021	
Health Division	Ps. 74,800	2.4	%	Ps. 21,983	1.1	%

Business Strategy

The Health Division's vision focuses on two main priorities. First, the Health Division aims to gain relevant scale by building a Latin American vertically-integrated health platform, operating across several countries and markets. Second, the Health Division strives to constantly improve its value proposition and service by being closer to its customers through more stores and distribution agreements, a digital platform and customer loyalty programs, and by giving its customers access to a broader assortment, better options and availability of medicines, personal care, beauty and relevant health and wellness products and services. In order to achieve this vision, the Health Division is working on leveraging strong capability sets: (i) the health-industry knowledge, marketing and operational skills acquired through the incorporation of Chile-based Socofar and (ii) the skills that the Proximity Americas Division has developed in the operation and growth of other small retail formats, particularly in Mexico. These capabilities include commercial, marketing and production skills as well as site selection, logistics, business processes, human resources, inventory and supplier management.

The Health Division has maintained its growth even under a challenging macroeconomic environment and on top of a demanding comparison base, showing its strength and resiliency. The Health Division sees that the health services markets in Mexico and Colombia are still fragmented, and it believes it is well equipped to create value by continuing to grow in these markets and by assuming a value-creating role in its long-term consolidation. Furthermore, Socofar gives FEMSA the opportunity to pursue a regional strategy across South America from a solid platform anchored in the Chilean market and with compelling growth opportunities in Colombia, Ecuador and beyond.

Locations

As of December 31, 2022, the Health Division operated 4,095 locations, including 1,575 in Mexico, 905 in Chile, 903 in Ecuador and 712 in Colombia.

During 2022, the Health Division expanded its operations by 434 additional locations on top of the 3,661 locations operating in 2021, highlighting a less challenging environment in Chile, Colombia and Mexico, that allowed the Health Division to re-accelerate its growth strategy.

The average investment required to open a new location varies, depending on location and whether the location is opened in an existing location or requires construction of a new location. The Health Division expects to continue implementing its expansion strategy by emphasizing growth in markets where it currently operates and by expanding in underserved and unexploited markets. Most of the pharmacy services-related real estate is operated under lease agreements.

Competition

The Health Division competes in the overall pharmacy services market, which we believe is highly competitive. Our pharmacy services face competition from other pharmacy services chains, independent pharmacies and supermarkets, online retailers and convenience stores. The biggest chains in Mexico competing with the Health Division are Farmacias Similares, Farmacias Guadalajara, Farmacias del Ahorro and Farmacias Benavides, while in Chile, the biggest chains are Farmacias Ahumada and Salcobrand. In Colombia, La Rebaja, Unidrogas, Olimpica, Cafam, Colsubsidio and Farmatodo are relevant players. In Ecuador, Grupo Difare and Farmaenlace are the main competitors.

Market and Location Characteristics

Market Characteristics

The pharmacy services locations market in Mexico is highly fragmented among national and regional chains as well as independent pharmacies, supermarkets and other informal neighborhood drugstores. There are 48,513 pharmacy

services locations and health-related points of sale in Mexico; however, the Health Division only represents 3.24% of the total number of pharmacy services locations in Mexico with a presence in 18 of 32 states in the country.

The market in Colombia is slightly less fragmented and in general includes national and regional chains. The national healthcare system in Colombia covers a large amount of the country's population and operates through Health Promoting Entities (*Entidades Promotoras de Salud*) in the private and public sectors to provide healthcare services to the Colombian population. Dispensing medicine to such Health Promoting Entities' clients as well as to the consumer retail market with medicines and health or personal care products represent growth opportunities in Colombia.

In Chile, the market is more concentrated and our Health Division through Socofar is the leading pharmacy services locations operator in the country. Socofar is also the largest distributor of pharmaceuticals in the country. The Chilean market, where our operation's healthcare services are sold to both institutional and personal consumers, continues to represent an attractive growth opportunity.

In Ecuador, the market is highly competitive, and our Health Division, through Corporación GPF, is among the leading operators in the country, along with Difare and Farmaenlace. The market continues to experience steady organic growth, and we and our competitors participate in retail, franchises and distribution, all of which present attractive growth opportunities for the Health Division.

The Health Division is placing increased emphasis on market segmentation and differentiation of pharmacy services location formats to more appropriately serve the needs of customers on a location-by-location basis, selecting sites with the greatest proximity to the customers.

In the Health Division, 65% of the customers are between the ages of 25 and 54, 58% of which are female. Customers are segmented by sociodemographic and transactional variables, such as the type of products, amount and frequency of purchases, in order to generate a more personalized value offer through specialty programs, communication and targeted campaigns. Additionally, the Health Division began incorporating predictive data models to their segmentation strategies to further enhance its value proposition.

Location Characteristics

The Health Division's pharmacy services locations are operated under the following trade names: Farmacias YZA, Farmacias Moderna and Farmacias Farmacon in Mexico; Fybeca and Sana Sana in Ecuador; Farmacias Cruz Verde in Chile and Colombia; and beauty stores under the trade name Maicao in Chile. The average size of the Health Division's locations is 108 square meters in Mexico, 180 square meters in Chile, 105 square meters in Colombia and 168 meters in Ecuador, including selling space and storage area. On average, each pharmacy service location has between 4 and 10 employees depending on the size of and traffic into the location. Patented and generic pharmaceutical drugs, beauty products, medical supplies, wellness, and personal care products are the main products sold at the Health Division's locations.

The Health Division's locations also offer different value-added services, product delivery services and medical examinations.

Advertising and Promotion

The Health Division's marketing efforts for its pharmacy services location include both specific product promotions and image advertising campaigns. These strategies are designed to increase location traffic and to reach people with low-cost medicines to reinforce the brands and market positions. In Chile, sanitary law forbids advertising of pharmaceutical products through mass media. Nevertheless, it is possible to advertise over-the-counter products using point-of-purchase materials, flyers and print catalogs. Television, radio, newspapers and digital media are used in seasonal and promotional campaigns.

Inventory and Purchasing

The South American operations of our Health Division seek to align the purchasing and logistics process with consumer needs. A key competitive advantage is the Health Division's strong logistics chain, which relies on an integrated view of the supply chain. In Chile, the Health Division operates three distribution centers, the largest of which is a modern distribution center with advanced technology that services locations and healthcare institution customers throughout the country. In each of Colombia and Ecuador, the Health Division operates one distribution center that distributes products to all its locations throughout each country.

In Mexico, the Health Division has made progress to integrate its acquired companies into a single model of operation and it has built two distribution centers to improve availability of products and efficiency. One distribution

center serves a significant portion of the needs of its pharmacy services locations located in the north of Mexico, while the second distribution center provides service to pharmacy services locations located in the south. The Health Division still relies on third-party distributors for some products in Mexico.

Seasonality

The Health Division’s sales can be seasonal in nature with pharmaceutical drug sales affected by the timing and severity of the cough, cold and flu season. Revenues tend to be higher during the winter season but can be offset by extreme weather due to the rainy season in certain regions of Mexico in December and January. Revenues from the Health Division's operations in Chile, Colombia and Ecuador tend to be higher during December, mainly due to an increase in the purchase of beauty and personal care products for gift-giving during the holidays; otherwise, early in the year during January and February, revenues tend to fall slightly after the holiday period.

Fuel Division Overview

The Fuel Division operates retail service stations for fuels, motor oils and other car care products. As of December 31, 2022, the Fuel Division operated 568 service stations located in 17 states throughout Mexico, concentrated mainly in the northern region of Mexico.

**Fuel Division—Overview
Year Ended December 31, 2022**

	(in millions of Mexican pesos, except percentages)					
	Total Revenues			Gross Profit		
	2022	2022 vs.2021		2022	2022 vs.2021	
Fuel Division	Ps.	51,813	29.8 %	Ps.	6,560	24.5 %

Business Strategy

The Fuel Division aims to strengthen its services in its retail gas stations in Mexico to fulfill consumers’ needs and increase traffic in those service stations while developing and maintaining an attractive value proposition to draw potential customers in a competitive environment. Furthermore, although Proximity Americas Division and Fuel Divisions operate as separate businesses, the Fuel Division’s service stations often have an OXXO store on the premises, strengthening the OXXO brand and complementing the value proposition. Despite market volatility and a gradually recovering mobility that was still impacted by the COVID-19 pandemic, the Fuel Division remains focused on improving its customer value proposition and enhancing underlying profitability by fine-tuning our business model, revenue management capabilities and adjusting its pricing strategies in an increasingly competitive market.

The Fuel Division also seeks to increase its exposure to institutional customers to supply fuel and related products to third-parties.

Service Station Locations

As of December 31, 2022, the Fuel Division operated 568 service stations, concentrated in the northern region of the country but with a presence in 17 states throughout Mexico.

Competition

Despite the existence of other groups competing in this sector, the Fuel Division’s main competitors continue to be small retail service station chains owned by regional family businesses, which compete in the aggregate with the Fuel Division in total sales, new station locations and labor. The biggest chains competing with the Fuel Division in terms of number of service stations are regional chains such as Petro-7 (operated by 7-Eleven Mexico), Corpo Gas, G500, Hidrosina, international players operating in Mexico, such as British Petroleum, Mobil, Repsol and Shell and hard discount chains such as Good Price, Cargo Gas and Gulf.

Market and Store Characteristics

Market Characteristics

The retail service station market in Mexico has approximately 12,783 service stations and is highly fragmented. The majority of the retail service stations in the country are either owned by small regional family businesses or are other regional chains such as Petro-7 and G500. In recent years, however, international players such as British Petroleum, Mobil and Repsol have increased their network of franchised service stations, and now also represent significant competition.

Service Station Characteristics

Each service station under the “OXXO Gas” trade name comprises offices, parking lots, a fuel service area and an area for storage of gasoline in underground tanks.

The average size of the fuel service dispatch area is 216 square meters. On average, each service station has 11 employees.

Gasoline, diesel, oil and additives are the main products sold at OXXO Gas service stations.

Advertising and Promotion

Through promotional activities, the Fuel Division seeks to provide additional value to customers by offering, along with gasoline, oils and additives, quality products and services at affordable prices. The best tool for communicating these promotions has been coupon promotions in partnership with third parties, including cross-promotional strategies jointly with OXXO stores.

Inventory and Purchasing

The distribution, mainly from gasoline and diesel, for the supply of our operations in the Fuel Division is mainly carried out directly between our supplier and our service stations. Since we do not have storage facilities, the product delivery is made daily according to a supply and logistics plan, which considers the capacity and inventory levels as well as the behavior of the demand of each one of our service stations; ensuring a continuous and sufficient supply to serve the markets where we operate.

Seasonality

Traditionally, the Fuel Division experiences especially high demand during the months of May and August. The lowest demand is in January and December due to the year-end holiday period, because most service stations are not located on highways to holiday destinations.

Logistics and Distribution Overview

This segment is comprised of FEMSA’s Logistics and Distribution operations in the United States and Latin America. In the United States, Logistics and Distribution operates through Envoy Solutions, a diversified distribution company for facility supplies, packaging solutions and equipment, food service disposables, and specialty products. In Latin America, Logistics and Distribution operates through Solística, a leading third-party logistics solutions provider supporting FEMSA operations and logistics of third-party and FEMSA-related customers.

Services in the United States

Logistics and Distribution designs and executes customer-specific supplies distribution solutions that include forecasting and planning of customer-specific requirements, inventory management, product use training, and fulfillment schedules for each of its customers’ locations in two main product categories: Facility Supplies Distribution and Packaging Solutions.

Through the Facility Supplies Distribution category, Logistics and Distribution distributes both janitorial and sanitation products and food service disposables. Janitorial and sanitation supplies include every-day hygiene, janitorial supplies and related equipment and products, such as sanitary paper, floor care products, cleaning chemicals and dispensing equipment. Food service disposables include take-out containers and related food service disposables for the restaurant industry. Product examples include paper and plastic cups, plates, straws, paper take-out boxes, among others.

Through the Packaging Solutions category, Logistics and Distribution provides packaging supplies and equipment, as well as packaging equipment maintenance directly in its customers' sites. Product examples include plastic wraps and films, corrugated cardboard, packaging tape and bags, packaging equipment, among other related categories.

Services in Latin America

Logistics and Distribution provides services to its customers through its two main product categories in Latin America, Transportation and Warehouse Management, and a third category that Logistics and Distribution refers to as Other Services. As part of its Other Services category, Logistics and Distribution provides comprehensive fleet maintenance solutions and related services.

Within the Transportation category, there are three sub-categories of services: full truckload, less than truckload and dedicated fleet services. Through its full truckload service, Solística contracts with independent motor carriers or a self-operated fleet and connects its customers with contracted motor carriers specializing in their transportation and product types. Through its less than truckload service, Solística consolidates and ships single or multiple pallets from different customers into one single freight or truckload. Through its dedicated fleet services, Solística manages different types of transportation for large customers using a dedicated fleet of transport equipment. Some of Solística's customers in this segment include Coca-Cola FEMSA and Heineken.

Within the Warehouse Management category, Logistics and Distribution provides management of warehouse operations for third parties, including dry, multi-temperature and bonded warehouses. Solística also offers services through its managed warehouses, such as labeling, packing and co-packing, reverse logistics, palletizing among others.

The table below shows a breakdown of 2022 sales per business category and an approximate growth rate versus 2021:

Service	Total Share		2022 vs. 2021	
	of 2022 sales		Growth ^{1,2}	
Facility Supplies Distribution	51	%	63	%
Packaging Solutions	13	%	202	%
Transportation	25	%	11	%
Warehouse Management	5	%	15	%
Other services	6	%	2	%
Total	100	%	46	%

(1) Includes acquisitions closed during 2022 starting from the closing date of each acquisition.

(2) 2022 comparison base includes acquisitions made during 2022 starting from the closing date of each acquisition.

Business Strategy

Logistics and Distribution focuses on two main strategies. First, increasing its relevance and scale in the United States by playing a leading role in the continuous consolidation of the janitorial and sanitation and specialized distribution space while expanding its footprint, and second, becoming the leading multi-vertical and multi-industry, fully integrated third-party logistics operator in Latin America.

Logistics and Distribution is implementing these strategies by leveraging some of FEMSA's legacy capabilities: (i) robust logistic and supply chain management skills that FEMSA has acquired from its legacy Solística business, which demands a high focus on operating efficiency and mastering of complex, high-frequency distribution networks and (ii) the ability to maximize customers' value propositions by expanding to adjacent service and product categories, leveraging our existing assets.

Logistics and Distribution has developed robust operating skills that are supported by modern technology tools and infrastructure, such as our intelligence center in Latin America, which remotely monitors Solística's more than 6,000 trucks, keeping track of their location, productivity and maintenance indicators, while determining the most efficient and safe routes to transport our customers' goods in the most secure way. This allows Logistics and Distribution to efficiently manage highly capillary distribution routes, while maximizing value per customer, supported by a sophisticated pricing architecture and robust marketing and sales teams across its operations.

Additionally, Logistics and Distribution is taking advantage of structural market opportunities, such as: (i) a fragmented janitorial and sanitation, specialized distribution and packaging solutions and distribution industry in the United States which is still dominated by a series of individual wholesalers and distributors and (ii) informal and fragmented logistics solutions industry in Latin America where institutional customers depend on fragmented solutions and independent suppliers without multimodal or value-added capabilities.

Geographic Footprint

In Latin America we operate in Mexico, Brazil, Colombia, Costa Rica, Guatemala and Panama. In the United States we operate in all 50 states, with strong presence in the West Coast and the Northeast and Mid Atlantic regions.

The below map shows the geographic footprint of Logistics and Distribution:



As of December 31, 2022, 67% of Logistics and Distribution’s revenue was generated in the United States.

Competition

In Latin America, Logistics and Distribution faces competition from institutional and independent players, which include a fragmented man-truck market. Additionally, Logistics and Distribution faces competition from global competitors serving several verticals, such as DHL Supply Chain, XPO Logistics, CEVA, Ryder, Castores, Traxion and Penske. Logistics and Distribution also faces competition from small to medium institutional players such as Bomi, Almaviva, Blu, NTA and other local players with significant expertise in specific sectors.

In the United States, the market in which Logistics and Distribution operates is highly competitive. There are few national, but numerous regional and local distributors of facility supply solutions. Several groups of distributors have created strategic alliances to provide broader geographic coverage for larger customers. Other key competitors include the business-to-business divisions of big box stores, purchasing group affiliates and both catalog-based and online business-to-business suppliers as well as e-commerce businesses. Logistics and Distribution's main competitors in the United States are Imperial Dade, Bunzl, Brady, Veritiv, Grainger, among others.

Inventory and Purchasing

The services that Logistics and Distribution provides in Latin America allow for very low levels of inventory, while customer-centric services in the United States balance the need for high fill rates with the aggressive management of inventory levels.

Logistics and Distribution's goals are to continue to increase its inventory efficiency over the long term as it grows, further optimizes its distribution network, manages stock keeping unit complexity and leverages its common information technology and logistics platforms.

In addition to Logistics and Distribution's inventory management team, its purchasing process is managed through an inventory management system which forecasts demand based on customer ordering patterns. This system monitors its inventory and alerts its purchasing managers of items approaching low levels of stock. Logistics and Distribution balances ordering and carrying costs in an effort to minimize total inventory costs. Demand forecasting is automated and is primarily based on historical sales, taking into account seasonally adjusted demand and supply lead times, which in turn are key inputs into setting safety stock levels.

Suppliers

Logistics and Distribution purchases products from thousands of suppliers, both domestic and international, across different business segments. Although varying by segment, Logistics and Distribution's suppliers consist mostly of large, well-known corporations selling national and regional brand name and private label products and, to a more limited extent, independent regional and private label suppliers. Suppliers are selected based on customer demand for the product and a supplier's total service, cost and product quality offering.

Customers

In the United States, this business segment serves a diverse group of more than 67,000 institutional customers across different industries such as retailers, hospitality, healthcare, education and government institutions, among others.

In Latin America, Logistics and Distribution serves 4,228 customers and it also serves FEMSA's related parties such as Coca-Cola FEMSA and OXXO. As of December 31, 2022, FEMSA related parties account for 10.4% of Logistics and Distribution's total revenues.

Digital@FEMSA

Digital@FEMSA is FEMSA's tech and innovation business unit focused on building a value-added digital and financial ecosystem for end customers and businesses, while enabling and leveraging the strategic assets of FEMSA's core business verticals. Digital@FEMSA's value proposition aims to help people and businesses to solve their daily needs and do more with their money, through hyper-personalized products, services, and experiences. This includes solutions such as:

- **Fintech for Consumers:** Spin by OXXO is a digital wallet that seeks to offer frictionless payments solutions to Mexicans, making their day-to-day transactions seamless and efficient. This product provides a wide variety of payments solutions, enabling customers to be efficient and providing them with financial control on a daily basis.
- **Digital Solutions for Businesses:** Payment method solutions for micro, small, and medium sized businesses and independent merchants in Mexico. Such solutions to be offered in addition to value-added financial services to consolidate and develop an holistic value proposition based on client needs.
- **Loyalty:** Our strategy seeks to further develop the OXXO Premia program by building a coalition program between FEMSA's main businesses, like OXXO and OXXO GAS, and other external businesses, rewarding their millions of customers for their day-to-day spending across this network of affiliated partners.

Furthermore, Digital@FEMSA actively explores other related tech-enabled business and innovation opportunities that strengthen its ecosystem.

During 2022, Digital@FEMSA was not significant for FEMSA's consolidated financial results, therefore, its financial results were included in the Other Businesses segment.

Refrigeration

Our refrigeration business is also included in our Other Businesses for 2022 and manufactures vertical and horizontal commercial refrigerators for the soft drink, beer and food industries, with an annual capacity of 705,000 units on December 31, 2022. In 2022, this business sold 614,507 refrigeration units, 35% of which were sold to Coca-Cola FEMSA, and the remainder of which were sold to other clients. Also, this business includes manufacturing operations for food processing, storage and weighing equipment.

Heineken Investment

FEMSA owns a non-controlling interest in Heineken, one of the world's leading brewers. On December 31, 2022, our 14.76% economic interest in Heineken comprised 35,318,320 shares of Heineken Holding N.V. and 49,697,203 shares of Heineken N.V. For 2022, FEMSA recognized share of equity accounted investee's profit of Ps. 10,775 million from its 14.76% economic interest in Heineken. See Note 10 to our audited consolidated financial statements. In 2023, we reduced our combined economic interest in Heineken to 8.13%. See "Item 4. Information on the Company — Recent Developments."

Proximity Americas Division had a distribution agreement with subsidiaries of Heineken Mexico, now part of Heineken, pursuant to which OXXO stores in Mexico only carried beer brands produced and distributed by Heineken Mexico. In 2019, Proximity Americas Division agreed to an extension of its existing commercial relationship with Heineken Mexico with certain important changes and entered into a new commercial relationship with Grupo Modelo. Under the terms of both agreements, Proximity Americas Division now sells the beer brands of Grupo Modelo in certain regions of Mexico and as of March 31, 2023 sells to the entire country. Our logistic services subsidiary also provides certain services to Heineken Mexico and its subsidiaries.

Coca-Cola FEMSA also continues to distribute and sell Heineken beer products in Coca-Cola FEMSA's Brazilian territories pursuant to Coca-Cola FEMSA's distribution agreement entered into in 1993 with Heineken Brazil. In February 2021, Coca-Cola FEMSA entered into a new distribution agreement with a five-year term, which is subject to automatic renewal subject to certain terms and conditions. Pursuant to this new distribution agreement, Coca-Cola FEMSA continues to sell and distribute Kaiser, Bavaria and Sol beer brands in Brazil and has added the premium brand Eisenbahn and other premium international brands to its portfolio and has ceased to sell and distribute Heineken and Amstel beer brands in most of its territories. In addition, Coca-Cola FEMSA now has the right to produce and distribute alcoholic beverages and other beers in Brazil based on a certain proportion of Heineken's portfolio in Brazil. See "Item 4. Information on the Company—Coca-Cola FEMSA—Sales Volume and Transactions Overview—South America (Excluding Venezuela)" and "Item 8. Financial Information—Legal Proceedings."

For further updates in the Heineken Investment please see "Item 4. Information on the Company—Recent Developments".

Description of Property, Plant and Equipment

As of December 31, 2022, Coca-Cola FEMSA owned 56 bottling plants. By country, as of such date, Coca-Cola FEMSA had 28 bottling plants in Mexico, seven in Central America, seven in Colombia, 11 in Brazil, two in Argentina and one in Uruguay. As of December 31, 2022, Coca-Cola FEMSA operated 249 distribution centers, approximately 54.2% of which were in its Mexican territories. As of such date, Coca-Cola FEMSA owned 83.9% of these distribution centers and leased the remainder. This calculation considers owned and third-party distribution centers managed by Coca-Cola FEMSA in Mexico.

Proximity Americas Division owns approximately 13% of OXXO store properties, while the remaining stores are located on leased properties and substantially all of its distribution centers are under long-term lease arrangements with third parties.

As of December 31, 2022, Proximity Europe Division owned four manufacturing facilities.

The Health Division leases seven distribution centers, three of which are in Chile, two in Mexico, one in Colombia and one in Ecuador, and it also has one manufacturing facility for pharmaceuticals in Chile. Most of the Health Division's locations are under lease arrangements with third parties.

As of December 31, 2022 Logistics and Distribution owned one distribution center in the United States.

Insurance

We maintain an “all risk” insurance policy covering our properties (owned and leased), machinery and equipment and inventories as well as losses due to business interruptions. The policy covers damages caused by natural disasters, including hurricanes, hail, earthquakes and damages caused by human acts, including explosions, fire, vandalism and riots. We also maintain a freight transport insurance policy that covers damages to goods in transit. In addition, we maintain a liability insurance policy that covers product liability. We purchase our insurance coverage through an insurance broker. In 2022, the policies for “all risk” property insurance were issued by AXA Seguros, S.A. de C.V., policies for liability insurance were issued by Chubb Seguros México, S.A. and the policy for freight transport insurance was issued by AXA Seguros, S.A. de C.V. Our “all risk” coverage was partially reinsured in the international reinsurance market. We believe that our coverage is consistent with the coverage maintained by similar companies.

Capital Expenditures

Our consolidated capital expenditures for the years ended December 31, 2022, 2021 and 2020 were Ps. 34,410, Ps. 24,055 and Ps. 20,893 million, respectively, which were primarily funded with cash from operations generated by our subsidiaries. These amounts were invested in the following manner:

	Year Ended December 31,		
	2022	2021 (Revised)	2020 (Revised)
	(in millions of Mexican pesos)		
Coca-Cola FEMSA	Ps. 19,665	Ps. 13,865	Ps. 10,354
Proximity Americas Division	9,931	7,179	6,907
Proximity Europe Division	544	—	—
Health Division	2,868	2,049	1,694
Fuel Division	157	243	549
Logistics and Distribution	1,140	557	481
Other ⁽¹⁾	105	162	908
Total	Ps. 34,410	Ps. 24,055	Ps. 20,893

(1) Includes consolidation adjustments.

Coca-Cola FEMSA

In 2022, 2021 and 2020 Coca-Cola FEMSA focused its capital expenditures on investments in (i) increasing production capacity; (ii) placing coolers with retailers; (iii) returnable bottles and cases; (iv) improving the efficiency of our distribution infrastructure; and (v) information technology.

Proximity Division Americas

Proximity Americas Division's principal investment activity is the construction and opening of new stores and refurbishment of existing stores, which are mostly OXXO Stores. During 2022, Proximity Americas Division opened 1,133 new stores and permanently closed 106, resulting in 1,027 net new OXXO stores. These numbers reflect the effects that the consumer behavior changes in connection with the COVID-19 pandemic had on Proximity Americas Division's overall performance.

Proximity Americas Division invested Ps. 9,931 million in 2022 in the addition of new stores, warehouses and improvements to leased properties, renewal of equipment and information technology related investments.

Proximity Europe Division

Proximity Europe Division's principal investment activity is the construction and opening of new stores and refurbishment of existing stores across Europe.

Health Division

The Health Division's principal investment activity is the construction and opening of new locations in the countries where it has operations. During 2022, the Health Division opened 147 net new locations in Mexico and 287 net new locations in Chile, Colombia and Ecuador. The Health Division invested Ps. 2,868 million in 2022 in the addition of new locations, warehouses and improvements to leased properties and information technology investments.

Fuel Division

During 2022, the Fuel Division invested Ps. 157 million on capital expenditures, mainly in major maintenance and remodeling of service stations, and IT systems.

Logistics and Distribution

During 2022, Logistics and Distribution invested Ps. 1,140 million on capital expenditures, mainly in distribution infrastructure, improvements to leased properties and information technology investments.

Regulatory Matters

We are subject to different regulations in each of the territories where we have operations. The adoption of new laws or regulations or changes in existing laws or regulations in the countries where we have operations may increase our operating and compliance costs, our liabilities or impose restrictions on our operations which, in turn, may adversely affect our business financial condition, and financial results. This section addresses the regulations most relevant to FEMSA and its business units, however, we are subject to many other applicable laws in the countries in which we operate.

Regulatory matters related to Coca-Cola FEMSA are included in Item 4, pages 27-34, of Coca-Cola FEMSA's Form 20-F filed on April 14, 2023, which pages in relevant part are hereby incorporated by reference.

Tax Reforms

Chile

In 2022, the corporate income tax rate in Chile remains 27%. The Chilean tax authority included an instant depreciation regime of 50% for acquisition of new assets acquired between January 1, 2019 and December 31, 2021, with the possibility to apply accelerated depreciation to the 50% residual basis on acquisition of new assets.

Mexico

In accordance with amendments to Mexican tax laws in effect from January 1, 2022, Mexican issuers are joint and severally liable for taxes payable on gains derived from the sale or disposition of its shares or securities representing its shares, such as ADSs, by major shareholders who are non-Mexican residents with no permanent establishment in Mexico for tax purposes, to other non-Mexican residents with no permanent establishment in Mexico for tax purposes, to the extent that such Mexican issuer fails to provide certain information with respect to such sale or disposition to the Mexican tax authorities. For purposes of these regulations, "major shareholders" are shareholders that are identified in reports submitted by the Mexican issuer to the CNBV on an annual basis as a result of being (i) directors or officers who directly or indirectly own 1.0% or more of the Mexican issuer's capital stock, (ii) shareholders who directly or indirectly own 5.0% or more of the Mexican issuer's capital stock or (iii) within the ten largest shareholders of the Mexican issuer based on direct ownership of shares of capital stock. Although in some instances Mexican tax authorities have indicated that this reporting obligation would only apply to transfers of shares or securities representing shares that result in a change of control, there are no established criteria or general interpretations to that effect issued by the Mexican tax authorities. There is currently no obligation by non-Mexican residents to inform Mexican issuers about their sales or dispositions of shares or securities representing shares, which limits our ability to comply with our reporting obligations to the Mexican tax authorities. Therefore, the amount of a potential tax liability is uncertain and difficult to determine given inherent mechanics and procedures, including the application of any tax treaties available, applicable to the trading of publicly-traded securities.

In April 2021, the Mexican government amended the Federal Labor Law, the Mexican Federal Tax Code and other laws that regulate labor benefits to prohibit the outsourcing of personnel except in certain circumstances, such as specialized works or services that are not part of the core business of a company and that are provided by service providers registered with the Ministry of Labor and Social Welfare. As a result of this tax reform, the deduction of expenses related to outsourcing is prohibited as well as the ability to credit the value-added tax generated by the expenses related to the outsourcing and, in extreme cases, the outsourcing of personnel may qualify as tax fraud. This reform became effective on September 1, 2021.

As a consequence of the Labor reform there is an increase on the profit sharing to be paid to employees on a yearly basis. The increase is the result of transferring employees as obligated by the Federal Labor Law from service companies to operating companies, where the profit margins are higher and therefore more profit sharing is to be paid.

and there is a cap in the payment of profit sharing of up to three months of salary per employee. We took the applicable measures to be in compliance with these amendments.

Colombia

In 2021 a new tax reform in Colombia increased the income tax rate from 30.0% to 35.0% for 2022 onwards and limited to 50% the possibility to discount or deduct the municipality sales taxes against income taxes.

In December 2022, a new tax reform was approved in Colombia, to become effective in 2023. The relevant changes are the following

- Increase of the income tax rate as of January 1, 2024, from 20.0% to 35.0% over taxable income obtained from free trade zones within Colombia. This change will be effective on January 1, 2025 if a free trade zone company can demonstrate a 60.0% income increase in 2022 in comparison with the preceding fiscal year.
- Elimination of the possibility of taking as a tax discount the municipality sales taxes against income taxes.
- Increase of the occasional income tax rate from 10.0% to 15.0% applicable on sales of fixed assets and introduction of a stamp tax at a rate between 0.0% to 3.0%, over sales price of real estate and other assets

Brazil

In early 2017, the Brazilian Federal Supreme Court ruled that the value-added tax would not be used as the basis for calculating the federal sales tax, resulting in a reduction of the federal sales tax. Coca-Cola FEMSA's Brazilian subsidiaries commenced legal proceedings to ascertain their ability to calculate federal sales tax without using the value-added tax as a basis by the Supreme Court's first ruling and obtained a final favorable resolution in 2019. However, the Brazilian tax authorities appealed the Brazilian Federal Supreme Court's decision and such appeal was denied in May 2021. In 2022, the federal production and sales taxes together resulted in an average of 14.9% tax over net sales.

Antitrust Legislation

The Federal Antitrust Law (*Ley Federal de Competencia Económica*) regulates monopolistic and anti-competitive practices in Mexico and requires approval of certain mergers and acquisitions that exceed certain amounts or that may have anti-competition effects. The Federal Antitrust Law subjects the activities of certain Mexican companies, including us, to regulatory scrutiny. The Federal Antitrust Commission (*Comisión Federal de Competencia Económica*) ("COFECE") is the Mexican antitrust authority, which has constitutional autonomy. COFECE can regulate essential facilities, order the divestment of assets and eliminate barriers to competition, set higher fines for violations of the Federal Antitrust Law, implement important changes to rules governing mergers and anti-competitive behavior and limit the availability of legal defenses against the application of the law.

We are subject to antitrust legislation in the countries where we operate. Certain relevant acquisitions or divestitures of businesses may be subject to the requirement to obtain certain authorizations from the relevant authorities.

Price Controls

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries where we operate. Currently, there are no price controls on our products in any of the territories where we operate, except for Argentina. In 2020, the Argentine government imposed statutory price restraints with respect to certain of our products and the list of products to which the voluntary price restraints applies was expanded. Any changes to applicable law affecting prices could have an adverse effect on our business. See "Item 3. Key Information—Risk Factors—Risks Related to Our Company—Regulatory developments in the countries where we operate may adversely affect our business, financial condition and results of operations."

Environmental Regulations

We have an Environmental Management System (EMS) that includes environmental policies and procedures that intend to identify, address and minimize environmental risks, as well as to implement appropriate strategies for the use of clean and renewable energy, efficient use of water and waste management throughout the value chain of all of our operations. We have programs that seek to reduce energy use and diversify our portfolio of clean and renewable energy sources to reduce greenhouse gas emissions and contribute to the fight against climate change. In addition, we establish short-, medium-, and long-term goals and indicators for the use, management and confinement of energy, air emissions, water discharges, solid waste and disposal of hazardous materials.

In 2022, 57.2% of Proximity Americas Division's total energy requirements in Mexico were obtained from renewable energy sources.

In all of the countries where we have operations, we are subject to federal and state laws and regulations relating to the protection of the environment. In Mexico, the principal legislation is the Federal General Law for Ecological Equilibrium and Environmental Protection (*Ley General de Equilibrio Ecológico y Protección al Ambiente*, or the Mexican Environmental Law), and the General Law for the Prevention and Integral Management of Waste (*Ley General para la Prevención y Gestión Integral de los Residuos*) which are enforced by the Ministry of the Environment and Natural Resources (*Secretaría del Medio Ambiente y Recursos Naturales*, or SEMARNAT). SEMARNAT can bring administrative and criminal proceedings against companies that violate environmental laws, and it also has the power to close non-complying facilities. Under the Mexican Environmental Law, rules have been promulgated concerning water, air and noise pollution and hazardous substances.

Energy Regulations

In 2013, the Mexican government approved a decree containing amendments and additions to the Mexican Constitution in matters of energy (the "Mexican Energy Reform"). The Mexican Energy Reform opened the Mexican energy market to the participation of private parties including companies with foreign investment, allowing for FEMSA to participate directly in the retail of fuel products. Secondary legislation and regulation of the approved Mexican Energy Reform was implemented during 2016 and 2017. Prior 2017, fuel retail prices were established by the Mexican executive power by decree by end of 2017 retail prices were fully deregulated and freely determined by market conditions. As part of the secondary legislation in connection with the Mexican Energy Reform, the Security, Energy and Environment Agency (the *Agencia de Seguridad, Energía y Ambiente*, or "ASEA") was created as a decentralized administrative body of SEMARNAT. ASEA is responsible for regulating and supervising industrial and operational safety and environmental protection in the installations and activities of the hydrocarbons sector, which includes all our Fuel Division operations. Additionally, the CRE is the regulatory body responsible for the authorization of sale of fuel to the public at gas stations. We believe that the Fuel Division is in material compliance with the relevant ASEA and CRE regulations and administrative provisions.

Effective as of July 2020, the Mexican Energy Regulatory Commission (*Comisión Reguladora de Energía*) ("CRE") approved an increase to transmission fees payable by entities that generate energy from renewable sources or efficient cogeneration sources. While this increase applies directly to the energy producers of such projects, end-users, such as ourselves, may face increases in our costs for energy consumption from such energy producers. A number of legal recourses against this increase were filed by the energy producers (including our energy providers). As a result, the competent courts have suspended the effects of such increased transmission fees, reducing the foreseeable negative impact on our operations.

In October 2020, the CRE approved resolution RES/1094/2020, which modifies the existing rules for the amendment or assignment of power generation and permits. This resolution limits the incorporation of new consumption centers to self-supply schemes, which was previously done in order to receive electric power from clean renewable sources at competitive prices. We have filed a legal recourse against this resolution, which is pending resolution. If our legal recourse is unsuccessful, this resolution could have an adverse impact on our business and results of operations in Mexico.

We are aware that the CRE launched investigations against certain private power generators that could result in the cancellation of such generators' power supply permits. In the event any of those proceedings affect us due to the revocation of power supply permits from our energy suppliers, we would consider pursuing any available legal recourses.

In March 2021, the Mexican government approved changes to the Mexican Electricity Law to, among other things, modify the order in which the energy of the National Electric System (*Sistema Eléctrico Nacional*) is dispatched; condition the granting of permits to conform with the planning criteria of the National Electric System; and allow the authorities to revoke energy self-supply permits, such as those granted to certain companies that supply us with electricity. Such changes were challenged by different market participants and its effectiveness has been suspended by the courts until the legal proceedings are definitively resolved. We have filed a legal recourse against these amendments, which is pending resolution. If our legal recourse is unsuccessful, this resolution could have an adverse impact on our business and results of operations in Mexico.

In September 2021, the Mexican President submitted a proposal to Congress to amend the Mexican Constitution seeking comprehensive changes to the Mexican electricity sector. This reform intended to cancel the power supply permits to the private sector and to give absolute control to the Federal Electricity Commission (*Comisión Federal de Electricidad*) over energy generation and supply in the country, among other changes to the sector. This proposed reform did not reach the necessary votes for its approval.

Health Regulations

México

General Health Law

On March 30, 2022, Articles 225 and 226 Bis 1 of the General Health Law were modified and now provides that the prescribers of medication are obliged to prescribe medication by generic names, avoiding the prescription of brand-name medication when a generic option is available in the market.

These amendments could favor the sale of generic controlled (scheduled) medication, which is sold at a lower retail price.

Colombia

Health Reform Bill

Currently, the Congress of Colombia is discussing a health care bill which would substantially modify the conditions of their national health system and the operation framework of pharmacy centers. This bill includes a radical overhaul of the public healthcare insurance sector, and it eliminates the role of the Health Promoting Entities (*Entidades Promotoras de Salud*, or “EPS”) as intermediaries. The draft of the bill includes extensive measures to shift the focus of the health system towards primary and preventative care, particularly in rural and suburban areas of the country that are currently underserved. The EPS function as insurers, managing the patient care, but also enrolling the susceptible population, collecting resources, and managing the resources assigned thereto. All these functions would be assumed by the Colombian government.

Regulations on the Pharmaceutical Operators (*Gestores Farmacéuticos*)

Colombia intends to pass regulations directed at governing the legal framework of pharmaceutical operators, establishing financial portfolio, asset and management requirements.

Medicine Shortage

In Colombia, shortages of different types of medicines have been documented for several years. The evidence of an acute shortage or unsatisfied demand in the institutional sales channel, since 2022, is especially worrying. The causes of this shortage are varied and require different short- and long-term strategies to be resolved.

Intersectoral roundtables led by the Colombian Ministry of Health have been held with all those involved in the logistics medicine supply chain to identify the causes of these shortages in more detail and to establish a well-planned interventionist agenda.

Chile

Health System Reform

The Chilean administration is contemplating a reform of its national health system. This includes the creation of a universal health fund that would be financed with a 7% mandatory contribution reduced from worker’s salaries, which would imply that all Social Security Institutions (ISAPRES) cease to exist. Voluntary private “second floor” insurance (supplementary and complementary) may be contracted, nonetheless.

Pharmaceutical Bill II

A bill that modifies the Chilean Health Code to further regulate and update regulations on generic bioequivalent drugs, also known as Pharmaceutical Bill II, has been in the Senate since March 2020. It puts forward a change in the model of marketing for medicines, with a focus on health centers. It would also prevent the vertical integration between health centers and pharmaceutical laboratories.

The Senate commission in charge of passing the bill dismissed the draft in March 2022, however, the Senate made the decision not to conclude the process and to summon a new commission for discussion, replacing parliamentarians who ceased to perform their duties.

This bill would bring several important challenges to manufacturers, distributors, health centers, health professionals and patients.

Fintech Regulations

Our digital business initiatives are regulated through the Law to Regulate Financial Technology Institutions (“Fintech Law”) enacted on March 2018, which establishes a regulatory framework for financial technology institutions that offer financial products through digital means and aims to promote financial inclusion, protect consumers, and foster competition in the Mexican financial sector. These services contemplate the issuance, administration and redemption of electronically registered money balances to make payments and transfers. Providing these services require an express authorization issued by the National Banking and Securities Commission together with the Ministry of Finance and Public Credit and the Banco de México.

Anti-Bribery Regulations

In recent years, several governments in the countries where we have operations have enacted regulations addressing corporate policies for the prevention of money laundering and finance of terrorism, as well as cross-border anti-bribery programs. In compliance with such regulations, we have implemented internal policies including know-your-counterparty procedures, anti-money laundering and finance of terrorism clauses in agreements and reporting of suspicious operations and established anti-bribery programs to comply with the basic requirements set forth in these regulations, such as performing due diligence in merger and acquisition transactions and including clauses regarding delivery of gifts, remuneration to contractors, political contributions, donations, whistleblowing channels and anti-corruption in agreements.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with, and is entirely qualified by reference to, our audited consolidated financial statements and the notes to those financial statements. Our consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Overview of Events, Trends and Uncertainties

Management currently considers the following events, trends and uncertainties to be important to understanding our results and financial position during the periods discussed in this section:

- On February 15, 2023, FEMSA announced its FEMSA Forward strategic vision, which will allow it to continue creating value through a structure that focuses on its core businesses: retail, including the Health Division, beverages, and digital. We believe these businesses have proven capabilities, financial strength and dynamic avenues for growth.
- Coca-Cola FEMSA's results were affected by changes in economic conditions in Mexico, Brazil and in the other countries where it has operations. Some of these economies are influenced by the U.S. economy, and therefore, deterioration in economic conditions in the U.S. economy may affect those economies. Deterioration or prolonged periods of weak economic conditions in the countries where Coca-Cola FEMSA conducts operations may have, and in the past have had, a negative effect on the company on its results and financial condition. Coca-Cola FEMSA's business may also be significantly affected by the interest rates, inflation rates and exchange rates of the local currencies of the countries where it operates. Decreases in growth rates, periods of negative growth and/or increases in inflation or interest rates may result in lower demand for Coca-Cola FEMSA products, lower real pricing of its products or a shift to lower margin products. In addition, an increase in interest rates would increase the cost to Coca-Cola FEMSA of variable rate funding, which would have an adverse effect on its financial position.

- Proximity Americas Division benefited from the continuous recovery of consumer mobility throughout 2022 and the strong performance of the gathering-related consumer categories such as beer, beverages and snacks, among others. This resulted in the robust growth of same-store sales and delivered strong operating leverage expansion on top of a more efficient expense structure in OXXO operations in Mexico. Furthermore, Proximity Americas Division increased its pace of expansion across its operations in South America adding new stores in Colombia, Chile and Peru. As of December 31, 2022 in Brazil, Proximity America Division's joint venture with Raizen, Grupo Nós, accelerated its pace of expansion reaching over 1,468 stores in Brazil, including 217 company-owned and -operated OXXO stores.
- Proximity Europe Division is only included from the date of its acquisition, meaning the last 23 days of October and the entirety of November and December 2022. Proximity Europe Division will be included in future periods of our results of operations.
- The Fuel Division benefited from a sustained increase in consumer mobility across Mexico which resulted in a strong growth of same-station sales during 2022. This increase combined with tight expense control and operating efficiency resulting in a strong operating leverage expansion for the year. The Fuel Division will continue to seek growth opportunities in Mexico while keeping a disciplined approach to expense management, capital deployment and efficiency.
- The Health Division delivered stable consolidated results as it faced a demanding comparison base in its main Chilean market, which reflected relevant economic aid programs during 2021, and increased demand in Mexico driven by COVID-19 consumption. In Colombia and Ecuador, the Health Division continued its strong pace of growth while maintaining relevant competitive positions in both markets. This performance was partially offset by the depreciation of the Chilean and Colombian pesos against the Mexican peso, during 2022. The Health Division will continue to seek opportunities to leverage its integrated scale to drive profitability while further accelerating its pace of expansion in Mexico, Colombia and Ecuador, while maintaining its relevant market position in Chile.
- Digital@FEMSA continued advancing its different business initiatives. Spin by OXXO continued to accelerate its user growth across Mexico and received final authorization to operate as a financial payments entity in Mexico, which we believe will allow Spin by OXXO to continue evolving its financial services value proposition and reach new potential users. It also signed an agreement to acquire all of the outstanding shares of Net Pay, a merchant aggregator that offers several payment services and solutions to micro, small and medium-sized businesses in Mexico, that will become a building block for Digital@FEMSA B2B fintech business vertical. Digital@FEMSA also continued evolving its customer loyalty program initiative by leveraging the strong market acceptance and growth pace of OXXO Premia, while developing a multi-partner coalition loyalty program by signing its first external partnership agreement. This program will allow customers of OXXO, and potentially other Digital@FEMSA partners, to accrue and redeem rewards across the network of affiliated businesses. We expect Digital@FEMSA to constitute a larger portion of our operations in future periods.
- Although FEMSA does not operate or do business in Russia or Ukraine, we closely monitor the indirect effects that the war in Ukraine could have on international supply chains, therefore increasing cost of inputs and overall inflation and other effects like impairment of the Heineken Investment. On March 28, 2022, Heineken announced its decision to leave its Russia business and its aim for an orderly transfer of its business to a new owner in full compliance with local laws and regulations.
- On December 31, 2022, FEMSA held 14.76% combined economic interest of Heineken. Given this, our consolidated net income for 2022 included a share of equity accounted investee's profit of Ps. 7,359 million related to our non-controlling interest in the Heineken, as compared to Ps. 10,775 million profit for 2021. In February 2023, we sold part of Heineken, N.V. and Heineken Holding, N.V. shares reducing our combined economic interest in Heineken to 8.13%, and we expect to completely divest our interest in future periods, which will consequently reduce its contribution to our consolidated results of operations.
- Our results and financial position are affected by the economic and market conditions in the countries where our subsidiaries conduct their operations, particularly in Mexico. Changes in these conditions are influenced by a number of factors, including those discussed in "Item 3. Key Information—Risk Factors."

Effects of Changes in Economic Conditions

Our results are affected by changes in economic conditions in Mexico, Brazil, the United States and the other countries where we have operations. For the years ended December 31, 2022, 2021 and 2020, 62.05%, 64.0% and 65.1% respectively, of our total sales were attributable to Mexico. Other than Venezuela and the United States, the

participation of these other countries as a percentage of our total sales has not changed significantly during the last five years.

Our results are affected by the economic conditions in the countries where we conduct operations. Some of these economies continue to be influenced by the U.S. economy, and therefore, deterioration in the U.S. economy may affect the economies in which we operate. Deterioration or prolonged periods of weak economic conditions in the countries where we conduct operations may have, and in the past have had, a negative effect on our company and a material adverse effect on our results and financial condition. Our business may also be significantly affected by the interest rates, inflation rates and exchange rates of the currencies of the countries where we operate. Decreases in growth rates, periods of negative growth and/or increases in inflation or interest rates may result in lower demand for Coca-Cola FEMSA's products or the other products we carry in our stores, our services, lower real pricing of products or a shift to lower margin products, or a decrease in store traffic or average ticket. In addition, an increase in interest rates would increase the cost to us of variable rate funding, which would have an adverse effect on our financial position.

Beginning in the fourth quarter of 2021 and through 2022, the exchange rate between the Mexican peso and the U.S. dollar fluctuated from a low of Ps. 19.15 per US\$ 1.00, to a high of Ps. 21.85 per US\$ 1.00. At December 31, 2022, the exchange rate (noon buying rate) was Ps. 19.4960 per US\$ 1.00. On April 14, 2023, this exchange rate was Ps. 18.0490 per US\$ 1.00. A depreciation of the Mexican peso or local currencies in the countries where we operate relative to the U.S. dollar increases our cost of raw materials priced in U.S. dollars, including raw materials whose prices are set with reference to the U.S. dollar. In addition, a depreciation of the Mexican peso or local currencies in the countries where we operate relative to the U.S. dollar will increase our U.S. dollar-denominated debt obligations, which could negatively affect our financial position and results. However, this effect could be offset by a corresponding appreciation of our U.S. dollar-denominated cash position.

Operating Leverage

Companies with structural characteristics that result in margin expansion in excess of sales growth are referred to as having high "operating leverage."

The operating subsidiaries of Coca-Cola FEMSA are engaged, to varying degrees, in capital-intensive activities. The high utilization of the installed capacity of the production facilities results in better fixed cost absorption, as increased output results in higher revenues without additional fixed costs. Absent significant increases in variable costs, gross profit margins will expand when production facilities are operated at higher utilization rates. Alternatively, higher fixed costs will result in lower gross profit margins in periods of lower output.

In addition, the commercial operations of Coca-Cola FEMSA are carried out through extensive distribution networks, the principal fixed assets of which are warehouses and trucks and are designed to handle large volumes of beverages. Fixed costs represent an important proportion of the total distribution expense of Coca-Cola FEMSA. Generally, the higher the volume that passes through the distribution system, the lower the fixed distribution cost as a percentage of the corresponding revenues. As a result, operating margins improve when the distribution capacity is operated at higher utilization rates. Alternatively, periods of decreased utilization because of lower volumes will negatively affect our operating margins.

Proximity Americas Division, Proximity Europe Division, the Health Division and the Fuel Division operations are characterized by low margins and relatively high fixed costs. These two characteristics make these segments businesses with an operating margin that might be affected more easily by a change in sales levels.

In Logistics and Distribution, each service has different costs and margin dynamics, thus margin profiles change from service to service and region to region. However, each fixed cost structure and asset intensity is similar, as they all rely on extensive distribution networks which represent a majority of Logistics and Distribution's fixed costs. As a result, operating margins improve with higher utilization rates and by maximizing value per drop size.

Critical Accounting Judgements and Estimates

For a description of the judgements, estimates and assumptions made, see Note 2.3 to our consolidated financial statements.

Future Impact of Recently Issued Accounting Standards not yet in Effect

For a description of the new IFRS and amendments to IFRS adopted during 2022, see Note 2.4 to our consolidated financial statements. In addition, for a description of the recently issued accounting standards, see Note 29 to our audited consolidated financial statements.

Operating Results

The following table sets forth our consolidated income statement under IFRS for the years ended December 31, 2022, 2021 and 2020.

	Year Ended December 31,			
	2022 ⁽¹⁾	2022	2021	2020
	(in millions of U.S. dollars and Mexican pesos)			
Net sales	\$ 34,455	Ps. 671,725	Ps. 554,923	Ps. 490,425
Other operating revenues	76	1,477	1,338	2,541
Total revenues	34,531	673,202	556,261	492,966
Cost of goods sold	21,622	421,534	342,548	303,313
Gross profit	12,909	251,668	213,713	189,653
Administrative expenses	1,769	34,486	27,219	22,988
Selling expenses	8,070	157,340	134,079	123,405
Other income	56	1,088	5,887	3,343
Other expenses	147	2,870	3,727	12,381
Interest expense	837	16,314	16,938	17,516
Interest income	197	3,842	1,464	2,100
Foreign exchange loss (gain), net	191	3,729	(1,314)	(385)
Gain on monetary position, net	27	527	738	384
Market value loss (gain) on financial instruments	36	706	(38)	264
Income before income taxes and share in the profit of equity method accounted investees	2,139	41,680	41,191	19,311
Income taxes	738	14,395	14,278	14,819
Share in the profit (loss) of equity method accounted investees, net of tax	383	7,458	10,765	(736)
Consolidated Net Income	\$ 1,784	Ps. 34,743	Ps. 37,678	Ps. 3,756
Controlling interest	1,228	23,909	28,495	(1,930)
Non-controlling interest	556	10,834	9,183	5,686
Consolidated Net Income	\$ 1,784	Ps. 34,743	Ps. 37,678	Ps. 3,756

(1) Translation to U.S. dollar amounts at an exchange rate of Ps. 19.4960 to US\$ 1.00, provided solely for the convenience of the reader.

The following table sets forth certain operating results, including intercompany transactions, by relevant reportable segment under IFRS for each of our segments for the years ended December 31, 2022, 2021 and 2020.¹

	Year Ended December 31,				2022 vs 2021	2021 vs 2020
	2022 ⁽¹⁾	2021	2020 ⁽¹⁾⁽²⁾			
	(in millions of Mexican pesos, except margins)			Percentage Growth (Decrease)		
Net sales						
Coca-Cola FEMSA	Ps. 226,222	Ps. 193,899	Ps. 181,520	16.7 %	6.8 %	
Proximity Americas Division	233,886	198,066	180,826	18.1 %	9.5 %	
Proximity Europe Division	9,809	—	—	— %	— %	
Health Division	74,800	73,027	65,172	2.4 %	12.1 %	
Fuel Division	51,759	39,871	34,322	29.8 %	16.2 %	
Logistics and Distribution	72,529	48,412	31,568	49.8 %	53.4 %	
Total revenues						

¹ Update table line items to delete Proximity Division and include Proximity Americas Division, and Proximity Europe Division.

Coca-Cola FEMSA	226,740	194,804	183,615	16.4 %	6.1 %
Proximity Americas Division	233,958	198,586	181,277	17.8 %	9.5 %
Proximity Europe Division	9,809	—	—	— %	— %
Health Division	74,800	73,027	65,172	2.4 %	12.1 %
Fuel Division	51,813	39,922	34,322	29.8 %	16.3 %
Logistics and Distribution	72,539	48,412	31,568	49.8 %	53.4 %
Cost of goods sold					
Coca-Cola FEMSA	126,441	106,206	100,804	19.1 %	5.4 %
Proximity Americas Division	136,372	114,390	106,981	19.2 %	6.9 %
Proximity Europe Division	5,210	—	—	— %	— %
Health Division	52,817	51,291	45,597	3.0 %	12.5 %
Fuel Division	45,253	34,653	29,493	30.6 %	17.5 %
Logistics and Distribution	56,374	37,843	26,377	49.0 %	43.5 %
Gross profit					
Coca-Cola FEMSA	100,300	88,598	82,811	13.2 %	7.0 %
Proximity Americas Division	97,586	84,196	74,296	15.9 %	13.3 %
Proximity Europe Division	4,599	—	—	— %	— %
Health Division	21,983	21,736	19,575	1.1 %	11.0 %
Fuel Division	6,560	5,269	4,829	24.5 %	9.1 %
Logistics and Distribution	16,165	10,569	5,191	52.9 %	103.6 %
Gross margin (1) (2)					
Coca-Cola FEMSA	44.2 %	45.5 %	45.1 %	(1.3) p.p	0.4 p.p
Proximity Americas Division	41.7 %	42.4 %	41.0 %	(0.7) p.p	1.4 p.p
Proximity Europe Division	46.9 %	— %	—	— p.p	— p.p
Health Division	29.4 %	29.8 %	30.0	(0.4) p.p	(0.2) p.p
Fuel Division	12.7 %	13.2 %	14.1	(0.5) p.p	(0.9) p.p
Logistics and Distribution	22.3 %	21.8 %	16.4	0.5 p.p	5.4 p.p
Administrative expenses					
Coca-Cola FEMSA	11,263	9,012	7,891	25.0 %	14.2 %
Proximity Americas Division	6,066	6,145	5,696	(1.3) %	7.9 %
Proximity Europe Division	1,294	—	—	— %	— %
Health Division	2,918	3,255	3,314	(10.4) %	(1.8) %
Fuel Division	227	290	252	(21.7) %	15.1 %
Logistics and Distribution	6,247	4,533	2,248	37.8 %	101.6 %
Selling expenses					
Coca-Cola FEMSA	57,718	51,708	48,553	11.6 %	6.5 %
Proximity Americas Division	67,842	59,542	56,030	13.9 %	6.3 %
Proximity Europe Division	3,112	—	—	— %	— %
Health Division	15,139	14,620	13,540	3.5 %	8.0 %
Fuel Division	4,084	3,571	3,315	14.4 %	7.7 %
Logistics and Distribution	6,858	4,060	1,659	68.9 %	144.7 %
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes					
Coca-Cola FEMSA	386	88	(281)	338.6 %	(131.3) %
Proximity Americas Division	(276)	(120)	(18)	130.0 %	566.7 %
Heineken Investment Division	7,359	10,775	(434)	(31.7) %	2382.7 %
Logistics and Distribution	4	8	—	(50.0) %	— %

(1) Gross margin is calculated as gross profit divided by total revenues.

(2) As used herein, p.p. refers to a percentage point increase (or decrease) contrasted with a straight percentage increase (or decrease).

(3) Starting 2021, we opted to report voluntarily a new reportable segment named "Logistics and Distribution", which includes integral logistics services as well as product sales in the packaging and specialized distribution industry. For 2022, this reportable segment became mandatory according with IFRS 8. The financial information reported for the year ended December 31, 2020 has been restated in order to give effect to business units' reorganization.

- (4) Starting 2021, we reallocated a not significant fuel business, which was previously included in "Other" to "Fuel Division." The financial information reported for the year ended December 31, 2020 has been restated in order to give effect to business units' reorganization.
- (5) Starting 2022, we opted to report voluntarily a new segment called "Proximity Europe Division," which includes Valora's sales through its portfolio of brands. The segment previously named "Proximity Division" was renamed to "Proximity Americas Division."

Results from our Operations for the Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

FEMSA Consolidated

FEMSA's consolidated total revenues increased 21.0% to Ps. 673,202 in 2022 compared to Ps. 556,261 million in 2021 reflecting growth across all of our business units. Coca-Cola FEMSA's total revenues increased 16.4% to Ps. 226,740 million. Proximity Americas Division's revenues increased 17.8% to Ps. 233,958 million, driven by an average increase of 14.3% in same-store sales and the addition of 1,027 net new stores during the year. Proximity Europe Division's revenues amounted to Ps. 9,809 million for the consolidated period of 2022, which consisted of 23 days of October and the entirety of November and December. The Health Division's revenues increased 2.4% to Ps. 74,800 million reflecting the addition of 434 net locations across the Health Division's territories, offset by a decrease of 1.0% in same-store sales. The Fuel Division's revenues increased 29.8% to Ps. 51,813 million in 2022, driven by a 22.4% increase in same-station sales. Logistics and Distribution's total revenues increased 49.8% to Ps. 72,539 million in 2022, mainly reflecting the acquisition of 15 companies by this business during 2022.

Consolidated gross profit increased 17.8% to Ps. 251,668 million in 2022 compared to Ps. 213,713 million in 2021. Gross margin decreased 100 basis points to 37.4% of total revenues compared to 2021, reflecting gross margin contractions at most of FEMSA's business units, partially offset by margin expansion at the Logistics & Distribution business.

Consolidated administrative expenses increased 26.7% to Ps. 34,486 million in 2022 compared to Ps. 27,219 million in 2021. As a percentage of total revenues, consolidated administrative expenses increased 20 basis points, from 4.9% in 2021, to 5.1% in 2022.

Consolidated selling expenses increased 17.3% to Ps. 157,340 million in 2022 as compared to Ps. 134,079 million in 2021. As a percentage of total revenues, selling expenses decreased 70 basis points, from 24.1% in 2021 to 23.4% in 2022.

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.

Other income mainly reflects the gains on the sale of long-lived assets, recoveries of prior years and dividends from investments in shares. During 2022, other income decreased to Ps. 1,088 million from Ps. 5,887 million in 2021, driven by a demanding comparison base, which included dividends from Jetro Restaurant Depot received during 2021.

During 2022, other expenses decreased to Ps. 2,870 million from Ps. 3,727 million in 2021. This decrease reflects an undemanding comparison base which included impairments of long-lived assets reflecting the effect that the COVID-19 pandemic had on our Health Division operations in Ecuador in 2021. Additionally, other expenses include donations, disposals of long-lived assets and contingencies associated with prior acquisitions.

Comprehensive financing result, which includes interest income and expense, foreign exchange gain (loss), monetary position gain (loss) and market value gain (loss) on financial instruments, increased to Ps. 16,380 million in 2022 from Ps. 13,384 million in 2021, reflecting a decrease in interest expense, offset by a foreign exchange loss related to the effect of FEMSA's US Dollar-denominated cash position, as impacted by the appreciation of the Mexican peso during 2022.

Our provision for income taxes in 2022 was Ps. 14,395 million, as compared to Ps. 14,278 million in 2021, resulting in an effective tax rate of 34.5% in 2022, as compared to 34.7% in 2021.

Share of the profit of equity accounted investees, net of taxes, which mainly reflects our participation in Heineken's results, resulted in an income of Ps. 7,458 million in 2022 compared to Ps. 10,765 million in 2021, reflecting a non-recurring gain reflecting a fair value adjustment from one of Heineken's investments.

Consolidated net income was Ps. 34,743 million in 2022 compared to Ps. 37,678 million in 2021, reflecting (i) higher income from operations across our business units and (ii) a decrease in net interest expense. These were offset by, (i) a Ps. 5,043 non-cash, negative swing in foreign exchange losses, related to FEMSA's U.S. dollar-denominated cash position as impacted by the appreciation of the Mexican peso, (ii) a Ps. 3,831 negative swing in other non-operating expenses which reflect a demanding comparison base that included dividends received from our investment in Jetro Restaurant Depot, and; (iii) by a decrease in our participation in associates' results, which mainly reflects the results of our investment in Heineken.

Coca-Cola FEMSA

The comparability of Coca-Cola FEMSA's financial and operating performance in 2022 as compared to 2021 was affected by the following factors: (i) translation effects from fluctuations in exchange rates; (ii) Coca-Cola FEMSA's results in Argentina, whose economy satisfied the conditions to be considered a hyperinflationary economy; and (iii) the ongoing integration of mergers and acquisitions completed in recent years, specifically the acquisition of CVI in Brazil in January 2022. For the convenience of the reader, Coca-Cola FEMSA has included a discussion of the financial information below on a comparable basis, excluding the translation effects from fluctuations in exchange rates and the acquisition of CVI in Brazil in January 2022. To translate the full-year results of Argentina for the years ended December 31, 2022 and 2021, Coca-Cola FEMSA used the exchange rate at December 31, 2022 of 177.16 Argentine pesos per U.S. dollar and the exchange rate at December 31, 2021 of 102.75 Argentine pesos per U.S. dollar. The depreciation of the exchange rate of the Argentine peso on December 31, 2022, as compared to the exchange rate at December 31, 2021, was 72.5%. In addition, the average appreciation of currencies used in Coca-Cola FEMSA's main operations relative to the U.S. dollar in 2022, as compared to 2021 was 4.3% for the Brazilian real, 0.8% for the Mexican peso, and depreciation of 13.7% for the Colombian peso.

Coca-Cola FEMSA's consolidated total revenues increased by 16.4% to Ps. 226,740 million in 2022 as compared to 2021, mainly as a result of revenue management initiatives and favorable price-mix effects. These effects were partially offset by a decline in beer revenues related to the transition of the beer portfolio in Brazil and unfavorable currency translation effects from most of Coca-Cola FEMSA's operating currencies into Mexican pesos. In addition, for 2021, this line item included other operating revenues from a favorable position of Brazilian tax authorities, which allowed recognition of a deferred tax credit in Brazil for Ps. 254.0 million. On a comparable basis, total revenues would have increased by 17.8% in 2022 as compared to 2021.

Total sales volume increased by 8.6% to 3,755.2 million unit cases in 2022 as compared to 2021, driven mainly by volume growth across all of Coca-Cola FEMSA's territories, including double-digit increases in Brazil, Colombia, Argentina, and Guatemala, coupled with solid performances in Mexico and Uruguay. On a comparable basis, total sales volume would have increased by 7.5% in 2022 as compared to 2021.

- In 2022, sales volume of Coca-Cola FEMSA's sparkling beverage portfolio increased by 6.4%, sales volume of its colas portfolio increased by 6.1%, and sales volume of Coca-Cola FEMSA's flavored sparkling beverage portfolio increased by 7.5%, in each case as compared to 2021. On a comparable basis, sales volume of Coca-Cola FEMSA's sparkling beverage portfolio would have increased by 5.6% as compared to 2021, driven by growth across all of its operations. Sales volume of Coca-Cola FEMSA's colas portfolio would have increased by 5.4%, mainly due to volume growth in all of its territories, and sales volume of its flavored sparkling beverages portfolio would have increased by 6.6%.
- Sales volume of Coca-Cola FEMSA's still beverage portfolio increased by 21.7% in 2022 as compared to 2021. On a comparable basis, sales volume of Coca-Cola FEMSA's still beverage portfolio would have increased by 16.9%.
- Sales volume of Coca-Cola FEMSA's bottled water category, excluding bulk water, increased by 29.0% in 2022 as compared to 2021. On a comparable basis, sales volume of Coca-Cola FEMSA's water portfolio would have increased by 27.6%.
- Sales volume of Coca-Cola FEMSA's bulk water category decreased by 5.8% in 2022 as compared to 2021. On a comparable basis, sales volume of Coca-Cola FEMSA's bulk water portfolio would have decreased by 5.2%.

Consolidated average price per unit case increased by 10.9% to Ps. 58.75 in 2022, as compared to Ps. 52.99 in 2021, mainly as a result of favorable price-mix effects and revenue management initiatives. This was partially offset by the negative translation effect resulting from the depreciation of most of Coca-Cola FEMSA's operating currencies

relative to the Mexican peso. On a comparable basis, average price per unit case would have increased 13.0% in 2022 as compared to 2021, driven by Coca-Cola FEMSA's revenue management and pricing initiatives.

Coca-Cola FEMSA's gross profit increased by 13.2% to Ps. 100,300 million in 2022 as compared to 2021, with a gross margin decrease of 130 basis points as compared to 2021 to reach 44.2% in 2022. This gross margin decrease was mainly driven by a tough comparison base due to the recognition of an extraordinary profit of Ps. 1,083 million during the second quarter of 2021, related to credits on concentrate purchased from the Manaus Free Trade Zone in Brazil, higher concentrate costs in Mexico, and higher raw material costs, mainly PET resin and sweeteners. These effects were partially offset by Coca-Cola FEMSA's top-line growth and favorable raw material hedging initiatives. On a comparable basis, Coca-Cola FEMSA's gross profit would have increased by 14.6% in 2022 as compared to 2021.

The components of cost of goods sold include raw materials (principally concentrate, sweeteners and packaging materials), depreciation costs attributable to Coca-Cola FEMSA's production facilities, wages and other labor costs associated with labor force employed at its production facilities and certain overhead costs. Concentrate prices are determined as a percentage of the retail price of Coca-Cola FEMSA's products in local currency, net of applicable taxes. Packaging materials, mainly PET resin and aluminum, and HFCS, used as a sweetener in some countries, are denominated in U.S. dollars.

Coca-Cola FEMSA's administrative and selling expenses increased by 13.6% to Ps. 68,981 million in 2022 as compared to 2021. Coca-Cola FEMSA's administrative and selling expenses as a percentage of total revenues decreased by 80 basis points to 30.4% in 2022 as compared to 2021, driven mainly by efficiencies in marketing and labor expenses, partially offset by higher fuel and maintenance expenses. In 2022, we continued investing across our territories to support marketplace execution, increase our cooler coverage and bolster our returnable presentation base. Coca-Cola FEMSA's consolidated marketing expenses decreased by 26.4% to Ps. 3,983 million in 2022 as compared to 2021.

Coca-Cola FEMSA recorded other expenses net of Ps. 983 million in 2022 as compared to Ps. 807 million in 2021. This increase was mainly as a result of an increase in tax contingencies in Brazil. For more information, see Notes 9 and 19 to Coca-Cola FEMSA's consolidated financial statements.

The term "comprehensive financing result" refers to the combined financial effects of net interest expenses, net financial foreign exchange gains or losses, and net gains or losses on the monetary position of hyperinflationary countries where Coca-Cola FEMSA operates and market value gain (loss) on financial instruments. Net financial foreign exchange gains or losses represent the impact of changes in foreign exchange rates on financial assets or liabilities denominated in currencies other than local currencies, and certain gains or losses resulting from derivative financial instruments. A financial foreign exchange loss arises if a liability is denominated in a foreign currency that appreciates relative to the local currency between the date the liability is incurred and the date it is repaid, as the appreciation of the foreign currency results in an increase in the amount of local currency, which must be exchanged to repay the specified amount of the foreign currency liability.

Comprehensive financing results in 2022 recorded an expense of Ps. 4,549 million as compared to an expense of Ps. 4,219 million in 2021. This 7.8% increase was mainly driven by a foreign exchange loss of Ps. 324 million as compared to a gain of Ps. 227 million recorded during the same period of 2021, as Coca-Cola FEMSA's cash exposure in U.S. dollars was negatively impacted by the appreciation of the Mexican peso. In addition, Coca-Cola FEMSA recognized a loss in the market value of financial instruments of Ps. 672 million, as compared to a gain of Ps. 80 million during 2021. Moreover, interest expense increased to Ps. 6,500 million, as compared to an expense of Ps. 6,192 million in 2021, driven mainly by increases in interest rates, partially offset by the tender offer of senior notes completed during the third quarter of 2022. Finally, Coca-Cola FEMSA recognized a lower gain in monetary position in inflationary subsidiaries, recording Ps. 536 million during 2022, as compared to a gain of Ps. 734 million during the previous year. These effects were partially offset by Coca-Cola FEMSA's higher interest income of Ps. 2,411 million during 2022, as compared to a gain of Ps. 932 million recorded during 2021, as a result of an increase in interest rates.

In 2022, Coca-Cola FEMSA's effective income tax rate decreased to 25.4%, as compared to its effective income tax rate of 28.9% in 2021, mainly as a result of a favorable deferred tax credits. For more information, see Note 24 to Coca-Cola FEMSA's consolidated financial statements.

In 2022, Coca-Cola FEMSA recorded a gain of Ps. 368 million in the share in the profit of equity accounted investees, net of taxes, mainly due to the results of Jugos del Valle, Coca-Cola FEMSA's associate in Mexico, as compared to a gain of Ps. 88 million registered during the same period of the previous year.

Coca-Cola FEMSA reported a net controlling interest income of Ps. 19,034 million in 2022, as compared to a Ps. 15,708 million in 2021. This 21.2% increase was mainly driven by operating income growth, coupled with a decline in Coca-Cola FEMSA's effective tax rate during the year.

Proximity Americas Division

Proximity Americas Division's total revenues increased 17.8% to Ps. 233,958 million in 2022 compared to Ps. 198,586 million in 2021, reflecting an average increase in same-store sales of 14.3%, reflecting the strong performance of the gathering consumer goods category, including beer, snacks and spirits, as well as the sustained recovery of mobility-driven occasions, and the addition of 1,027 net new stores. As of December 31, 2022, there were a total of 21,458 OXXO stores. As referenced above, OXXO same-store sales increased an average of 14.3% compared to 2021, driven by a 10.7% increase in average ticket, and by a 3.6% increase in same-store traffic.

Cost of goods sold increased 19.2% to Ps. 136,372 million in 2022, compared to Ps. 114,390 million in 2021. Gross margin decreased 70 basis points to reach 41.7% of total revenues. This decrease reflects the impact from OXXO's fast-growing loyalty program, and a decrease of the contribution of financial services, partially offset by a more dynamic commercial income activity and promotional programs with our key supplier partners. As a result, gross profit increased 15.9% to Ps. 97,586 million in 2022 compared with 2021.

Administrative expenses decreased 1.3% to Ps. 6,066 million in 2022, compared to Ps. 6,145 million in 2021. As a percentage of sales, administrative expenses decreased to 2.6% in 2022. This decrease reflects administrative enduring expense efficiencies and tight expense control. Selling expenses increased 13.9% to Ps. 67,842 million in 2022 compared with Ps. 59,542 million in 2021. As a percentage of sales, selling expenses decreased to 28.9% in 2022 from 29.9% in 2021. This was driven by our continued but gradual shift from commission-based store teams to employee-based teams, partially offset by increased operating leverage.

Proximity Europe Division²

Proximity Europe Division's total revenues for the consolidated period amounted to Ps. 9,809 million in 2022. As of December 31, 2022, the Proximity Europe Division network was comprised of 2,766 points of sale.

Cost of goods sold amounted to Ps. 5,210 million in 2022. Gross margin was 46.9% of total revenues. As a result, gross profit amounted to Ps. 4,599 million in the consolidated period of 2022.

Administrative expenses amounted to Ps. 1,294 million in 2022. As a percentage of sales, administrative expenses amounted to 13.2% in 2022. Selling expenses amounted to Ps. 3,112 million in 2022. As a percentage of sales, selling expenses amounted to 31.7%.

Health Division

Health Division total revenues increased 2.4% to Ps. 74,800 million compared to Ps. 73,027 million in 2021, reflecting the addition of 434 net new locations during the period. This was offset by: i) a same-store sale decrease of 1.0%, reflecting positive trends in our operations in Mexico, Colombia and Ecuador and stable trends at our Chilean operations offset by the depreciation of the Chilean and Colombian pesos, against the Mexican peso, and; ii) a demanding comparison base driven by COVID-19 economic relief with extraordinary liquidity programs granted by the government in Chile during 2020 and 2021. As of December 31, 2022, there were a total of 4,095 drugstores in Mexico, Chile, Colombia and Ecuador.

Cost of goods sold increased 3.0% to Ps. 52,817 million in 2022, compared with Ps. 51,291 million in 2021. Gross margin decreased 40 basis points to reach 29.4% of total revenues. This was mainly driven by: (i) higher institutional sales in our operations in Chile and Colombia; and (ii) increased promotional activities in our operations in South America. These were offset by improved efficiency and more effective collaboration and execution with key supplier partners in Mexico. Gross profit increased 1.1% to Ps. 21,983 million in 2022 compared with 2021.

Administrative expenses decreased 10.4% to Ps. 2,918 million in 2022, compared with Ps. 3,255 million in 2021. As a percentage of sales, administrative expenses decreased to 3.9% in 2022 from 4.5% in 2021. This decrease was driven by cost efficiencies and tight expense control throughout our territories. Selling expenses increased 3.5% to Ps. 15,139 million in 2022 compared with Ps. 14,620 million in 2021. As a percentage of sales, selling expenses reached

² Representing 2 months and 23 days of Valora's financial results, except for points of sale.

20.2% in 2022 from 20.0% in 2021. This increase was mainly driven by the organic growth in Mexico and South America.

Fuel Division

Fuel Division total revenues increased 29.8% to Ps. 51,813 million in 2022 compared to Ps. 39,922 in 2021, reflecting a 22.4% average increase in same-station sales. As of December 31, 2022, there were a total of 568 OXXO Gas service stations. As referenced above, same-station sales increased an average of 22.4% compared to 2021, reflecting a 6.2% increase in the average price per liter, coupled with a 15.2% increase in average volume, which reflects a gradual recovery of overall consumer mobility.

Cost of goods sold increased 30.6% to Ps. 45,253 million in 2022, compared to Ps. 34,653 million in 2021. Gross margin decreased 50 basis points to reach 12.7% of total revenues. This decrease reflects a negative mix impact driven by volume growth in our institutional and wholesale customer network, partially offset by more favorable supply terms. Gross profit increased 24.5% to Ps. 6,560 million in 2022 compared with 2021.

Administrative expenses decreased 21.7% to Ps. 227 million in 2022, compared to Ps. 290 million in 2021. As a percentage of sales, administrative expenses decreased to 0.4% in 2022 from 0.7% in 2021. The decrease in administrative expenses reflects tight expense control and increased expense efficiencies. Selling expenses increased 14.4% to Ps. 4,084 million in 2022 compared with Ps. 3,571 million in 2021. As a percentage of sales, selling expenses decreased 100 basis points to 8.0% in 2022. This reflects a positive operating leverage.

Logistics and Distribution

Logistics and Distribution total revenues increased 49.8% to Ps. 72,539 million compared to Ps. 48,412 in 2021, reflecting the inorganic expansion of our distribution platform in the United States coupled with positive demand dynamics in our operations in Latin America, and the robust recovery trends and effective cross-selling initiatives at Envoy Solutions operations in the United States.

Cost of goods sold increased 49.0% to Ps. 56,374 million, compared to Ps. 37,843 million in 2021. Gross margin increased 50 basis points to reach 22.3% of total revenues, reflecting the inorganic expansion of our distribution platform in the United States offset by increased fuel expenses. Gross profit increased 52.9% to Ps. 16,165 in 2022 compared with Ps. 10,569 in 2021.

Administrative expenses increased 37.8% to Ps. 6,247 million in 2022, compared to Ps. 4,533 in 2021. As a percentage of sales, administrative expenses decreased to 8.6% in 2022 from 9.4% in 2021. Selling expenses increased 68.9% to Ps. 6,858 million in 2022 as compared to 2021. As a percentage of sales, selling expenses increased to 9.5% in 2022 from 8.4% in 2021. This increase reflects increased transportation and labor costs across markets, as well as one-off provisions related to past-due institutional customer accounts and obsolete inventories in our operations in the United States.

Results from our Operations for the Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020

This analysis can be found in Item 5 of our annual report on Form 20-F for fiscal year 2021.

Liquidity and Capital Resources

Liquidity

Each of our operating subsidiaries generally finances its operational and capital requirements on an independent basis. As of December 31, 2022, 47% of our outstanding consolidated total indebtedness was at the level of our operating subsidiaries. This structure is attributable, in part, to the inclusion of third parties in the capital structure of Coca-Cola FEMSA. We have historically raised indebtedness at FEMSA in connection with significant acquisitions or capital expenditures or other transactions at our operating subsidiaries other than Coca-Cola FEMSA.

Our principal source of liquidity has been cash flows from our operations. We have traditionally been able to rely on cash generated from the sales of Coca-Cola FEMSA and Proximity Americas Division, as well as the Health and Fuel Divisions which are either on a cash or short-term credit basis. For the year ended December 31, 2022, our net cash flow from operating activities before changes in working capital was Ps. 92,603 million. We always try to maintain

sufficient cash flow to meet our short-term operating costs and short-term debt obligations by using our resources efficiently. For the year ended December 31, 2022, we had a decrease in working capital cash flow of Ps. 931 million. Further, our primary source of liquidity was supplier credit net of increase in accounts receivable due to seasonality and inventory purchases, in order to meet growth in anticipated sales, which is a significant cash requirement in operation. We expect our working capital to be sufficient for our current operating cash requirements. However, our operating subsidiaries generally incur short-term indebtedness if they are temporarily unable to finance operations or meet any capital requirements with cash from operations.

Other major cash requirements include obligations to support our ongoing operation, which consist primarily of salary and commissions expenses for employees and contractual obligations for our lease agreements mainly in Proximity Americas Division and Health Division. Additionally, we must face the repayment obligations with our debtholders through periodic payments, which include both principal and interest. We present the maturity dates associated with our short-term and long-term financial liabilities as of December 31, 2022, in Note 19 of our audited consolidated financial statements. We generally make payments associated with our financial obligations with cash generated from our operations.

Other principal uses of cash have generally been for capital expenditures, acquisitions, and dividend payments. We continuously evaluate 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.

If existing cash and cash generated from operations are insufficient to satisfy our liquidity requirements, we expect to continue financing our operations and capital requirements (e.g., acquisitions, investments or capital expenditures) with domestic funding at the level of our operating subsidiaries. Other than in these instances, it is generally more convenient that our foreign operations be financed directly through us because of the more favorable terms of our financing market conditions. Nonetheless, operating subsidiaries may decide to incur indebtedness in the future to finance their operations and capital requirements of our subsidiaries or significant acquisitions, investments, or capital expenditures. As a holding company, we depend on dividends and other distributions from our subsidiaries to service our indebtedness.

A major decline in the business of any of our operating subsidiaries may affect the operating subsidiaries' ability to fund our capital requirements. A significant and prolonged deterioration of the economies in which we operate or in our businesses may affect our ability to obtain short-term and long-term credit or to refinance existing indebtedness on terms satisfactory to our management.

The following is a summary of the principal sources and uses of cash for the years ended December 31, 2022, 2021 and 2020 from our consolidated statement of cash flows:

Principal Sources and Uses of Cash
Years ended December 31, 2022, 2021 and 2020
(in millions of Mexican pesos)

	2022	2021	2020
Net cash generated by operating activities	Ps. 72,576	Ps. 73,090	Ps. 53,173
Net cash (used in) investing activities	(46,432)	(46,175)	(31,367)
Net cash (used in) generated by financing activities	(35,898)	(36,989)	19,575
Dividends paid	(17,506)	(13,399)	(15,868)

Principal Sources and Uses of Cash for the Year ended December 31, 2022 Compared to the Year Ended December 31, 2021

Our net cash generated by operating activities decreased Ps. 514 million to Ps. 72,576 million in 2022 compared to Ps. 73,090 million in 2021. This was primarily the result of:

- A positive change in cash flow of Ps. 11,095 million in our cash flow from operating activities before changes in operating working capital accounts, mainly due to the improved operating results at top line across all our business units in 2022, compared to 2021.
- A negative change in trade payables of Ps. 6,592 million due to higher payments to suppliers as compared to 2021.
- A negative change in income taxes paid of Ps. 5,480 million due to higher payments as compared to 2021.

Our net cash used in investing activities was Ps. 46,432 million for the year ended December 31, 2022, compared to Ps. 46,175 million used in investing activities for the year ended December 31, 2021, an overall increase in cash outflows related to investing activities of Ps. 257 million. This was primarily the result of:

- Higher cash inflows of Ps. 45,334 million due to disposal of investments purchased in 2021, which were primarily corporate debt securities;
- Higher cash outflows of Ps. 30,587 million due to business acquisitions in 2022;
- Higher cash outflows of Ps. 12,141 million due to more capital expenditures among our business units; and
- Lower cash inflows of Ps. 844 million related to other investments in equity instruments in 2022.

Our net cash used in financing activities was Ps. 35,898 million for the year ended December 31, 2022, compared to Ps. 36,989 million provided by financing activities for the year ended December 31, 2021, an overall decrease in cash outflows related to financing activities of Ps. 1,091 million. This was primarily due to:

- Lower cash inflows of Ps. 23,703 million mainly due to lower proceeds from borrowings in 2022 of Ps. 16,185 million as compared to Ps. 39,888 million in 2021;
- Lower cash outflows of Ps. 28,865 million due to lower payments of bank loans and senior notes in 2022 of Ps. 9,882 million, as compared to Ps. 38,747 million in 2021; and
- Higher cash outflows of Ps. 4,107 million due to higher dividends paid in 2022 of Ps. 17,506 million as compared to Ps. 13,399 million in 2021.

Principal Sources and Uses of Cash for the Year ended December 31, 2021 Compared to the Year Ended December 31, 2020

This analysis can be found in Item 5 of our annual report on Form 20-F for fiscal year 2021.

Consolidated Total Indebtedness

Our consolidated total indebtedness as of December 31, 2022 was Ps. 191,741 million compared to Ps. 190,585 million in 2021 and Ps. 188,665 million in 2020. Short-term debt (including maturities of long-term debt) and long-term debt were Ps. 18,341 million and Ps. 173,400 million, respectively, as of December 31, 2022, as compared to Ps. 4,640 million and Ps. 185,945 million, respectively, as of December 31, 2021, and Ps. 8,801 million and Ps. 179,864 million, respectively, as of December 31, 2020. Cash and cash equivalents were Ps. 83,439 million as of December 31, 2022, as compared to Ps. 97,407 million as of December 31, 2021 and Ps. 107,624 million as of December 31, 2020.

In March 2023, we completed a tender offer to reduce our indebtedness. As a result of this offer, we acquired Euro and U.S.-dollar denominated bonds totaling 666 million Euros and US\$ 1,090 million.

Contractual Obligations

The table below sets forth our contractual obligations as of December 31, 2022.

	Maturity					Total
	Less than 1 year	1-3 years	3-5 years	In excess of 5 years		
(in millions of Mexican pesos)						
Long-Term Debt						
Mexican pesos	Ps. 7,756	Ps. 2,252	Ps. 12,433	Ps. 23,881	Ps. 46,323	
Brazilian reais	47	34	3	—	84	
Colombian pesos	33	—	—	—	33	
U.S. dollars	5,809	2,319	—	103,003	111,131	
Euro	1,270	1,797	1,115	25,389	29,571	
Swiss franc	—	1,173	—	—	1,173	
Chilean pesos	588	—	—	—	588	
Uruguayan pesos	976	—	—	—	976	
Lease liabilities	14,374	—	45,562	46,630	106,566	

As of December 31, 2022, Ps. 18,341 million of our total consolidated indebtedness was short-term debt (including maturities of long-term debt).

As of December 31, 2022, our consolidated average cost of borrowing, after giving effect to the cross-currency and interest rate swaps, was approximately 6.0%. As of December 31, 2021, our consolidated average cost of borrowing, after giving effect to the cross-currency swaps, was 4.8% (the total amount of debt used in the calculation of this percentage was obtained by converting only the units of investment debt for the related cross-currency swap, and it also includes the effect of related interest rate swaps). As of December 31, 2022, after giving effect to cross-currency swaps, approximately 44.1% of our total consolidated indebtedness was denominated and payable in Mexican pesos, 22.5% in U.S. dollars, 0.6% in Colombian pesos, 0.6% in Swiss franc, 7.5% in Brazilian reais, 0.9% in Chilean pesos, 0.5% Uruguayan pesos and the remaining 23.2% in euros.

Overview of Debt Instruments

The following table shows the allocations of total debt of our company as of December 31, 2022:

	Total Debt Profile of the Company										Total Debt	
	FEMSA and Others		Coca-Cola FEMSA		Proximity Americas		Proximity Europe		Health Division			
In millions of Mexican pesos												
Short-term Debt												
<i>Mexican pesos:</i>												
Bank loans	Ps.	—	Ps.	—	Ps.	790	Ps.	—	Ps.	—	Ps.	790
<i>Chilean pesos:</i>												
Bank Loans		—		—		—		—		1,072		1,072
Long-term Debt ⁽¹⁾												
<i>Mexican pesos:</i>												
Bank loans		—		—		971		—		—		971
Senior notes		9,264		36,088		—		—		—		45,352
<i>U.S. dollars:</i>												
Bank loans		—		92		—		—		2,227		2,319
Senior Notes		67,383		41,429		—		—		—		108,812
<i>Brazilian reais:</i>												
Bank Loans		—		84		—		—		—		84
Note Payable		—		—		—		—		—		—
<i>Colombian pesos:</i>												
Bank Loans		—		—		—		—		33		33
<i>Chilean pesos:</i>												
Bank Loans		271		—		—		—		317		588
<i>Euros:</i>												
Senior unsecured notes		24,563		—		—		—		—		24,563
Promissory notes		—		—		—		5,008		—		5,008
<i>Swiss franc:</i>												
Promissory notes		—		—		—		1,173		—		1,173
<i>Uruguayan pesos:</i>												
Bank loans		—		976		—		—		—		976
Total Debt	Ps.	101,480	Ps.	78,669	Ps.	1,761	Ps.	6,181	Ps.	3,649	Ps.	191,741
Average Cost ⁽²⁾												
Mexican pesos		8.2 %		8.3 %		12.0 %		—		—		8.3 %
U.S. dollars		3.5 %		4.3 %		—		—		12.6 %		4.2 %
Euros		1.1 %		—		—		1.2 %		—		1.1 %
Brazilian reais		—		12.4 %		—		—		—		12.4 %
Colombian pesos		—		—		—		—		5.9 %		7.0 %
Chilean pesos		5.8 %		—		—		—		9.8 %		9.1 %
Uruguayan pesos		—		6.3 %		—		—		—		6.3 %
Swiss franc		—		—		—		0.8 %		—		0.8 %
Total		4.1 %		8.2 %		12.0 %		1.2 %		11.5 %		6.0 %

(1) Includes the Ps. 16,479 million current portion of long-term debt.

(2) Includes the effect of cross-currency and interest rate swaps. Average cost is determined based on interest rates as of December 31, 2022.

Summary of Significant Debt Instruments

Issue Year	Maturity	Amount Issued	Rate
2022	2027	Ps. 827 million	28-day THIE + 0.10%
2022	2032	Ps. 8,446 million	9.65 %
2021	2033	EUR€ 500 million	1.00 %
2021	2028	EUR€ 700 million	0.500 %
2020	2050	US\$ 2,500 million	3.500 %
2013	2043	US\$ 700 million	4.375 %
2013	2023	US\$ 300 million	2.875 %

Restrictions Imposed by Debt Instruments

Generally, the covenants contained in the credit agreements and other instruments governing indebtedness entered into by us or our operating subsidiaries include limitations on the incurrence of any additional debt based on debt service coverage ratios or leverage tests. These credit agreements also generally include restrictive covenants applicable to our company, our operating subsidiaries and their subsidiaries.

We and our operating subsidiaries are in compliance with all of our covenants. A significant and prolonged deterioration in our consolidated results could cause us to cease to be in compliance under certain indebtedness in the future. We can provide no assurances that we will be able to incur indebtedness or to refinance existing indebtedness on similar terms in the future.

Summary of Liquidity

The following is a summary and description of our liquidity as of December 31, 2022:

Coca-Cola FEMSA

- Coca-Cola FEMSA's total indebtedness was Ps. 78,669 million as of December 31, 2022, as compared to Ps. 85,782 million as of December 31, 2021. Short-term debt and long-term debt were Ps. 8,524 million and Ps. 70,145 million, respectively, as of December 31, 2022, as compared to Ps. 2,453 million and Ps. 83,329 million, respectively, as of December 31, 2021. Total indebtedness decreased Ps. 7,113 million in 2022, with respect to outflows compared to year-end 2021. As of December 31, 2022, Coca-Cola FEMSA's cash and cash equivalents were Ps. 40,277 million, as compared to Ps. 47,248 million as of December 31, 2021. Coca-Cola FEMSA had cash outflows in 2022 mainly resulting from repayment of debt and dividend payments, which were more than offset by generation of cash from operating activities. As of December 31, 2022, Coca-Cola FEMSA's cash and cash equivalents were comprised of 53.8% U.S. dollars, 24.4% Mexican pesos, 13.4% Brazilian reais, 0.4% Colombian pesos, 3.3% Argentine pesos and 4.7% other legal currencies. Coca-Cola FEMSA believes that these funds, in addition to the cash generated by its operations, are sufficient to meet their own operating requirements.

Proximity Americas Division

- As of December 31, 2022, Proximity Americas Division had a total outstanding debt of Ps. 1,761 million. Short-term debt (including the current portion of long-term debt) and long-term debt were Ps. 1,046 million and Ps. 715 million, respectively. As of December 31, 2022 and 2021, cash and cash equivalents were Ps. 8,828 and Ps. 6,498 million, respectively.

Proximity Europe Division

- As of December 31, 2022, Proximity Europe Division had a total outstanding debt of Ps. 6,181 million. Short-term debt (including the current portion of long-term debt) and long-term debt were Ps. 1,270 million and Ps. 4,911 million, respectively. As of December 31, 2022, cash and cash equivalents were Ps. 2,521 million.

Health Division

- As of December 31, 2022, Health Division had a total outstanding debt of Ps. 3,649 million. Short-term debt (including the current portion of long-term debt) and long-term debt were Ps. 1,421 million and Ps. 2,228 million, respectively. As of December 31, 2022 and 2021, cash and cash equivalents were Ps. 3,085 and Ps. 3,815 million, respectively.

Other Businesses

- As of December 31, 2022, FEMSA and other businesses had a total outstanding debt of Ps. 101,480 million, which is composed of Ps. 271 million of bank debt in other legal currencies, Ps. 5,808 million of senior notes due 2023, Ps. 13,405 million of senior notes due 2043, Ps. 48,170 million of senior notes due 2050, Ps. 24,563 million of Senior Unsecured Notes due 2028 and 2033 and Ps. 9,264 million of senior notes due 2027 and 2028. See “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Liquidity.” FEMSA and other businesses’ average cost of debt, after giving effect to interest rate swaps and cross-currency swaps, as of December 31, 2022, was 8.3% in Mexican pesos. As of December 31, 2022 and 2021, cash and cash equivalents were Ps. 25,595 and Ps. 37,275 million, respectively.

Contingencies

We have various loss contingencies, for which reserves have been recorded in those cases where we believe an unfavorable resolution is probable and can be reasonably quantified. See “Item 8. Financial Information—Legal Proceedings.” Any amounts required to be paid in connection with these loss contingencies would be required to be paid from available cash.

The following table presents the nature and amount of loss contingencies recorded as of December 31, 2022:

	Loss Contingencies	
	As of December 31,	
	2022	
	(in millions of Mexican pesos)	
Taxes, primarily indirect taxes	Ps.	1,976
Legal	Ps.	1,006
Labor	Ps.	1,703
Total	Ps.	4,685

In Brazil, Coca-Cola FEMSA has been required by the relevant tax authorities to collateralize tax contingencies currently in litigation amounting to Ps.13,728, Ps. 10,721 million and Ps. 7,342 million as of December 31, 2022, 2021 and 2020, respectively, by pledging fixed assets or providing bank guarantees.

We have other contingencies that, based on a legal assessment of their risk of loss, have been classified by our internal legal counsel as more than remote but less than probable. These contingencies have a financial impact that is disclosed as loss contingencies in the notes of the audited consolidated financial statements. These contingencies, or our assessment of them, may change in the future, and we may record reserves or be required to pay amounts in respect of these contingencies. As of December 31, 2022, the aggregate amount of such contingencies for which we had not recorded a reserve was Ps.119,728 million.

Capital Expenditures

For the past five years, we have had significant capital expenditure programs, which for the most part were financed with cash from operations. Capital expenditures were Ps. 34,410 million in 2022, compared to Ps. 24,055 million in 2021, an increase of 43.0%. The amount invested in 2022 was driven by additional investments mainly related to the opening of new stores, drugstores and retail service stations. The principal components of our capital expenditures have been investments in increasing production capacity, placing coolers with retailers, returnable bottles and cases and distribution network expansion at Coca-Cola FEMSA and expansion of Proximity Americas Division, Proximity Europe Division, the Health Division and the Fuel Division, as mentioned above. See “Item 4. Information on the Company—Capital Expenditures and Divestitures.”

Expected Capital Expenditures for 2023

Our capital expenditure budget for 2023 is expected to be Ps. 49,853 million (US\$ 2,429 million). The following discussion is based on each of our sub-holding companies' internal budgets. The capital expenditure plan for 2023 is subject to change based on market and other conditions, and our subsidiaries' results and financial resources.

Coca-Cola FEMSA has budgeted approximately Ps. 26,707 million (US\$ 1,301 million) for its capital expenditures in 2023, which amount will primarily focus on strengthening its infrastructure, especially returnable bottles and cases, investments in information technology and investments in assets that increase its presence in the market. As is customary, this amount will depend on market and other conditions, including the development of the COVID-19 pandemic across its territories.

Coca-Cola FEMSA has budgeted capital expenditures in an amount ranging between 8.0 and 9.0% of total revenues for 2023, which amount will primarily focus on strengthening infrastructure, especially returnable bottles and cases, investments in information technology and investments in assets that increase its presence in the market. As is customary, this amount will depend on market and other conditions, including the further development of the COVID-19 pandemic across its territories.

Coca-Cola FEMSA estimates that of its projected capital expenditures for 2023, approximately 32.8% will be for its Mexican territories and the remaining will be for its non-Mexican territories. Coca-Cola FEMSA believes that internally generated funds will be sufficient to meet its budgeted capital expenditure for 2023.

Proximity Americas Division's capital expenditures budget in 2023 is expected to total Ps. 15,508 million (US\$756 million) and will be allocated to the opening of new OXXO stores and the refurbishing of existing OXXO stores. In addition, investments are planned for IT systems, ERP software updates and transportation equipment.

Proximity Europe Division's capital expenditures budget in 2023 is expected to total Ps. 2,341 million (US\$114 million) and will be allocated to opening of new stores and the refurbishing of stores.

The Health Division's capital expenditures budget in 2023 is expected to total Ps. 2,199 million (US\$107 million) and will be allocated to the opening of new locations and, to a lesser extent, the refurbishing of existing locations. In addition, investments are planned in warehouses, IT hardware and ERP software updates.

The Fuel Division's capital expenditures budget in 2023 is expected to total Ps. 350 million (US\$17 million) and will be allocated to the opening of new service stations, to the refurbishing of existing OXXO Gas service stations and to adding vapor recovery units on the service stations.

Logistics and Distribution's capital expenditures budget in 2023 is expected to total Ps. 1,099 million (US\$54 million) and will be allocated to distribution infrastructure, improvements to leased properties and information technology investments.

Our capital expenditures budget in 2023 for Other Businesses is expected to total Ps. 1,648 million (US\$80 million) and will be allocated to refrigeration businesses and others.

Hedging Activities

In the ordinary course of business we may enter into derivative instruments to hedge our exposure to market risks related to changes in interest rates, foreign currency exchange rates and commodity price risk. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk."

The following table provides a summary of the fair value of derivative financial instruments as of December 31, 2022. If such instruments are not traded in a formal market, fair value is determined by applying techniques based upon

technical models we believe are supported by sufficient, reliable and verifiable market data, recognized in the financial sector.

	Fair Value at December 31, 2022									
	Maturity less than 1 year		Maturity 1-3 years		Maturity 3-5 years		Maturity in excess of 5 years		Fair Value Asset	
	(in millions of Mexican pesos)									
Derivative financial instruments position	Ps.	9,591	Ps.	778	Ps.	(1,153)	Ps.	(1,756)	Ps.	7,460

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors

Management of our business is vested in the board of directors and in our chief executive officer. Our bylaws provide that the board of directors will consist of no more than 21 directors and their corresponding alternate directors elected by our shareholders at the. Directors are elected for a term of one year. Alternate directors are authorized to serve on the board of directors in place of their specific directors who are unable to attend meetings and may participate in the activities of the board of directors. Our bylaws provide that the holders of the Series B Shares elect at least nine directors and that the holders of the Series D Shares elect five directors. See “Item 10. Additional Information —Bylaws.”

In accordance with our bylaws and article 24 of the Mexican Securities Market Law, at least 25% of the members of our board of directors must be independent (as defined by the Mexican Securities Market Law).

The board of directors may appoint interim directors in the event that a director is absent or an elected director and corresponding alternate are unable to serve. Such interim directors shall serve until the next, at which the shareholders shall ratify or elect a replacement.

Our bylaws provide that the board of directors shall meet at least once every three months and actions by the board of directors must be approved by at least a majority of the directors present and voting. The chairman of the board of directors, the chairman of our audit or corporate practices committee or at least 25% of our directors may call a board of directors’ meeting and include matters in the meeting agenda.

Our board of directors was elected at the AGM held on March 31, 2023, and currently comprises fifteen directors, out of which ten were elected by Series B shareholders and five were elected by Series D shareholders, and twelve alternate directors, out of which nine were elected by Series B shareholders and three were elected by Series D shareholders. The following table sets forth the current members of our board of directors:

Series B Directors

José Antonio Fernández Carbajal <i>Executive Chairman of the Board</i>	Born:	1954
	Appointed to the Board:	1984 as board member. 2001 as chairman of the board.
	Term expires:	2024
	Principal occupation:	Executive chairman of the board of directors of Fomento Economico Mexicano, S.A.B. de C.V. (“FEMSA”).
	FEMSA Committees:	Chairman of the Operations and Strategy Committee.
	Public Companies Directorships	Executive chairman of the board of directors of FEMSA and chairman of the board of directors of Coca-Cola FEMSA. Member of the board of directors of Industrias Peñoles, S.A.B. de C.V. (“Peñoles”).

	Other Directorships:	Chairman of the board of directors of Fundación FEMSA, A.C. (“Fundación FEMSA”) and member of the boards of directors of Massachusetts Institute of Technology (“MIT”) and of Instituto Tecnológico y de Estudios Superiores de Monterrey (“ITESM”).
	Past business experience:	Held position of Chief Executive Officer of FEMSA from 1995 to 2013, and held various positions in FEMSA including Deputy Chief Executive Officer and Chief Operating Officer from 1991 to 1995. Held the position of Commercial Vice President of Cervecería Cuauhtémoc Moctezuma, S.A. de C.V. from 1992 to 1993, Chief Executive Officer of Cadena Comercial OXXO, S.A. de C.V. from 1989 to 1991 and Strategic Planning Manager of Grupo VISA, S.A. de C.V. from 1988 to 1989.
	Education:	Holds a degree in Industrial Engineering and a Master’s degree in Business Administration (“MBA”) from ITESM.
	Alternate director:	Francisco Javier Fernández Carbajal
Eva María Garza Lagüera Gonda <i>Director</i>	Born:	1958
	Appointed to the Board:	1999
	Term expires:	2024
	Principal occupation:	Private investor.
	Public Companies Directorships:	Member of the board of directors of FEMSA.
	Other directorships:	Member of the boards of directors of ITESM, Patronato Premio Eugenio Garza Sada, Inmobiliaria Valmex, S.A. de C.V. (“Valmex”), Desarrollo Inmobiliario la Sierrita, S.A. de C.V. (“Desarrollo Inmobiliario la Sierrita”), Refrigeración York, S.A. de C.V. (“Refrigeración York”), and Peñitas, S.A. de C.V. (“Peñitas”).
	Past business experience:	Founder of Alternativas Pacíficas, A.C. and held the position of Chairwoman of the board of directors of said association.
	Education:	Holds a Communications degree from ITESM.
	Alternate director:	José Antonio Fernández Garza Lagüera
Paulina Garza Lagüera Gonda <i>Director</i>	Born:	1972
	Appointed to the Board:	2004
	Term expires:	2024
	Principal occupation:	Private Investor.
	Public Companies Directorships:	Member of the board of directors of FEMSA.
	Education:	Holds a Business Administration degree from ITESM.
	Alternate director:	Mariana Garza Lagüera Gonda

Francisco José Calderón Rojas	Born:	1966
<i>Director</i>	Appointed to the Board:	2023
	Term expires:	2024
	Principal occupation:	President of Regio Franca, S.A. de C.V.
	Public Companies Directorships:	Member of the boards of directors of FEMSA and Alpek, S.A.B. de C.V.
	Other Directorships:	Member of the boards of directors of the companies of the Grupo Franca group, member of the regional board of BBVA Bancomer 2004, member of the north advisory board of Grupo Financiero Banamex since January 2002, and member of the general board of the Universidad de Monterrey (UEM).
	Past business experience:	Was an alternate member of the board of directors of BBVA México, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México.
	Education:	Holds a degree in Economics from ITESM and an MBA from the University of California, L.A. (UCLA).
	Alternative director:	Diego Eugenio Calderon Rojas
Alfonso Garza Garza	Born:	1962
<i>Director</i>	Appointed to the Board:	2016
	Term expires:	2024
	Principal occupation:	Private investor.
	Public Companies Directorships:	Member of the board of directors of FEMSA
	Other Directorships:	Member of the boards of directors of ITESM, Grupo Nutec, S.A. de C.V., Chairman of Fondo Ambiental Metropolitano de Monterrey, A.C. (FAMM), President of Talent and Culture Committee at ITESM and member of the Governance Committee of ITESM.
	Past business experience:	Until 2022 held position as the Chief Executive Officer of FEMSA Strategic Businesses. Has experience in several FEMSA business units and departments, including domestic and international sales, procurement and marketing mainly in FEMSA Cerveza and as CEO of FEMSA Empaques.
	Education:	Holds an Industrial Engineering degree from ITESM and an MBA from Instituto Panamericano de Alta Dirección de Empresa ("IPADE").
	Alternate director:	Juan Carlos Garza Garza
Bertha Paula Michel González	Born:	1964
<i>Director</i>	Appointed to the Board:	2020
	Term expires:	2024
	Principal occupation:	Professor at Universidad Autónoma de México ("UNAM")

	Public Companies Directorships:	Member of the board of directors of FEMSA and alternate member of the board of directors of El Puerto de Liverpool, S.A.B. de C.V.
	Other Directorships:	Member of the boards of directors of Círculo Francés de México, A.C. and ITESM (Zona Metropolitana).
	Education:	Holds a Basic Biomedical Research Bachelor's and Master's degrees and a Biotechnology doctorate degree from UNAM.
	Alternate director:	Maximino José Michel González
Alejandro Baillères Gual		
<i>Director</i>	Born:	1960
	Appointed to the Board:	2022
	Term expires:	2024
	Principal occupation:	Chairman of Grupo BAL, S.A. de C.V. ("Grupo BAL")
	Public Companies Directorships:	Member of the boards of directors of FEMSA, Chairman of the board of directors of Peñoles, Grupo Nacional Provincial, S.A.B. de C.V. ("GNP"), Fresnillo plc ("Fresnillo"), Grupo Palacio de Hierro, S.A.B. de C.V. ("Palacio de Hierro"), and Grupo Profuturo, S.A.B. de C.V.
	Other directorships:	Chairman of the board of directors of Profuturo Pensiones, S.A. de C.V., Profuturo Afore, S.A. de C.V., Tane, S.A. de C.V., ElectroBal, S.A. de C.V., Energía Bal, S.A. de C.V., member of the board of directors of Valores Mexicanos Casa de Bolsa, S.A. de C.V., and chairman of Fundación Alberto Baillères, A.C., Chairman of the board of trustees of Instituto Tecnológico Autónomo de México and Chairman of the directive board of the Asociación Mexicana de Cultura, A.C.
	Past business experience:	Held the positions of Chief Executive Officer of GNP from 2006 to 2015.
	Education:	Executive Program from Stanford University.
	Alternate director:	Arturo Fernández Pérez
Bárbara Garza Lagüera Gonda		
<i>Director</i>	Born:	1959
	Appointed to the Board:	1998
	Term expires:	2024
	Principal occupation:	Private Investor and Chairwoman of the acquisitions committee of FEMSA Collection.
	Public Companies Directorships:	Member of the board of directors of Fresnillo.

Other Directorships: Member of the board of directors of ITESM, Promecap Acquisition Company, S.A. de C.V., Valmex, Desarrollo Inmobiliario la Sierrita, Refrigeración York, Peñitas, Controladora Pentafem, S.A.P.I. de C.V. y BECL, S.A. de C.V.; member of the board of directors of Fondo para la Paz IAP, the International Council of the Museum of Modern Art (MOMA) N.Y., Museo de Arte Contemporáneo, A.C. (MARCO) and Museo Franz Mayer.

Education: Holds a Business Administration degree from ITESM.

Alternate director: Javier Gerardo Astaburuaga Sanjines

Enrique F. Senior Hernández *Director*

Born: 1943

Appointed to the Board: 2022

Term expires: 2024

Principal occupation: Managing Director of Allen & Company, LLC (“Allen & Company”).

FEMSA Committees: Member of the Operation and Strategy Committee.

Public Companies Directorships: Member of the board of directors of FEMSA, Coca-Cola FEMSA, and Grupo Televisa, S.A.B. de C.V.

Other Directorships: Member of the board of directors of Cinemark USA, Inc.

Past business experience: Held position as Executive Vice President and Managing Director of Allen & Company since 1980, Vice President of Allen & Company from 1973 to 1980, and Corporate Finance Executive in White, Weld & Company from 1969 to 1973.

Education: Holds a BA in Architecture, BE in Electrical Engineering, BS in Industrial Administration from Yale University, an MBA from Harvard University Business School and an Honorary Doctorate of Law from Emerson College.

Michael Larson
Director

Born: 1959

Appointed to the Board: 2011

Term expires: 2024

Principal occupation: Chief Investment Officer for William H. Gates III.

FEMSA Committees: Member of the Operations and Strategy Committee.

Public Companies Directorships: Member of the boards of directors of FEMSA, Ecolab, Inc. and Republic Services, Inc.

Other Directorships: Member of the board of directors of the Western Asset Funds.

Education: Holds a Bachelor of Arts degree from Claremont McKenna College and an MBA from the University of Chicago.
 Alternate director: Ricardo Guajardo Touché

Series D Directors

<p>Ricardo Ernesto Saldivar Escajadillo <i>Independent Director</i></p>	<p>Born: 1952 Appointed to the Board: 2015 Term expires: 2024 Principal occupation: Private Investor. FEMSA Committees: Chairman of the Corporate Practices and Nominations Committee and member of the Operations and Strategy Committee. Public Companies Directorships: Member of the boards of directors of FEMSA and Axtel, S.A.B. de C.V., and Grupo Industrial Saltillo, S.A.B. de C.V. Other Directorships: Chairman of the board of directors of ITESM, and member of the board of directors of Sigma Alimentos, S.A. de C.V. Past business experience: Held position as Chief Executive Officer and Chairman of the board of directors of Home Depot México from 2001 to 2017. Education: Holds a Mechanical and Industrial Engineering degree from ITESM, a Master's degree in Systems Engineering from Georgia Tech Institute and a diploma in BA from IPADE.</p>
<p>Alfonso González Migoya <i>Independent Director</i></p>	<p>Born: 1945 Appointed to the Board: 2017 Term expires: 2024 Principal occupation: Business Consultant. FEMSA Committees: Member of the Audit Committee. Public Companies Directorships: Member of the board of directors of FEMSA, Coca-Cola FEMSA, Controladora Vuela Compañía de Aviación, S.A.B. de C.V., Regional, S.A.B. de C.V., and Servicios Corporativos JAVER, S.A.B. de C.V. Other Directorships: Member of the board of directors of Invercap Holdings, S.A.P.I. de C.V., Grupo Cuprum, S.A.P.I. de C.V. and Pinturas Berel, S.A. de C.V. Past business experience: Held the position of Chief Executive Officer of Grupo Industrial Saltillo, S.A.B. de C.V. from 2009 to 2014, and Senior Vice President, Finance, Planning, Human Resources of Alfa, S.A.B. de C.V. from 1995 to 2005. Education: Holds a degree in Mechanical Engineering from ITESM and an MBA from the Stanford University Graduate School of Business.</p>
<p>Victor Alberto Tiburcio Celorio <i>Independent Director</i></p>	<p>Born: 1951 Appointed to the Board: 2019 Term expires: 2024 Principal occupation: Independent Consultant.</p>

	FEMSA Committees:	Member of the Audit Committee.
	Public Companies Directorships:	Member of the board of directors of FEMSA, Coca-Cola FEMSA, Palacio de Hierro, Fresnillo, and Grupo Nacional Provincial, S.A.B. de C.V.
	Other directorships:	
		Member of the board of directors of Profuturo Afore, S.A. de C.V., Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat and TankRoom S.A.P.I. de C.V., and Instituto Tecnológico Autónomo de Mexico ("ITAM").
	Past business experience:	Chief Executive Officer of Mancera, S.C. (Ernst & Young Mexico) ("Mancera") from 2000 to 2013 and partner of Mancera from 1980 to 2000.
	Education	Holds a Public Accountant degree from Universidad Iberoamericana and an MBA from the ITAM.
Daniel Inaki Alegre <i>Independent Director</i>	Born:	1968
	Appointed to the Board:	2023
	Term expires:	2024
	Principal Occupation:	Chief Executive Officer of Yuga Labs, Inc. (incoming, April 1, 2023).
	FEMSA Committees:	Member of the Operation and Strategy Committee.
	Public Companies Directorships:	Member of the board of directors of Sleep Number Corporation.
	Past business experience:	President and Chief Operating Officer at Activision Blizzard, Inc. from 2020 to March 31, 2023. Held various senior positions at Alphabet, Inc. between 2004 to 2020, including President of Asia Pacific, Latin America as well as Retail, Shopping and Payments. Was the President of Google Inc. in 2004 and Vice President of Bertelsmann Inc. in 1995.
	Education:	Holds a Bachelor of Arts degree from Princeton University from the Woodrow Wilson School of Public and International Affairs, as well as dual MBA and J.D. degrees from Harvard Business School and Harvard Law School.
Gibu Thomas <i>Director</i>	Born:	1971
	Appointed to Board:	2023
	Term expires:	2024
	Principal Occupation:	Executive Vice President Online of The Estée Lauder Companies, Inc.
	FEMSA Committees:	Member of the Operations and Strategy Committee.

Past business experience: Senior Vice President, Head of Global E-commerce at PepsiCo, Inc. from 2015 to 2020. Senior Vice President, Mobile and Digital from 2011 to 2015 and Senior Vice President, Strategy, Global E-commerce from 2010 to 2011 at Walmart, Inc.

Education: Holds a Bachelor of Technology degree in Computer Science from the College of Engineering, Trivandrum, India and an MBA from the Stanford University Graduate School of Business.

Series D Alternate Directors

Michael Kahn
Independent Alternate
Director

Born: 1981

Principal occupation: Partner at Valiant Capital Management.

FEMSA Committees: Operations and Strategy Committee

Public Companies Directorships: None

Past business experience: Senior member of the Investment Committee of Valiant Capital Management. Analyst at Morgan Stanley from 2003 to 2005 and Associate at Silver Lake Partners from 2005 to 2007.

Education: Bachelor of Arts from Dartmouth College and holds an MBA from the Stanford University Graduate School of Business.

Francisco Zambrano Rodríguez

Independent Alternate Director

Born: 1953

Principal Occupation: Independent consultant and Co-Chief Executive Officer of Desarrollo Inmobiliario y de Valores, S.A. de C.V. (“Desarrollo Inmobiliario”), Corporativo Zeta DIVASA, S.A.P.I. de C.V. (“Corporativo Zeta DIVASA”), and IPFC Inmuebles, S.A.P.I. de C.V. (“IPFC Inmuebles”).

FEMSA Committees: Member of the Audit Committee.

Public Companies Directorships: Member of the board of directors of Coca-Cola FEMSA.

Other Directorships: Member of the boards of directors of Desarrollo Inmobiliario, Corporativo Zeta DIVASA, and IPFC Inmuebles.

Past business experience: Has extensive experience in investment banking and private investment services, in real estate development and project management, real estate private investment funds and as estate planning consultant.

Education: Holds a degree in Chemical Engineering from ITESM and an MBA from The University of Texas at Austin.

Jaime A. El Koury	Born:	1953
<i>Independent Alternate Director</i>	Principal Occupation	General Counsel of the Financial Oversight and Management Board for Puerto Rico, a governmental entity created in 2016 under US federal statute.
	FEMSA Committees	Member of the Corporate Practices and Nominations Committee.
	Public Companies Directorships:	Member of the board of directors of Grupo Bimbo, S.A.B. de C.V.
	Past business Experience	Was a partner at Cleary Gottlieb Steen & Hamilton, LLP from 1986 to 2014.
	Education	Holds a Bachelor of Arts degree in Economics from Yale University and a Law degree from Yale Law School.

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- (1) José Antonio Fernández Carbajal and Eva María Garza Lagüera Gonda are spouses.
(2) José Antonio Fernández Carbajal and Francisco Javier Fernández Carbajal are siblings.
(3) Mariana Garza Lagüera Gonda, Eva María Garza Lagüera Gonda, Paulina Garza Lagüera Gonda and Bárbara Garza Lagüera Gonda are siblings.
(4) Francisco José Calderón Rojas and José Fernando Calderón Rojas are siblings.
(5) Alfonso Garza Garza and Juan Carlos Garza Garza are siblings.
(6) Juan Carlos Garza Garza and Alfonso Garza Garza are cousins of Eva María Garza Lagüera Gonda, Mariana Garza Lagüera Gonda, Paulina Garza Lagüera Gonda and Bárbara Garza Lagüera Gonda.
(7) Bertha Michel González and Max Michel González are siblings.
(8) José Antonio Fernández Carbajal and Eva María Garza Lagüera Gonda are parents of José Antonio Fernández Garza Lagüera

Senior Management

The names and positions of the members of our current senior management and that of our principal sub-holding companies, their dates of birth and information on their principal business activities both within and outside of FEMSA are as follows:

FEMSA

José Antonio Fernández Carbajal	Born:	1954
<i>Executive Chairman of the Board of Directors</i>	Joined FEMSA:	1987
	Appointed to current position:	2001
	Principal occupation:	Executive chairman of the board of directors of FEMSA.
	Public Companies Directorships:	Chairman of the board of directors of Coca-Cola FEMSA. Member of the Heineken Holding Board, and vice-chairman of the Heineken Supervisory Board; member of the board of directors of Peñoles.
	Other Directorships:	Chairman of the board of directors of Fundación FEMSA and ITESM, and member of the board of MIT Corporation.

<p>Daniel Alberto Rodríguez Cofré <i>Chief Executive Officer</i></p>	<p>Past business experience:</p>	<p>Was Chief Executive Officer of FEMSA from 1995 to 2013, and held various positions in FEMSA including Deputy Chief Executive Officer and Chief Operating Officer from 1991 to 1995. Held the position of Commercial Vice President of Cervecería Cuauhtémoc Moctezuma, S.A. de C.V. from 1992 to 1993, Chief Executive Officer of Cadena Comercial OXXO, S.A. de C.V. from 1989 to 1991 and Strategic Planning Manager of Grupo VISA, S.A. de C.V. from 1988 to 1989.</p>
	<p>Education:</p>	<p>Holds a degree in Industrial Engineering and a Master’s degree in Business Administration (“MBA”) from ITESM.</p>
<p>Francisco Camacho Beltrán <i>Chief Corporate Officer</i></p>	<p>Born:</p>	<p>1965</p>
	<p>Joined FEMSA</p>	<p>2015</p>
<p>Appointed to current position:</p>	<p>2022</p>	
<p>Principal occupation:</p>	<p>Chief Executive Officer of FEMSA</p>	
<p>Past business experience:</p>	<p>Was Chief Executive Officer of FEMSA Comercio from 2016 to 2021, and Chief Financial and Corporate Officer of FEMSA from 2015 to 2016. Held the position of Chief Executive Officer at Centros Comerciales Sudamericanos S.A. from 2009 to 2014 and was appointed Chief Financial Officer of the same company in 2008. Held several financial roles at Shell International Group in Latin America and Europe.</p>	
<p>Education:</p>	<p>Holds a Forest Engineering degree from Austral University of Chile and an MBA from Adolfo Ibañez University.</p>	
<p>Born:</p>	<p>1965</p>	
<p>Joined FEMSA:</p>	<p>2020</p>	
<p>Appointed to current position:</p>	<p>2020</p>	
<p>Past business experience:</p>	<p>Served as Danone’s Executive Vice President responsible for the Dairy and Plant-based business worldwide and Vice President of Growth, Innovation and Global Clients. Served as member of the Executive Committee of Danone at Paris, France and held various executive positions with global and regional responsibilities.</p>	
<p>Education:</p>	<p>Holds a Computer Systems degree and an MBA from ITESM.</p>	

<p>José Antonio Fernández Garza Lagüera <i>Chief Executive Officer, FEMSA Digital</i></p>	<p>Born: 1982 Joined FEMSA: 2013 Appointed to current position: 2022 Past business experience:</p>	<p>Head of Strategic Planning for OXXO México in 2018 and previously he was head of Coca-Cola FEMSA's Central American division from 2015 to 2018. Was Chief Executive Officer at Plásticos Técnicos Mexicanos, S.A. de C.V. (FEMSA's plastic division) and held the positions of head of sales and operations at Heineken Mexico, in Mexico City.</p>
<p>Ian Marcel Graig García <i>Chief Executive Officer, Coca- Cola FEMSA</i></p>	<p>Born: 1972 Joined FEMSA: 2003 Appointed to current position: 2023 Past business experience:</p>	<p>Education: Holds a degree in Industrial Engineering from ITESM and an MBA from Stanford University Graduate School of Business.</p> <p>Joined Coca-Cola FEMSA in 2003. With over 27 years of experience in the beverage industry, previously served in several senior management positions at Coca-Cola FEMSA, including as Director of Operations for the Brazil Division from 2016 to 2022, and previously Chief Operating Officer of Argentina, CFO and Strategic Planning Director of South America Division, CFO, Planning and Corporate Affairs Director of Mercosur Region, and Corporate Finance and Treasury Director of Coca-Cola FEMSA</p>
<p>Carlos Arenas Cadena <i>Chief Executive Officer, Proximity Division</i></p>	<p>Born: 1962 Joined FEMSA: 1984 Appointed to current position: 2022 Past business experience:</p>	<p>Education: Holds Bachelor's degree in Industrial Engineering from Tecnológico de Monterrey, an MBA from the University of Chicago Booth School of Business, and a Master's degree in International Commercial Law from Tecnológico de Monterrey</p> <p>Has held several positions since joining FEMSA in 1984. In 2001 joined FEMSA Comercio as Strategic Planning Manager until 2007 when appointed as head of its Planning and Information Technology Department, then in 2014, as head of the Commercial department of OXXO. In January 2016 was appointed as Chief Executive Officer of Oxxo México up to 2022.</p>
	<p>Education: Holds a Computer Science degree from UANL.</p>	

<p>Daniel Belaúnde Amillas <i>Chief Executive Officer, Health Division</i></p>	<p>Born: 1973 Joined FEMSA: 2016 Appointed to current position: 2022 Past business experience: Joined FEMSA Comercio in 2016 as Chief Executive Officer of Socofar, S.A. Prior to that, acted as General Manager of Ripley Perú from 2012 to 2016, Operations Manager at Ripley Chile from 2008 to 2012 and Commercial Bank Manager at Banco Santander Chile from 1996 to 2008.</p>	<p>Education: Holds an Economics degree from Universidad del Pacífico at Lima, Perú.</p>
<p>Constantino Spas Montesinos <i>Chief Executive Officer Strategic Businesses</i></p>	<p>Born: 1970 Joined FEMSA: 2023 Appointed to current position: 2023 Past business experience: Was the Chief Financial Officer of Coca-Cola FEMSA until December 2022. Has 24 years of experience in the food and beverage sector in companies such as Grupo Mavesa and Empresas Polar in Venezuela, Kraft Foods, SAB Miller in Latin America and Bacardi y Compañía S.A. de C.V. in Mexico, holding different positions in marketing, as regional officer and as VP Managing Director.</p>	<p>Education: Holds a Bachelor's Degree in Business Administration from Universidad Metropolitana in Caracas, Venezuela, and an MBA from Emory University, Goizueta Business School in Atlanta, Georgia, USA.</p>
<p>Gerardo Estrada Attolini <i>Administration and Corporate Control Officer</i></p>	<p>Born: 1957 Joined FEMSA: 2000 Appointed to current position: 2020 Past business experience: Held the position of Director of Corporate Finance of FEMSA from 2006 to 2020, Chief Financial Officer of FEMSA Cerveza from 2001 to 2006 and was Director of Corporate Finance of Grupo Financiero Bancomer from 1995 to 2000.</p>	<p>Education: Holds a degree in accounting and a MBA from ITESM.</p>
<p>Roberto Campa Cifrián <i>Corporate Affairs Officer</i></p>	<p>Born: 1957 Joined FEMSA: 2019 Appointed to current position: 2019 Past business experience: Has an extensive professional career in the public, private and social sectors. His positions include those of Secretary of Labor and Social Welfare of the Federal Government, Undersecretary of the Interior, Federal Consumer Attorney, representative in the Legislative Assembly of the Federal District and Federal Deputy.</p>	<p>Education: Holds a Law degree from Universidad Anahuac with studies in Economics from ITAM.</p>

<p>Raymundo Yutani Vela <i>Vice-President of Human Resources</i></p>	<p>Born: 1958 Joined FEMSA: 1994 Appointed to current position: 2018 Past business experience: Joined FEMSA Comercio in 1994 as Director of Human Resources, a position held until 2014. Subsequently, between 2014 and 2018, served as Director of Human Resources at Coca-Cola FEMSA. Prior to joining the company, held position as Director of Human Resources North at Banca Serfin, now Santander.</p>
<p>Eugenio Garza y Garza <i>Director of Finance and Corporate Development</i></p>	<p>Education: Graduated from Universidad Regiomontana with a degree in Public Accounting and a Master's in Business Administration and completed the AD1 program at IPADE002E. Born: 1971 Joined FEMSA: 2018 Appointed to current position: 2020 Past business experience: Joined FEMSA in 2018 as Director of Strategic Planning and Corporate Development. From 2008 to 2016, served as Chief Financial Officer and later Chief Executive Officer of Servicios Corporativos Javier, S.A.B. de C.V. Additionally, has held executive and managerial roles in investment banking with Lazard, Merrill Lynch from 2005 to 2008, and Goldman Sachs in New York and Mexico, from 1997 to 2005. Other Directorships: Advisory Council Member of the Stanford University Graduate School of Business and member (Treasurer) of the board of American School Foundation of Monterrey, A.C. Member of the board of directors of Servicios Cuprum, S.A. de C.V. and Pinturas Berel, S.A. de C.V.</p>
<p>Alejandro Gil Ortiz <i>General Counsel and Secretary of the Board of Directors</i></p>	<p>Education: Holds a Chemical Engineering degree from ITESM and an MBA from the Stanford University Graduate School of Business. Born: 1980 Joined FEMSA: 2007 Appointed to current position: 2022 Directorship: Secretary of the board of directors of FEMSA, and, Coca-Cola FEMSA. Past business experience: Held positions of International Legal Director at FEMSA. International and Operations Legal Manager at FEMSA Cerveza and International Legal Manager at Gruma, S.A.B. de C.V. Education: Holds a Law degree from ITESM, an LLM from Harvard Law School and MBA from IPADE.</p>

Compensation of Directors and Senior Management

The compensation of Directors is approved at the AGM. For the year ended December 31, 2022, the aggregate compensation paid by FEMSA to its directors was approximately Ps. 84.9 million. In addition, in the year ended December 31, 2022, Coca-Cola FEMSA paid approximately Ps.22.3 million in aggregate compensation to the Directors and executive officers of FEMSA who also serve as directors on the board of Coca-Cola FEMSA.

For the year ended December 31, 2022, the aggregate compensation paid to executive officers and senior management of FEMSA and its subsidiaries was approximately Ps. 3,247 million. Aggregate compensation includes bonuses we paid to certain members of senior management and payments in connection with the EVA stock incentive plan described in the section below and in Note 18 to our audited consolidated financial statements. Our senior management and executive officers participate in our benefit plan and post-retirement medical services plan on the same basis as our other employees. Members of our board of directors do not participate in our benefit plan and post-retirement medical services plan, unless they are retired employees of our company. As of December 31, 2022, amounts set aside or accrued for all employees under these retirement plans were Ps. 17,737 million, of which Ps. 14,540 million is already funded.

EVA Stock Incentive Plan

In 2004, we, along with our subsidiaries, commenced a new stock incentive plan for the benefit of our senior executives, which we refer to as the EVA stock incentive plan. This plan uses as its main evaluation metric the Economic Value Added (“EVA”) framework developed by Stern Value Management, a compensation consulting firm. Under the EVA stock incentive plan, eligible employees are entitled to receive a special cash bonus, which will be used to purchase shares of FEMSA (in the case of employees of FEMSA) or of both FEMSA and Coca-Cola FEMSA (in the case of employees of Coca-Cola FEMSA). Under the plan, it is also possible to provide stock options of FEMSA or Coca-Cola FEMSA to employees; however, since the plan’s inception, only shares have been granted.

Under this plan, each year, our Chief Executive Officer together with the Corporate Governance Committee of our board of directors, together with the Chief Executive Officer of the respective operating subsidiary, determines the employees eligible to participate in the plan. A bonus formula is then created for each eligible employee, using the EVA framework, which determines the number of shares to be received by such employee. The terms and conditions of the share-based payment arrangement are then agreed upon with the eligible employee, such that the employee can begin to accrue shares under the plan. Until 2015, the shares vested ratably over a six-year period; from January 1, 2016, they ratably vest over a four-year period, with retrospective effects. We account for the EVA stock incentive plan as an equity-settled share-based payment transaction, as we will ultimately settle our obligations with our employees by issuing our own shares or those of our subsidiary, Coca-Cola FEMSA.

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. The formula considers the employees’ 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 after withholding applicable taxes.

The shares are administered by a trust for the benefit of the eligible executives (the “Administrative Trust”). We created the Administrative Trust with the objective of administering the purchase of FEMSA and Coca-Cola FEMSA shares, so that the shares can then be assigned to the eligible executives participating in the EVA stock incentive plan. The Administrative Trust’s objectives are to acquire shares of FEMSA or of Coca-Cola FEMSA and to manage the shares granted to the individual employees based on instructions set forth by the Technical Committee of the Administrative Trust. 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 non-controlling interest (as it relates to Coca-Cola FEMSA’s shares). 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 us. 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.

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

As of April 21, 2023, the trust that manages the EVA stock incentive plan held a total of 8,392,610 BD Units of FEMSA and 2,228,041 BL Units of Coca-Cola FEMSA, each representing 0.39% and 0.05% of the total number of shares outstanding of FEMSA and of Coca-Cola FEMSA, respectively.

Insurance Policies

We maintain life insurance policies for all of our employees. These policies mitigate the risk of having to pay benefits in the event of an industrial accident, natural or accidental death within or outside working hours and total and permanent disability. We maintain a directors’ and officers’ insurance policy covering all directors and certain key executive officers for liabilities incurred in their capacities as directors and officers.

Ownership by Management

Several of our directors are participants of a voting trust. Each of the trust participants of the voting trust is deemed to have beneficial ownership with shared voting power over the shares deposited in the voting trust. As of April

21, 2023, 6,922,134,985 Series B Shares representing 74.86% of the outstanding Series B Shares were deposited in the voting trust. See “Item 7. Major Shareholders and Related Party Transactions.”

The following table shows the Series B Shares, Series D-B Shares and Series D-L Shares as of April 21, 2023 beneficially owned by our directors and alternate directors who are participants in the voting trust, other than shares deposited in the voting trust:

Beneficial Owner	Series B		Series D-B		Series D-L	
	Shares	Percent of Class	Shares	Percent of Class	Shares	Percent of Class
Eva María Garza Lagüera Gonda	2,807,980	0.03 %	5,470,960	0.13 %	5,470,960	0.13 %
José Antonio Fernández Garza Lagüera	15,669	0.00 %	31,338	0.00 %	31,338	0.00 %
Mariana Garza Lagüera Gonda	2,853,480	0.03 %	5,630,960	0.13 %	5,630,960	0.13 %
Bárbara Garza Lagüera Gonda	2,703,480	0.03 %	5,330,960	0.12 %	5,330,960	0.12 %
Paulina Garza Lagüera Gonda	2,703,730	0.03 %	5,330,960	0.12 %	5,330,960	0.12 %
Alejandro Bailleres Gual	9,095,762	0.10 %	12,003,874	0.28 %	12,003,874	0.28 %
Alfonso Garza Garza	24,101,605	0.26 %	9,899,090	0.23 %	9,899,090	0.23 %
Juan Carlos Garza Garza	21,401,556	0.23 %	4,537,392	0.10 %	4,537,392	0.10 %
Maximino Michel González and Bertha Paula Michel González	17,362,545	0.19 %	34,725,090	0.80 %	34,725,090	0.80 %
Francisco José Calderón Rojas and Diego Eugenio Calderón Rojas ⁽¹⁾	8,389,104	0.09 %	16,583,458	0.38 %	16,583,458	0.38 %

(1) Shares beneficially owned through various family-controlled entities.

To our knowledge, no other director or officer is the beneficial owner of more than 1% of any class of our capital stock.

Board Practices

Our bylaws state that the board of directors will meet at least once every three months following the end of each quarter to discuss our operating results and the advancement in the achievement of strategic objectives. Our board of directors can also hold extraordinary meetings. See “Item 10. Additional Information—Bylaws.”

Under our bylaws, directors serve one-year terms, although they continue in office even after the term for which they were appointed ends for up to 30 calendar days, as set forth in article 24 of Mexican Securities Market Law. None of our directors or senior managers of our subsidiaries has service contracts providing for benefits upon termination of employment, other than post-retirement medical services plans and post-retirement pension plans for our senior managers on the same basis as our other employees.

Our board of directors is supported by committees, which are working groups that analyze issues and provide recommendations to the board of directors regarding their respective areas of focus. The executive officers interact periodically with these committees to address management issues. Each committee has a secretary who attends meetings but is not a member of the committee. The following are the three committees of the board of directors, the members of which were elected at our AGM on March 31, 2023:

- Audit Committee.** The Audit Committee is responsible for (i) reviewing the accuracy and integrity of quarterly and annual financial statements in accordance with accounting, internal control and auditing requirements, (ii) the recommendation on the appointment, compensation, retention and oversight of the independent auditor, who reports directly to the Audit Committee and (iii) 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. Pursuant to the Mexican Securities Market Law, the chairman of the audit committee is elected by the shareholders at the AGM. The chairman of the Audit Committee submits a quarterly and an annual report to the board of directors of the Audit Committee’s activities performed during the corresponding fiscal year, and the annual report is submitted at the AGM for approval. The current Audit Committee members are: Victor Alberto

Tiburcio Celorio (chairman and financial expert), Alfonso González Mígoa and Francisco Zambrano Rodríguez. Each member of the Audit Committee is an independent director, as required by the Mexican Securities Market Law and applicable U.S. securities laws and applicable NYSE listing standards. The secretary (non-member) of the Audit Committee is Gerardo Estrada Attolini, FEMSA's Vice President of Administration and Corporate Control.

- **Operations and Strategy Committee.** The Operations and Strategy Committee's responsibilities include (i) evaluating the investment and financing policies of our company; (ii) evaluating the risk factors to which our company is exposed, as well as evaluating its management policies; (iii) making recommendations on our dividend policy; (iv) strategic analysis and assessment of our business units and strategic alternatives for their growth; (v) providing specific oversight on transformational initiatives, further increasing the involvement and time commitment of directors on operational matters and complementing the role of Senior Management; and (vi) making recommendations to our board of directors on annual operation plans and strategic projects for our business units. The current Operations and Strategy Committee members are: José Antonio Fernández Carbajal (chairman), Michael Larson, Gibu Thomas, Daniel Alegre, Francisco Javier Fernández Carbajal, Enrique F. Senior Hernández, Ricardo Guajardo Touché, Ricardo Saldivar Escajadillo, Javier Gerardo Astaburuaga Sanjines, José Antonio Fernández Garza Lagüera and Michael Kahn. The secretary (non-member) of the Operations and Strategy Committee is Eugenio Garza y Garza.
- **Corporate Practices and Nominations Committee.** The Corporate Practices and Nominations Committee is responsible for (i) preventing or reducing the risk of performing operations that could damage the value of our company or that benefit a particular group of shareholders; (ii) evaluating and nominating candidates for Series D directors; and (iii) overseeing appropriate board composition by ensuring the board includes directors with the skills, experiences and capabilities required to provide effective oversight. The committee may call a shareholders' meeting and include matters on the agenda for that meeting that it may deem appropriate, approve policies on the use of our company's assets or related-party transactions, approve the compensation of the Chief Executive Officer and relevant officers and support our board of directors in the elaboration of reports on accounting practices. Pursuant to the Mexican Securities Market Law, the chairman of the Corporate Practices and Nominations Committee is elected by the shareholders at the AGM. The chairman of the Corporate Practices and Nominations Committee submits a quarterly and an annual report to the board of directors of the Corporate Practices and Nominations Committee's activities performed during the corresponding fiscal year, and the annual report is submitted at the AGM for approval. The members of the Corporate Practices and Nominations Committee are: Ricardo Saldivar Escajadillo (chairman), Jaime A. El Koury, and Ricardo Guajardo Touché. Each member of the Corporate Practices and Nominations Committee is an independent director. The secretary (non-member) of the Corporate Practices and Nominations Committee is Raymundo Yutani Vela.

Employees

As of December 31, 2022, our headcount by geographic region was as follows: 252,250 in Mexico, 8,634 in Central America, 22,820 in Colombia, 37,564 in Brazil, 4,222 in Argentina, 3,996 in the United States, 4,519 in Ecuador, 588 in Peru, 1,686 in Uruguay, 13,141 in Chile, 1,498 in Switzerland, 3,294 in Germany, 71 in Austria, 13 in Luxembourg and 13 in the Netherlands. The table below sets forth headcount for the years ended December 31, 2022, 2021 and 2020:

	2022			2021			2020		
	Non-union	Union	Total	Non-union	Union	Total	Non-union	Union	Total
Sub-holding company:									
Coca-Cola FEMSA ⁽¹⁾	46,673	50,538	97,211	37,815	45,939	83,754	37,816	44,518	82,334
Proximity Americas Division ⁽¹⁾⁽²⁾	61,150	107,710	168,860	68,881	91,437	160,318	79,669	85,764	165,433
Proximity Europe Division ⁽³⁾	2,996	2,051	5,047	—	—	—	—	—	—
Fuel Division ⁽¹⁾	1,094	5,375	6,469	1,097	5,753	6,850	1,001	6,486	7,487
Health Division ⁽¹⁾	5,469	27,333	32,802	5,350	24,832	30,182	4,805	23,677	28,482
Logistics and Distribution	16,150	11,124	27,274	14,293	10,553	24,846	12,681	11,138	23,819
Other ⁽¹⁾	6,343	10,303	16,646	7,037	7,765	14,802	6,598	6,465	13,063
Total	139,875	214,434	354,309	134,473	186,279	320,752	142,570	178,048	320,618

(1) Includes employees of third-party distributors, who are not our employees, amounting to 21,690, 14,308 and 13,874 in 2022, 2021 and 2020.

(2) Includes non-management store employees, who are not our employees, amounting to 42,344, 51,734 and 62,537 in 2022, 2021 and 2020.

(3) Excludes employees of franchisees.

As of December 31, 2022, approximately 70% of our employees, most of whom are employed in Mexico, were members of labor unions. We had 717 separate collective bargaining agreements with 242 labor unions. In general, we have good relationships with the labor unions throughout our operations.

The table below sets forth the number of collective bargaining agreements and unions for our employees:

**Collective Bargaining Labor Agreements between
Sub-holding Companies and Unions
As of December 31, 2022**

Sub-holding Company	Collective Bargaining Agreements	Labor Unions
Coca-Cola FEMSA	238	100
Proximity Americas Division ⁽¹⁾	136	11
Proximity Europe Division	4	4
Fuel Division	32	2
Health Division	42	18
Logistics and Distribution	225	96
Others	40	11
Total	717	242

(1) Does not include non-management store employees, who are employed directly by each individual store.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

The following table identifies each owner of more than 5% of any class of our shares known to our company as of April 21, 2023. Except as described below, we are not aware of any holder of more than 5% of any class of our shares. Only the Series B Shares have full voting rights under our bylaws.

Ownership of Capital Stock as of April 21, 2023

Shareholder	Series B Shares ⁽¹⁾		Series D-B Shares ⁽²⁾		Series D-L Shares ⁽³⁾		Total Shares of FEMSA Capital Stock
	Shares Owned	Percent of Class	Shares Owned	Percent of Class	Shares Owned	Percent of Class	
Technical Committee and Trust Participants under the Voting Trust ⁽⁴⁾	6,922,134,985	74.86 %					38.69 %
William H. Gates III ⁽⁵⁾	278,873,490	3.02 %	557,746,980	12.9 %	557,746,980	12.9 %	7.79 %

(1) As of April 21, 2023, there were 2,161,177,770 Series B Shares outstanding.

(2) As of April 21, 2023, there were 4,322,355,540 Series D-B Shares outstanding.

(3) As of April 21, 2023, there were 4,322,355,540 Series D-L Shares outstanding.

(4) As a consequence of the voting trust's internal procedures, the following trust participants are deemed to have beneficial ownership with shared voting power of the shares deposited in the voting trust: Banco Invex, S.A., as Trustee under Trust No. 3763 (controlled by the Garza Lagüera Gonda Family), Paulina Garza Lagüera Gonda, Max Brittingham, Maia Brittingham, Bárbara Braniff Garza Lagüera, Eugenia Braniff Garza Lagüera, Lorenza Braniff Garza Lagüera, Paula Treviño Garza Lagüera, Inés Treviño Garza Lagüera, Eugenio Fernández Garza Lagüera, Daniela Fernández Garza Lagüera, Eva María Fernández Garza Lagüera, José Antonio Fernández Garza Lagüera, Consuelo Garza Lagüera de Garza, Alepage, S.A. (controlled by Consuelo Garza Lagüera de Garza), Alfonso Garza Garza, Juan Pablo Garza García, Alfonso Garza García, María José Garza García, Eugenia María Garza García, Patricio Garza Garza, Viviana Garza Zambrano, Patricio Garza Zambrano, Marigel Garza Zambrano, Ana Isabel Garza Zambrano, Juan Carlos Garza Garza, José Miguel Garza Celada, Gabriel Eugenio Garza Celada, Ana Cristina Garza Celada, Juan Carlos Garza Celada, Eduardo Garza Garza, Eduardo Garza Páez, Balbina Consuelo Garza Páez, Eugenio Andrés Garza Páez, Eugenio Garza Garza, Camila Garza Garza, Ana Sofía Garza Garza, Celina Garza Garza, Marcela Garza Garza, Carolina Garza Villarreal, María Teresa Gual y Aspe, Alejandro Baillères Gual, Raúl Baillères Gual, Xavier Baillères Gual, Juan Pablo Baillères Gual, María Teresa Baillères Gual, Corbal, S.A. de C.V. (controlled by Baillères Family), BBVA Bancomer Servicios, S.A., as Trustee under Trust No. F/29490-0 (controlled by Celia Baillères González and Lebrija Baillères Family), Trust No. F/344234 BBVA Bancomer Servicios, S.A., Trust No. F/4364 Banco Invex, S.A., (controlled by Susana Baillères González and Arnaud Baillères Family) and Baillères Gual Family, María Magdalena Michel y Suberville, Max David Michel, Juan María Pedro David

Michel, Monique Berthe Michele Madeleine David Michel, María Berta Renee Michel y Suberville, Magdalena María Guichard Michel, Rene Cristobal Guichard Michel, Miguel Graciano José Guichard Michel, Graciano Mario Juan Guichard Michel, Juan Bautista Guichard Michel, Banco Invex, S.A., as Trustee under Trust No. F/4165 (controlled by the Michel González Family), Banco Invex, S.A., as Trustee under Trust No. F/3038 (controlled by Michel González Family), BBVA Bancomer Servicios, S.A. as Trustee under Trust No. F/408262-4 (controlled by the Michel González family), Franca Servicios, S.A. de C.V. (controlled by the Calderón Rojas family), and BBVA Bancomer Servicios, S.A. as Trustee under Trust No. F/29013-0 (controlled by the Calderón Rojas family).

(5) Includes aggregate shares beneficially owned by Cascade Investments, LLC, over which William H. Gates III has sole voting and dispositive power.

As of March 31, 2023, there were 42 holders of record of ADSs in the United States, which represented approximately 48.5% of our outstanding BD Units. Since a substantial number of ADSs are held in the name of nominees of the beneficial owners, including the nominee of The Depository Trust Company, the number of beneficial owners of ADSs is substantially greater than the number of record holders of these securities.

Related-Party Transactions

Voting Trust

The trust participants, who are our major shareholders, agreed on May 6, 1998 to deposit a majority of their shares, which we refer to as the trust assets, of FEMSA into the voting trust, and later entered into an amended agreement on August 8, 2005, following the substitution by Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero as trustee to the voting trust, which agreement was subsequently renewed on August 30, 2019. The primary purpose of the voting trust is to permit the trust assets to be voted as a block, in accordance with the instructions of the technical committee of the voting trust. The trust participants are separated into seven trust groups, and the technical committee comprises one representative appointed by each trust group. The number of B Units corresponding with each trust group (the proportional share of the shares deposited in the trust of such group) determines the number of votes that each trust representative has on the technical committee. Most matters are decided by a simple majority of the trust assets.

The trust participants agreed to certain transfer restrictions with respect to the trust assets. The trust is irrevocable, for a term that will conclude on December 31, 2030 (subject to additional ten-year renewal terms), during which time trust assets may be transferred by trust participants to spouses and immediate family members and, subject to certain conditions, to companies that are 100% owned by trust participants, which we refer to as the permitted transferees, provided in all cases that the transferee agrees to be bound by the terms of the voting trust. In the event that a trust participant wishes to sell part of its trust assets to someone other than a permitted transferee, the other trust participants have a right of first refusal to purchase the trust assets that the trust participant wishes to sell. If none of the trust participants elects to acquire the trust assets from the selling trust participant, the technical committee will have a right to nominate (subject to the approval of technical committee members representing 75% of the trust assets, excluding trust assets that are the subject of the sale) a purchaser for such trust assets. In the event that none of the trust participants or a nominated purchaser elects to acquire trust assets, the selling trust participant will have the right to sell the trust assets to a third party on the same terms and conditions that were offered to the trust participants. Acquirors of trust assets will only be permitted to become parties to the voting trust upon the affirmative vote by the technical committee of at least 75% of the trust shares, which must include trust shares represented by at least three trust group representatives. In the event that a trust participant holding a majority of the trust assets elects to sell its trust assets, the other trust participants have “tag along” rights that will enable them to sell their trust assets to the acquiror of the selling trust participant’s trust assets.

Because of their ownership of a majority of the Series B Shares, the trust participants may be deemed to control our company. Other than as a result of their ownership of the Series B Shares, the trust participants do not have any voting rights that are different from those of other shareholders.

Interest of Management in Certain Transactions

The following is a summary of: (i) the main transactions we have entered into with entities for which members of our board of directors or management serve as a member of the board of directors or management, (ii) the main transactions our subsidiaries have entered into with entities for which members of their board of directors or management serve as members of the board of directors or management, and (iii) the main transactions our subsidiaries have entered into with related entities. Each of these transactions was entered into in the ordinary course of business, and we believe each is on terms comparable to those that could be obtained in arm’s length negotiations with unaffiliated third parties. Under our bylaws, transactions entered with related parties not in the ordinary course of business are subject to the approval of our board of directors, subject to the prior opinion of the corporate practices committee.

José Antonio Fernández Carbajal, our Executive Chairman of the board, served as a member of the Heineken Holding Board and the Heineken Supervisory Board. Javier Astaburuaga Sanjines, alternate director of FEMSA, also served on the Heineken Supervisory Board and his term ended on April 2022. In 2022 (i) José Antonio Fernández Carbajal was re-appointed as member of the Supervisory Board and (ii) Francisco Camacho Beltrán, Chief Corporate Officer of FEMSA was re-appointed as a member of the Heineken Supervisory Board. In February 2023, in connection with our announcement of the FEMSA Forward initiative, both José Antonio Fernández Carbajal and Francisco Camacho Beltrán resigned from their positions on the supervisory board of Heineken, N.V. and board of directors of

Heineken Holding, N.V. We made purchases of beer and raw materials in the ordinary course of business from Heineken in the amount of Ps. 16,006 million in 2022, Ps. 19,552 million in 2021 and Ps. 23,233 million in 2020. We also supplied logistics and administrative services to subsidiaries of Heineken Mexico for a total of Ps. 3,796 million in 2022, Ps. 2,530 million in 2021 and Ps. 3,181 million in 2020. As of the end of December 31, 2022, 2021 and 2020, our net balance due to Heineken amounted to Ps. 759, Ps. 1,143 and Ps. 761 million, respectively.

We, along with certain of our subsidiaries, regularly engage in financing and insurance coverage transactions, including entering into loans and bond offerings in the local capital markets, with subsidiaries of Grupo Financiero BBVA Bancomer, a financial services holding company of which Ricardo Guajardo Touché, who is also a director of FEMSA and Coca-Cola FEMSA, is a director. We made interest expense payments and fees paid to Grupo Financiero BBVA Bancomer in respect of these transactions of Ps. 472, Ps. 72 million and Ps. 232 million as of December 31, 2022, 2021 and 2020, respectively. The total amount due to Grupo Financiero BBVA Bancomer as of the end of December 31, 2022, 2021 and 2020 was Ps. 2,317, Ps. 1,847 million and Ps. 1,062 million respectively. We also had a receivable balance with Grupo Financiero BBVA Bancomer of Ps. 3,891, Ps. 8,076 and Ps. 1,092 million, respectively, as of December 31, 2022, 2021 and 2020, and interest revenues of Ps. 2,297, Ps. 2,146 million and Ps. 1,825 million as of December 31, 2022, 2021 and 2020, respectively.

We, along with certain of our subsidiaries, spent Ps. 123, Ps. 167 million and Ps. 148 million in the ordinary course of business in 2022, 2021 and 2020, respectively, in publicity and advertisement purchased from Televisa, a media corporation in which our director and director of Coca-Cola FEMSA, Enrique F. Senior Hernández, serves as director.

Proximity Americas Division, in its ordinary course of business, purchased Ps 6,101, Ps. 4,417 million and Ps. 5,774 million in 2022, 2021 and 2020 respectively, in baked goods and snacks for its stores from subsidiaries of Bimbo, of which Ricardo Guajardo Touché, one of FEMSA's directors, Daniel Servitje Montull, one of Coca-Cola FEMSA's directors, and Jaime A. El Koury, one of our directors and alternate director of Coca-Cola FEMSA, are directors. Proximity Americas Division also purchased Ps. 1,754, Ps. 1,183 million and Ps. 1,614 million in 2022, 2021 and 2020, respectively, in juices from subsidiaries of Jugos del Valle.

José Antonio Fernández Carbajal, Eva María Garza Lagüera Gonda, Mariana Garza Lagüera Gonda, Alfonso Garza Garza and Ricardo Saldívar Escajadillo, who are directors or alternate directors of FEMSA or Coca-Cola FEMSA, are also members of the board of directors of ITESM, which is a prestigious university system with headquarters in Monterrey, Mexico that routinely receives donations from FEMSA and its subsidiaries. For the years ended December 31, 2022, 2021 and 2020 donations to ITESM amounted to Ps. 371, Ps. 208 million, Ps. 310 million, respectively.

José Antonio Fernández Carbajal, Daniel Alberto Rodríguez, Francisco Josué Camacho Beltrán, Constantino Spas Montesinos, Ian Craig García, Carlos Arenas Cadena, and Roberto Rafael Campa Cifrán who are directors, alternate directors or senior officers of FEMSA or Coca-Cola FEMSA, are also members of the board of directors of Fundación FEMSA, A.C., which is a social investment instrument for communities in Latin America. For the years ended December 31, 2022, 2021 and 2020 donations to Fundación FEMSA, A.C. amounted to Ps. 232, Ps. 144 million, Ps. 171 million, respectively.

Business Transactions between Coca-Cola FEMSA, FEMSA and The Coca-Cola Company

Coca-Cola FEMSA regularly engages in transactions with TCCC and its affiliates. Coca-Cola FEMSA purchases all of its concentrate requirements for *Coca-Cola* trademark beverages from affiliates of TCCC. Total expenses charged to Coca-Cola FEMSA by TCCC for concentrates were Ps. 43,717, Ps. 37,213 million, Ps. 32,222 million in 2022, 2021 and 2020, respectively. Coca-Cola FEMSA and TCCC develop an annual marketing strategy to promote the sale and consumption of products. In order to implement this strategy, Coca-Cola FEMSA and TCCC first develop an allocation of marketing expenditures amongst themselves, which Coca-Cola FEMSA monitors and tracks during the year. At the end of the year, Coca-Cola FEMSA reviews the actual marketing expenditures and pays or receives a reimbursement from TCCC in accordance with the agreed-upon allocation. Marketing reimbursements from TCCC were Ps. 1,170 million, Ps. 2,437 million and Ps. 1,482 million in 2022, 2021 and 2020, respectively. TCCC also makes contributions to Coca-Cola FEMSA that Coca-Cola FEMSA generally uses for initiatives that promote volume growth of *Coca-Cola* trademark beverages, including the placement of coolers with retailers.

In Argentina, Coca-Cola FEMSA purchases plastic preforms, as well as returnable plastic bottles, at competitive prices from Andina Empaques S.A., a local subsidiary of Embotelladora Andina S.A., a bottler of TCCC with operations in Argentina, Chile, Brazil and Paraguay in which TCCC has a substantial interest.

Coca-Cola FEMSA purchases products from Jugos del Valle, a joint business acquired together with TCCC, in the amount of Ps. 3,234, Ps. 2,918 million and Ps. 2,437 million in 2022, 2021 and 2020, respectively, which is mainly

related to certain juice-based beverages and dairy products that are part of Coca-Cola FEMSA's product portfolio. As of April 14, 2023, Coca-Cola FEMSA held a 29.3% interest in Jugos del Valle.

Coca-Cola FEMSA purchases products from Leão Alimentos, a business acquired together with TCCC, in the amount of Ps. 215 million, Ps. 1,320 million and Ps. 1,253 million in 2022, 2021 and 2020, respectively, which is mainly related to certain juice-based beverages and teas that are part of Coca-Cola FEMSA's product portfolio. As of April 14, 2023, Coca-Cola FEMSA held a 25.1% indirect interest in Leão Alimentos.

ITEM 8. FINANCIAL INFORMATION

Consolidated Financial Statements

See pages F-1 through F-185, incorporated herein by reference.

Dividend Policy

For a discussion of our dividend policy, See "Item 3. Key Information—Dividends" and "Item 10. Additional Information."

Legal Proceedings

We are party to various legal proceedings in the ordinary course of business. Other than as disclosed in this annual report, we are not currently involved in any litigation or arbitration proceeding, including any proceeding that is pending or threatened of which we are aware, which we believe will have, or has had, a material adverse effect on our company. Other legal proceedings that are pending against or involve us and our subsidiaries are incidental to the conduct of our and their business. We believe that the ultimate resolution of such other proceedings individually or on an aggregate basis will not have a material adverse effect on our consolidated financial condition or results.

Coca-Cola FEMSA

Tax Proceeding against Coca-Cola FEMSA Costa Rica. In 2013, the Costa Rican National Institute of Rural Development (*Instituto Nacional de Desarrollo Rural* or the INDER) questioned Coca-Cola FEMSA's Costa Rican subsidiary's method of calculating the contribution to the INDER (excise tax) for the period from 2009 to 2012. Prior to a change in law on November 29, 2012, which specifically provided how to calculate this excise tax (by multiplying a fixed amount in Costa Rican colones by the milliliters of products sold), Coca-Cola FEMSA's Costa Rican subsidiary calculated the excise tax based on production costs. However, the INDER's interpretation is that the excise tax had to be calculated based on the sales price, including the profit margin, of the products. As a result, the INDER requested the payment of the unpaid contribution amounts for the 2009-2012 period. Coca-Cola FEMSA filed, through an administrative procedure, an appeal against such requirement, which was denied. Coca-Cola FEMSA has contested this claim through a legal proceeding, which is still pending resolution and has filed a motion for a stay of execution until the legal proceeding is finally resolved, through which Coca-Cola FEMSA deposited a guarantee in an escrow account in favor of the INDER.

For a description of other unsettled lawsuits with tax authorities and other parties, see Note 26.6 to our consolidated financial statements.

Significant Changes

Except as disclosed under "Corporate History and Recent Developments" in Item 4, no significant changes have occurred since the date of the annual financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

Description of Securities

We have three series of capital stock, each with no par value:

- Series B Shares ("Series B Shares");
- Series D-B Shares ("Series D-B Shares"); and
- Series D-L Shares ("Series D-L Shares").

Series B Shares have full voting rights, and Series D-B and D-L Shares have limited voting rights. The shares of our company are not separable and may be transferred only in the following forms:

- B Units, consisting of five Series B Shares; and
- BD Units, consisting of one Series B Share, two Series D-B Shares and two Series D-L Shares.

The following table sets forth information regarding our capital stock as of April 21, 2023:

Class	Number	Percentage of Capital	Percentage of Full Voting Rights
Series B Shares (no par value)	9,246,420,270	51.68 %	100.00 %
Series D-B Shares (no par value)	4,322,355,540	24.16 %	— %
Series D-L Shares (no par value)	4,322,355,540	24.16 %	— %
Total Shares	17,891,131,350	100.00 %	100.00 %
Units			
BD Units	2,161,177,770	60.40 %	23.47 %
B Units	1,417,048,500	39.60 %	76.63 %
Total Units	3,578,226,270	100.00 %	100.00 %

Trading Markets

Since May 11, 1998, ADSs representing BD Units have been listed on the NYSE, and the BD Units and the B Units have been listed on the Mexican Stock Exchange. Each ADS represents 10 BD Units deposited under the deposit agreement with the ADS depository. As of April 21, 2023, approximately 47.2% of BD Units traded in the form of ADSs.

The NYSE trading symbol for the ADSs is “FMX” and the Mexican Stock Exchange trading symbols are “FEMSA UBD” for the BD Units and “FEMSA UB” for the B Units.

Fluctuations in the exchange rate between the Mexican peso and the U.S. dollar have affected the U.S. dollar equivalent of the Mexican peso price of our shares on the Mexican Stock Exchange and, consequently, have also affected the market price of our ADSs.

Trading on the Mexican Stock Exchange

The Mexican Stock Exchange, located in Mexico City, is currently the principal stock exchange in Mexico. Founded in 1907, it is organized as *sociedad anónima bursátil de capital variable*. Trading on the Mexican Stock Exchange takes place principally through automated systems and is open between the hours of 9:30 a.m. and 4:00 p.m. Eastern Time, each business day. Trades in securities listed on the Mexican Stock Exchange can also be effected off the exchange. The Mexican Stock Exchange operates a system of automatic suspension of trading in shares of a particular issuer as a means of controlling excessive price volatility, but under current regulations this system does not apply to securities such as the BD Units that are directly or indirectly (for example, in the form of ADSs) quoted on a stock exchange (including for these purposes the NYSE) outside Mexico.

Settlement is effected three business days after a share transaction on the Mexican Stock Exchange. Deferred settlement, even by mutual agreement, is not permitted without the approval of the *Comisión Nacional Bancaria y de Valores* (“CNBV”). Most securities traded on the Mexican Stock Exchange, including ours, are on deposit with *S.D. Ineval Institución para el Depósito de Valores S.A. de C.V.*, which we refer to as “Ineval,” a privately owned securities depository that acts as a clearinghouse for Mexican Stock Exchange transactions.

ITEM 10. ADDITIONAL INFORMATION

Bylaws The following is a summary of the material provisions of our bylaws and applicable Mexican law. Our bylaws were last amended on March 31, 2023. For a description of the provisions of our bylaws relating to our board of directors and executive officers, see “Item 6. Directors, Senior Management and Employees.”

Organization and Registry

We are a publicly listed company with variable capital (*sociedad anónima bursátil de capital variable*) organized in Mexico under the Mexican General Corporations Law (*Ley General de Sociedades Mercantiles*) and the Mexican Securities Market Law (*Ley del Mercado de Valores*). We were incorporated in 1936 under the name Valores Industriales, S.A., as a *sociedad anónima*, and are currently named Fomento Económico Mexicano, S.A.B. de C.V. We are registered in the Public Registry of Property and Commerce (*Registro Público de la Propiedad y del Comercio*) of Monterrey, Nuevo León.

Voting Rights and Certain Minority Rights

Each Series B Share entitles its holder to one vote at any of our ordinary or extraordinary general shareholders meetings. Our bylaws state that the board of directors must be composed of no more than 21 members, at least 25% of whom must be independent. Holders of Series B Shares are entitled to elect at least nine members of our board of directors. Holders of Series D Shares are entitled to elect five members of our board of directors. Our bylaws also contemplate that, should a conversion of the Series D-L Shares to Series L Shares occur pursuant to the vote of our Series D-B and Series D-L shareholders at special and extraordinary shareholders meetings, the holders of Series D-L shares (who would become holders of newly issued Series L Shares) will be entitled to elect two members of the board of directors. None of our shares has cumulative voting rights, which is a right not regulated under Mexican law.

Under our bylaws, the holders of Series D Shares are entitled to vote at extraordinary shareholders meetings called to consider any of the following limited matters: (i) the transformation from one form of corporate organization to another, other than from a company with variable capital stock to a company without variable capital stock or vice versa, (ii) any merger in which we are not the surviving entity or with other entities whose principal corporate purposes are different from those of our company or our subsidiaries, (iii) change of our jurisdiction of incorporation, (iv) dissolution and liquidation and (v) the cancellation of the registration of the Series D Shares or Series L Shares in the Mexican Stock Exchange or in any other foreign stock market where listed, except in the case of the conversion of these shares as provided for in our bylaws.

Holders of Series D Shares are also entitled to vote on the matters that they are expressly authorized to vote on by the Mexican Securities Market Law and at any extraordinary shareholders meeting called to consider any of the following matters:

- To approve a conversion of all of the outstanding Series D-B Shares and Series D-L Shares into Series B shares with full voting rights and Series L Shares with limited voting rights, respectively.
- To agree to the unbundling of their share Units.

This conversion and/or unbundling of shares would become effective two years after the date on which the shareholders agreed to such conversion and/or unbundling.

Under Mexican law, holders of shares of any series are entitled to vote as a class in a special meeting governed by the same rules that apply to extraordinary shareholders meetings on any action that would have an effect on the rights of holders of shares of such series. There are no procedures for determining whether a particular proposed shareholder action requires a class vote, and Mexican law does not provide extensive guidance on the criteria to be applied in making such a determination.

The Mexican Securities Market Law, the Mexican General Corporations Law and our bylaws provide for certain minority shareholder protections. These minority protections include provisions that permit:

- holders of at least 10% of our outstanding capital stock entitled to vote, including in a limited or restricted manner, to require the chairman of the board of directors or of the Audit or Corporate Practices and Nominations Committees to call a shareholders' meeting;
- holders of at least 5% of our outstanding capital stock, including limited or restricted vote, may bring an action for liabilities against our directors, the secretary of the board of directors or certain key officers (as a shareholder derivative suit, for our benefit, as opposed to the benefit of shareholders initiating the action);
- holders of at least 10% of our outstanding capital stock who are entitled to vote, including limited or restricted vote, at any shareholders meeting to request that resolutions with respect to any matter on which they considered they were not sufficiently informed be postponed;

- holders of 20% of our outstanding capital stock to oppose any resolution adopted at a shareholders meeting in which they are entitled to vote, including limited or restricted vote, and file a petition for a court order to suspend the resolution temporarily within 15 days following the adjournment of the meeting at which the action was taken, provided that (i) the challenged resolution violates Mexican law or our bylaws, (ii) the opposing shareholders neither attended the meeting nor voted in favor of the challenged resolution and (iii) the opposing shareholders deliver a bond to the court to secure payment of any damages that we may suffer as a result of suspending the resolution in the event that the court ultimately rules against the opposing shareholder; and
- holders of at least 10% of our outstanding capital stock who are entitled to vote, including limited or restricted vote, to appoint one member of our board of directors and one alternate member of our board of directors.

Shareholders Meetings

General shareholders meetings may be ordinary meetings or extraordinary meetings. Extraordinary meetings are those called to consider certain matters specified in Article 182 and 228 BIS of the Mexican General Corporations Law, Articles 53 and 108(ii) of the Mexican Securities Market Law and in our bylaws. These matters include: amendments to our bylaws, liquidation, dissolution, merger, spin-off and transformation from one form of corporate organization to another, issuance of preferred stock and increases and reductions of the fixed portion of our capital stock. In addition, our bylaws require a general shareholders' extraordinary meeting to consider the cancellation of the registration of shares with the Mexican Registry of Securities ("RNV") or with other foreign stock exchanges on which our shares may be listed, the amortization of distributable earnings into capital stock, and an increase in our capital stock in terms of the Mexican Securities Market Law. General meetings called to consider all other matters, including increases or decreases affecting the variable portion of our capital stock, are ordinary meetings. An ordinary meeting must be held at least once each year within the first four months following the end of the preceding fiscal year. Holders of BD Units or B Units are entitled to attend all shareholders meetings of the Series B Shares and Series D Shares and to vote on matters that are subject to the vote of holders of the underlying shares.

The quorum for an ordinary shareholders meeting on first call is more than 50% of the Series B Shares, and action may be taken by a majority of the Series B Shares represented at the meeting. If a quorum is not available, a second or subsequent meeting may be called and held by whatever number of Series B Shares is represented at the meeting, at which meeting action may be taken by a majority of the Series B Shares that are represented at the meeting.

The quorum for an extraordinary shareholders meeting is at least 75% of the shares entitled to vote at the meeting, and action may be taken by a vote of the majority of all the outstanding shares that are entitled to vote. If a quorum is not available, a second meeting may be called, at which the quorum will be the majority of the outstanding capital stock entitled to vote, and actions will be taken by holders of the majority of all the outstanding capital stock entitled to vote.

Shareholders meetings may be called by the board of directors, the audit committee or the corporate practices committee and, under certain circumstances, a Mexican court. Additionally, holders of 10% or more of our capital stock may require the chairman of the board of directors, or the chairman of the audit or corporate practices committees to call a shareholders meeting. A notice of meeting and an agenda must be published in the electronic system of the Secretary of Economy (*Secretaría de Economía*) and in the Official State Gazette of Nuevo León (*Periódico Oficial del Estado de Nuevo León*) or a newspaper of general distribution in Monterrey, Nuevo León, Mexico at least 15 days prior to the date set for the meeting. Notices must set forth the place, date and time of the meeting and the matters to be addressed and must be signed by whoever convened the meeting. Shareholders meetings will be deemed validly held and convened without a prior notice or publication only to the extent that all the shares representing our capital stock are fully represented. All relevant information relating to the shareholders meeting must be made available to shareholders starting on the date of publication of the notice involving such shareholders meeting. To attend a meeting, shareholders must deposit their shares with our company or with Indeval or an institution for the deposit of securities prior to the meeting as indicated in the notice. If entitled to attend a meeting, a shareholder may be represented by an attorney-in-fact.

In addition to the provisions of the Mexican General Corporations Law, the ordinary shareholders meeting shall be convened to approve any transaction that, in a fiscal year, represents 20% or more of the consolidated assets of our company as of the immediately prior quarter, whether such transaction is executed in one or several operations, to the extent that, according to the nature of such transactions, they may be deemed the same. All shareholders shall be entitled to vote on in such ordinary shareholders meeting, including those with limited or restricted voting rights.

Dividend Rights

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

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

Change in Capital

Our outstanding capital stock consists of both a fixed and a variable portion. The fixed portion of our capital stock may be increased or decreased only by an amendment of the bylaws adopted by an extraordinary shareholders meeting. The variable portion of our capital stock may be increased or decreased by resolution of an ordinary shareholders meeting. Capital increases and decreases must be recorded in our share registry and book of capital variations, if applicable.

A capital stock increase may be effected through the issuance of new shares for payment in cash or in kind, or by capitalization of indebtedness or of certain items of stockholders' equity. Treasury stock may only be sold pursuant to a public offering.

Any increase or decrease in our capital stock or any redemption or repurchase will be subject to the following limitations: (i) Series B Shares will always represent at least 51% of our outstanding capital stock and the Series D-L Shares and Series L Shares will never represent more than 25% of our outstanding capital stock; and (ii) the Series D-B, Series D-L and Series L Shares will not exceed, in the aggregate, 49% of our outstanding capital stock.

Preemptive Rights

Under Mexican law, except in limited circumstances which are described below, in the event of an increase in our capital stock, a holder of record generally has the right to subscribe to shares of a series held by such holder sufficient to maintain such holder's existing proportionate holding of shares of that series. Preemptive rights must be exercised during a term fixed by the shareholders at the meeting declaring the capital increase, which term must last at least 15 days following the publication of notice of the capital increase in the Official State Gazette. As a result of applicable United States securities laws, holders of ADSs may be restricted in their ability to participate in the exercise of preemptive rights under the terms of the deposit agreement. Shares subject to a preemptive rights offering, with respect to which preemptive rights have not been exercised, may be sold by us to third parties on the same terms and conditions previously approved by the shareholders or the board of directors. Under Mexican law, preemptive rights cannot be waived in advance or be assigned, or be represented by an instrument that is negotiable separately from the corresponding shares.

Our bylaws provide that shareholders will not have preemptive rights to subscribe shares in the event of a capital stock increase or listing of treasury stock in any of the following events: (i) merger of our company; (ii) conversion of obligations (*conversion de obligaciones*) in terms of the Mexican General Credit Instruments and Credit Operations Law (*Ley General de Títulos y Operaciones de Crédito*); (iii) public offering made according to the terms of articles 53, 56 and related provisions of the Mexican Securities Market Law; and (iv) capital increase made through the payment in kind of the issued shares or through the cancellation of debt of our company.

Limitations on Share Ownership

Ownership of shares of Mexican companies by non-Mexican residents is regulated by the Foreign Investment Law and its regulations. The Foreign Investment Commission is responsible for the enforcement of the Foreign Investment Law and its regulations.

As a general rule, the Foreign Investment Law allows foreign holdings of up to 100% of the capital stock of Mexican companies, except for those companies engaged in certain specified restricted industries. The Foreign Investment Law and its regulations require that Mexican shareholders retain the power to determine the administrative

control and the management of corporations in industries in which special restrictions on foreign holdings are applicable. Foreign investment in our shares is not limited under either the Foreign Investment Law or its regulations.

Management of our Company

Management of our company is entrusted to the board of directors and also to the chief executive officer, who is required to follow the strategies, policies and guidelines approved by the board of directors and the authority, obligations and duties expressly authorized in the Mexican Securities Market Law.

At least 25% of the members of the board of directors shall be independent. Independence of the members of the board of directors is determined by the shareholders meeting, subject to the CNBV's challenge of such determination. In the performance of its responsibilities, the board of directors will be supported by a corporate practices committee and an audit committee. The corporate practices committee and the audit committee consist solely of independent directors. Each committee is formed by at least three board members appointed by the shareholders or by the board of directors. The chairmen of said committees are appointed (taking into consideration their experience, capacity and professional prestige) and removed exclusively by a vote in a shareholders meeting.

Surveillance

Surveillance of our company is entrusted to the board of directors, which shall be supported in the performance of these functions by the corporate practices committee, the audit committee and our external auditor. The external auditor may be invited to attend board of directors meetings as an observer, with a right to participate but without voting rights.

Authority of the Board of Directors

The board of directors is our legal representative and is authorized to take any action in connection with our operations not expressly reserved to our shareholders. Pursuant to the Mexican Securities Market Law, the board of directors must approve, *observing at all moments their duty of care and duty of loyalty* among other matters:

- any related-party transactions which are deemed to be outside the ordinary course of our business;
- significant asset transfers or acquisitions;
- material guarantees or collateral;
- internal policies; and
- other material transactions.

Meetings of the board of directors are validly convened and held if a majority of the members are present. Resolutions passed at these meetings will be valid if approved by a majority of members of the board of directors present at the meeting. If required, the chairman of the board of directors may cast a tie-breaking vote.

Redemption

We may redeem part of our shares for cancellation with distributable earnings pursuant to a decision of an extraordinary shareholders meeting. Only shares subscribed and fully paid for may be redeemed. Any shares intended to be redeemed shall be purchased on the Mexican Stock Exchange in accordance with the Mexican General Corporations Law and the Mexican Securities Market Law. No shares will be redeemed, if as a consequence of such redemption, the Series D and Series L Shares in the aggregate exceed the percentages permitted by our bylaws or if any such redemption will reduce our fixed capital below its minimum.

Repurchase of Shares

According to our bylaws, subject to the provisions of the Mexican Securities Market Law and under rules promulgated by the CNBV, we may repurchase our shares at any time at the then prevailing market price. The maximum amount available for repurchase of our shares must be approved at the AGM and may not exceed retained earnings. The economic and voting rights corresponding to such repurchased shares may not be exercised while our company owns the shares.

In accordance with the Mexican Securities Market Law, our subsidiaries may not purchase, directly or indirectly, shares of our capital stock or any security that represents such shares.

Forfeiture of Shares

As required by Mexican law, our bylaws provide that non-Mexican holders of BD Units, B Units or shares (i) are considered to be Mexican with respect to such shares that they acquire or hold and (ii) may not invoke the protection of their own governments in respect of the investment represented by those shares. Failure to comply with our bylaws may result in a penalty of forfeiture of a shareholder's capital stock in favor of the Mexican state. In the opinion of Alejandro Gil Ortiz, our general counsel, under this provision, a non-Mexican shareholder (including a non-Mexican holder of ADSs) is deemed to have agreed not to invoke the protection of its own government by asking such government to interpose a diplomatic claim against the Mexican state with respect to its rights as a shareholder, but is not deemed to have waived any other rights it may have, including any rights under the United States securities laws, with respect to its investment in our company. If a shareholder should invoke governmental protection in violation of this agreement, its shares could be forfeited to the Mexican state.

Duration

The bylaws provide that the duration of our company is 99 years, commencing on May 30, 1936, unless extended by a resolution of an extraordinary shareholders meeting.

Appraisal Rights

Whenever the shareholders approve a change of corporate purpose, change of jurisdiction of incorporation or the transformation from one form of corporate organization to another, any shareholder entitled to vote on such change that has voted against it, may withdraw as a shareholder of our company and have its shares redeemed by FEMSA at a price per share calculated as specified under applicable Mexican law (based on the specific book value in our balance sheet last approved by our shareholders), provided that it exercises its right within 15 days following the adjournment of the meeting at which the change was approved. Under Mexican law, the amount which a withdrawing shareholder is entitled to receive is equal to its proportionate interest in our capital stock or according to our most recent balance sheet approved by an ordinary general shareholders meeting.

Delisting of Shares

In the event of a cancellation of the registration of any of our shares with the RNV, whether by order of the CNBV or at our request with the prior consent of 95% of the holders of our outstanding capital stock, our bylaws and the new Mexican Securities Market Law require us to make a public offer to acquire these shares prior to their cancellation.

Liquidation

Upon the dissolution of our company, one or more liquidators must be appointed by an extraordinary general meeting of the shareholders to wind up its affairs. All fully paid and outstanding shares of capital stock will be entitled to participate equally in any distribution upon liquidation.

Actions Against Directors

Shareholders (including holders of Series D-B and Series D-L Shares) representing, in the aggregate, not less than 5% of our capital stock may directly bring an action against directors.

In the event of actions derived from any breach of the duty of care and the duty of loyalty, liability is exclusively in favor of our company. The Mexican Securities Market Law establishes that liability may be imposed on the members and the secretary of the board of directors, as well as to the relevant officers.

Notwithstanding, the Mexican Securities Market Law provides that the members of the board of directors will not incur, individually or jointly, liability for damages and losses caused to our company, when their acts were made in good faith, in any of the following events: (i) the directors complied with the requirements of the Mexican Securities Market Law and with our company's bylaws; (ii) the decision making or voting was based on information provided by the relevant officers, the external auditor or the independent experts, whose capacity and credibility do not offer reasonable doubt; (iii) the negative economic effects could not have been foreseen, based on the information available; and (iv) they comply with the resolutions of the shareholders' meeting when such resolutions comply with applicable law.

Fiduciary Duties—Duty of Care

The Mexican Securities Market Law provides that the directors shall act in good faith and in our best interest and in the best interest of our subsidiaries. In order to fulfill its duty, the board of directors may:

- request information about us or our subsidiaries that is reasonably necessary to fulfill its duties;
- require our officers and certain other persons, including the external auditors and independent experts, to appear at board of directors' meetings to report or provide information to the board of directors;
- postpone board of directors' meetings for up to three days when a director has not been given sufficient notice of the meeting or in the event that a director has not been provided with the information provided to the other directors; and
- require a matter be discussed and voted upon by the full board of directors in the presence of the secretary of the board of directors.

Our directors may be liable for damages for failing to comply their duty of care if such failure causes economic damage to us or our subsidiaries and the director (i) failed to attend board of directors' or committee meetings and as a result of such failure, the board of directors was unable to take action, unless such absence is approved by the shareholders meeting, (ii) failed to disclose to the board of directors or the committees material information necessary for the board of directors to reach a decision, unless legally or contractually prohibited from doing so in order to maintain confidentiality and (iii) failed to comply with the duties imposed by the Mexican Securities Market Law or our bylaws.

Fiduciary Duties—Duty of Loyalty

The Mexican Securities Market Law provides that the directors and secretary of the board of directors shall keep confidential any non-public information and matters about which they have knowledge as a result of their position. Also, directors should abstain from participating, attending or voting at meetings related to matters where they have a conflict of interest.

The directors and secretary of the board of directors will be deemed to have violated the duty of loyalty, and will be liable for damages, when they obtain an economic benefit by virtue of their position. Further, the directors will fail to comply with their duty of loyalty if they:

- vote at a board of directors' meeting or take any action on a matter involving our assets where there is a conflict of interest;
- fail to disclose a conflict of interest during a board of directors' meeting;
- enter into a voting arrangement to support a particular shareholder or group of shareholders against the other shareholders;
- approve of transactions without complying with the requirements of the Mexican Securities Market Law;
- use company property in violation of the policies approved by the board of directors;
- unlawfully use material non-public information; and
- usurp a corporate opportunity for their own benefit or the benefit of third parties, without the prior approval of the board of directors.

Limited Liability of Shareholders

The liability of shareholders for our company's losses is limited to their shareholdings in our company.

Taxation

The following summary contains a description of certain U.S. federal income and Mexican federal tax consequences of the purchase, ownership and disposition of our ADSs, but it does not purport to be a description of all of the possible tax considerations that may be relevant to a decision to purchase, hold or dispose of ADSs. For purposes of this summary, the term "U.S. holder" means a holder that is a citizen or resident of the United States, a U.S. domestic

corporation or a person or entity that otherwise will be subject to U.S. federal income tax on a net income basis in respect of our ADSs. In particular, this discussion does not address all Mexican or U.S. federal income tax considerations that may be relevant to a particular investor, nor does it address the special tax rules applicable to certain categories of investors, such as banks, dealers, traders who elect to mark to market, tax-exempt entities, insurance companies, certain short-term holders of ADSs or investors who hold our ADSs as part of a hedge, straddle, conversion or integrated transaction, partnerships that hold ADSs or partners therein, nonresident aliens present in the United States for more than 182 days in a taxable year, or investors who have a “functional currency” other than the U.S. dollar. This summary deals only with U.S. holders that hold or will hold our ADSs as capital assets and does not address the tax treatment of a U.S. holder that owns or is treated as owning 10% or more of the shares by vote or value (including ADSs) of our company.

This summary is based upon the federal tax laws of the United States and Mexico as in effect on the date of this annual report, including the provisions of the income tax treaty between the United States and Mexico which we refer to as the Tax Treaty, which are subject to change. The summary does not address any tax consequences under the laws of any state or locality of Mexico or the United States or the laws of any taxing jurisdiction other than the federal laws of Mexico and the United States. Holders of our ADSs should consult their tax advisors as to the U.S., Mexican or other tax consequences of the purchase, ownership and disposition of ADSs, including, in particular, the effect of any foreign, state or local tax laws.

Mexican Taxation

For purposes of this summary, the term “non-resident holder” means a holder that is not a resident of Mexico for tax purposes and that does not hold our ADSs in connection with the conduct of a trade or business through a permanent establishment for tax purposes in Mexico. For purposes of Mexican taxation, an individual is a resident of Mexico if he or she has established his or her home in Mexico, or if he or she has another home outside Mexico, but his or her Center of Vital Interests (*Centro de Intereses Vitales*) (as defined in the Mexican Tax Code) is located in Mexico and, among other circumstances, when more than 50% of that person’s total income during a calendar year comes from sources within Mexico. A legal entity is a resident of Mexico if it has either its principal place of business or its place of effective management in Mexico. A Mexican citizen is presumed to be a resident of Mexico unless he or she can demonstrate that the contrary is true. If a legal entity or an individual is deemed to have a permanent establishment in Mexico for tax purposes, all income attributable to the permanent establishment will be subject to Mexican taxes, in accordance with applicable tax laws.

Taxation of Dividends. Under Mexican income tax law, dividends, either in cash or in kind, paid with respect to our shares represented by our ADSs are not subject to Mexican withholding tax if such dividends were distributed from the net taxable profits generated before 2014. Dividends distributed from the net taxable profits account (CUFIN) generated after or during 2014 will be subject to Mexican withholding tax at a rate of 10%.

Taxation of Dispositions of ADSs. Gains from the sale or disposition of ADSs by non-resident holders will not be subject to Mexican tax, if the disposition is carried out through a stock exchange recognized under applicable Mexican tax law and the transferor is resident of a country with which Mexico has entered into a tax treaty for the avoidance of double taxation; if the transferor is not a resident of such a country, the gain will be taxable at the rate of 10% or higher, in which case the tax will be withheld by the financial intermediary.

In compliance with certain requirements, gains on the sale or other disposition of ADSs made in circumstances different from those set forth in the prior paragraph generally would be subject to Mexican tax, at the general rate of 25% of the gross income, regardless of the nationality or residence of the transferor. However, under the Tax Treaty, a holder that is eligible to claim the benefits of the Tax Treaty will be exempt from Mexican tax on gains realized on a sale or other disposition of our ADSs in a transaction that is not carried out through the Mexican Stock Exchange or other approved securities markets, so long as the holder did not own, directly or indirectly, 25% or more of our outstanding capital stock (including shares represented by our ADSs) within the 12-month period preceding such sale or other disposition. Deposits of shares in exchange for ADSs and withdrawals of shares in exchange for our ADSs will not give rise to Mexican tax.

Other Mexican Taxes. There are no Mexican inheritance, gift, succession or value added taxes applicable to the ownership, transfer, exchange or disposition of our ADSs. There are no Mexican stamp, issue, registration or similar taxes or duties payable by holders of our ADSs.

United States Taxation

Tax Considerations Relating to the ADSs

In general, for U.S. federal income tax purposes, holders of ADSs will be treated as owners of the shares represented by those ADSs.

Taxation of Dividends. The gross amount of any distributions paid with respect to our shares represented by our ADSs, to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, generally will be included in the gross income of a U.S. holder as foreign source dividend income on the day on which the dividends are received by the ADS depository and will not be eligible for the dividends received deduction allowed to corporations under the Internal Revenue Code of 1986, as amended. Because we do not expect to maintain calculations of our earnings and profits in accordance with U.S. federal income tax principles, it is expected that distributions paid to U.S. holders generally will be reported as dividends.

Dividends, which will be paid in Mexican pesos, will be includible in the income of a U.S. holder in a U.S. dollar amount calculated, in general, by reference to the exchange rate in effect on the date that they are received by the ADS depository (regardless of whether such Mexican pesos are in fact converted into U.S. dollars on such date). If such dividends are converted into U.S. dollars on the date of receipt, a U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the dividends. U.S. holders should consult their tax advisors regarding the treatment of the foreign currency gain or loss, if any, on any Mexican pesos received that are converted into U.S. dollars on a date subsequent to the date of receipt.

The U.S. dollar amount of dividends received by an individual U.S. holder in respect of the ADSs generally is subject to taxation at the reduced rate applicable to long-term capital gains if the dividends are "qualified dividends." Subject to certain expectations for short-term and hedged positions, dividends paid on the ADSs will be treated as qualified dividends if (i) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service ("IRS") has approved for the purposes of the qualified dividend rules, or the dividends are paid with respect to ADSs that are "readily tradable on an established U.S. securities market" and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company (or "PFIC," as further explained below under "*Passive Foreign Investment Company Rules*"). The income tax treaty between Mexico and the United States has been approved for the purposes of the qualified dividend rules. The ADSs are listed on the NYSE, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our audited consolidated financial statements and relevant market and shareholder data, we believe that we were not treated as a passive foreign investment company for U.S. federal income tax purposes with respect to our 2022 taxable year. In addition, based on our audited consolidated financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income and relevant market and shareholder data, we do not anticipate becoming a passive foreign investment company for our 2023 taxable year.

Subject to generally applicable limitations and conditions, Mexican dividend withholding tax paid at the appropriate rate applicable to the U.S. holder may be eligible for a credit against such U.S. holder's U.S. federal income tax liability. These generally applicable limitations and conditions include new requirements recently adopted by the IRS and any Mexican tax will need to satisfy these requirements in order to be eligible to be a creditable tax for a U.S. holder. In the case of a U.S. holder that is eligible for, and properly elects, the benefits of the Tax Treaty, the Mexican tax on dividends will be treated as meeting the new requirements and therefore as a creditable tax. In the case of all other U.S. holders, the application of these requirements to the Mexican tax on dividends is uncertain and we have not determined whether these requirements have been met. If the Mexican dividend tax is not a creditable tax for a U.S. holder or the U.S. holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued in the same taxable year, the U.S. holder may be able to deduct the Mexican tax in computing such U.S. holder's taxable income for U.S. federal income tax purposes. Dividend distributions will constitute income from sources without the United States and, for U.S. holders that elect to claim foreign tax credits, generally will constitute "passive category income" for foreign tax credit purposes.

The availability and calculation of foreign tax credits and deductions for foreign taxes depend on a U.S. holder's particular circumstances and involve the application of complex rules to those circumstances. U.S. holders should consult their own tax advisors regarding the application of these rules to their particular situations.

Distributions to holders of additional shares with respect to our ADSs that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

Taxation of Capital Gains. Subject to the discussion below under "*Passive Foreign Investment Company Rules*", gain or loss realized by a U.S. holder on the sale or other taxable disposition of ADSs will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between the amount realized on the disposition and such U.S. holder's tax basis in the ADSs (each calculated in dollars). Any such gain or loss will be a long-term capital gain or loss if the ADSs were held for more than one year on the date of such sale. All long-term capital gain recognized by a U.S. holder that is an individual is generally subject to a reduced rate of U.S. federal income taxation. The deduction of capital losses is subject to limitations for U.S. federal income tax purposes. Deposits and

withdrawals of shares by U.S. holders in exchange for ADSs will not result in the realization of gains or losses for U.S. federal income tax purposes.

Gain or loss recognized by a U.S. holder on the sale or other disposition of the ADSs or units generally will be U.S. source gain or loss for U.S. foreign tax credit purposes. Under the new foreign tax credit requirements recently adopted by the IRS, any Mexican tax imposed on the sale or other disposition of the shares generally will not be treated as a creditable tax for U.S. foreign tax credit purposes. If the Mexican tax is not a creditable tax, the tax would reduce the amount realized on the sale or disposition of the ADSs or units even if the U.S. holder has elected to claim a foreign tax credit for other taxes in the same year. U.S. holders should consult their own tax advisors regarding the application of the foreign tax credit rules to a sale or other disposition of the ADSs or units and any Mexican tax imposed on such sale or disposition.

Passive Foreign Investment Company Rules. Special U.S. tax rules apply to companies that are considered to be PFICs. We will be classified as a PFIC in a particular taxable year if, taking into account our proportionate share of the income and assets of our subsidiaries under applicable “look-through” rules, either

- 75 percent or more of our gross income for the taxable year is passive income; or
- the value of our assets (generally based on a quarterly average) that produce or are held for the production of passive income is at least 50 percent.

For this purpose, passive income generally includes dividends, interest, gains from certain commodities transactions, rents, royalties and the excess of gains over losses from the disposition of assets that produce passive income.

Based on our audited consolidated financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to our 2022 taxable year. In addition, based on our audited consolidated financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income and relevant market and shareholder data, we do not anticipate becoming a passive foreign investment company for our 2023 taxable year. However, the determination of whether we are a PFIC must be made annually after the close of the taxable year and based on the facts and circumstances at that time, some of which may be beyond our control, such as the valuation of our assets, including goodwill and other intangible assets, at the time. Accordingly, no assurance can be given that we will not be a PFIC in the current year or in future years. If we are classified as a PFIC, and you do not make one of the elections described below, you will be subject to a special tax at ordinary income tax rates on “excess distributions,” including certain distributions by us and gain that you recognize on the sale of your ADSs. The amount of income tax on any excess distributions will be increased by an interest charge to compensate for tax deferral, calculated as if the excess distributions were earned ratably over the period you hold your ADSs. Classification as a PFIC may also have other adverse tax consequences, including, in the case of individuals, the denial of a step-up in the basis of your ADSs at death.

If we are a PFIC in a taxable year and the ADSs are considered “marketable,” you generally will not be subject to the rules described in the preceding paragraph if you elect to mark your ADSs to market. The ADSs will be marketable if they are regularly traded on certain qualifying U.S. stock exchanges, including the New York Stock Exchange, or on a foreign stock exchange that meets certain requirements. If you make this mark-to-market election, you will be required in any year in which we are a PFIC to include as ordinary income the excess of the fair market value of your ADSs at the end of your taxable year over your basis in those ADSs. If at the end of your taxable year, your basis in the ADSs exceeds their fair market value, you will be entitled to deduct the excess as an ordinary loss, but only to the extent of your net mark-to-market gains from previous years. Your adjusted tax basis in the ADSs will be adjusted to reflect any income or loss recognized under these rules. In addition, any gain you recognize upon the sale of your ADSs will be taxed as ordinary income in the year of sale and any loss will be treated as an ordinary loss to the extent of your net mark-to-market gains from previous years. Once made, the election cannot be revoked without the consent of the IRS unless the shares cease to be marketable.

If you are a U.S. Holder that owns an equity interest in a PFIC, you generally must annually file IRS Form 8621, and may be required to file other IRS forms. A failure to file one or more of these forms as required may toll the running of the statute of limitations in respect of each of your taxable years for which such form is required to be filed. As a result, the taxable years with respect to which you fail to file the form may remain open to assessment by the IRS indefinitely, until the form is filed.

You should consult your own tax advisor regarding the U.S. federal income tax considerations discussed.

United States Backup Withholding and Information Reporting. A U.S. holder of ADSs may, under certain circumstances, be subject to “information reporting” and “backup withholding” with respect to certain payments to such U.S. holder, such as dividends or the proceeds of a sale or disposition of ADSs, unless such holder (i) comes within certain exempt categories, and demonstrates this fact when so required, or (ii) in the case of backup withholding, provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under these rules does not constitute a separate tax and will be creditable against the holder’s U.S. federal income tax liability, provided the required information is furnished to the IRS in a timely matter.

Specified Foreign Financial Assets. Certain U.S. holders that own “specified foreign financial assets” with an aggregate value in excess of USD 50,000 on the last day of the taxable year or USD 75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on IRS Form 8938, with respect to such assets. “Specified foreign financial assets” include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the ADSs) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. holders who fail to report the required information could be subject to substantial penalties. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the ADSs, including the application of the rules to their particular circumstances.

U.S. Tax Consequences for Non-U.S. Holders

Taxation of Dividends and Capital Gains. Subject to the discussion below under “United States Backup Withholding and Information Reporting,” a holder of ADSs that is not a U.S. holder (a “non-U.S. holder”) generally will not be subject to U.S. federal income or withholding tax on dividends received on ADSs or on any gain realized on the sale of ADSs.

United States Backup Withholding and Information Reporting. While non-U.S. holders generally are exempt from information reporting and backup withholding, a non-U.S. holder may, in certain circumstances, be required to comply with certain information and identification procedures in order to prove this exemption.

Material Contracts

We and our subsidiaries are parties to a variety of material agreements with third parties, including shareholders’ agreements, supply agreements and purchase and service agreements. Set forth below are summaries of the material terms of such agreements. The actual agreements have either been filed as exhibits to, or incorporated by reference in, this annual report. See “Item 19. Exhibits.”

Material Contracts Relating to Coca-Cola FEMSA

Shareholders Agreement

Coca-Cola FEMSA operates pursuant to a shareholders agreement among our company and TCCC and certain of its subsidiaries. This agreement, together with Coca-Cola FEMSA’s bylaws, sets forth the basic rules pursuant to which Coca-Cola FEMSA operates.

In 2010, Coca-Cola FEMSA’s main shareholders, FEMSA and TCCC, amended the shareholders agreement, and Coca-Cola FEMSA’s bylaws were amended accordingly. The amendment mainly related to changes in the voting requirements for decisions on: (i) ordinary operations within an annual business plan and (ii) appointment of the chief executive officer and all officers reporting to him, all of which may be taken by the board of directors by simple majority voting. Also, the amendment provided that payment of dividends, up to an amount equivalent to 20% of the preceding years’ consolidated net profits, may be approved by a simple majority of the voting capital stock and any payment of dividends above 20.0% of the preceding years’ consolidated net profits shall require the approval of a majority of the voting capital stock, which majority must also include a majority of Coca-Cola FEMSA Series D shares. Any decision on extraordinary matters, as they are defined in Coca-Cola FEMSA’s bylaws and which include, among other things, any new business acquisition, business combinations or any change in the existing line of business shall require the approval of the majority of the members of the board of directors, with the vote of two of the members appointed by TCCC.

Under Coca-Cola FEMSA’s bylaws and shareholders agreement, its Series A Shares, Series B Shares and Series D Shares are the only shares with full voting rights and, therefore, control actions by its shareholders.

The shareholders agreement also sets forth the principal shareholders’ understanding as to the effect of adverse actions of TCCC under the bottler agreements. Coca-Cola FEMSA’s bylaws and shareholders agreement provide that a

majority of the directors appointed by the holders of its Series A Shares, upon making a reasonable, good faith determination that any action of TCCC under any bottler agreement between TCCC and Coca-Cola FEMSA or any of its subsidiaries is materially adverse to Coca-Cola FEMSA's business interests and that TCCC has failed to cure such action within 60 days of notice, may declare a "simple majority period," as defined in Coca-Cola FEMSA's bylaws, at any time within 90 days after giving notice. During the simple majority period certain decisions, namely the approval of material changes in Coca-Cola FEMSA's business plans, the introduction of a new, or termination of an existing, line of business, and related-party transactions outside the ordinary course of business, to the extent the presence and approval of at least two Coca-Cola FEMSA Series D directors would otherwise be required, can be made by a simple majority vote of its entire board of directors, without requiring the presence or approval of any Coca-Cola FEMSA Series D director. A majority of the Coca-Cola FEMSA Series A directors may terminate a simple majority period but, once having done so, cannot declare another simple majority period for one year after the termination. If a simple majority period persists for one year or more, the provisions of the shareholders agreement for resolution of irreconcilable differences may be triggered, with the consequences outlined in the following paragraph.

In addition to the rights of first refusal provided for in Coca-Cola FEMSA's bylaws regarding proposed transfers of its Series A Shares or Series D Shares, the shareholders agreement contemplates three circumstances under which one principal shareholder may purchase the interest of the other in Coca-Cola FEMSA: (i) a change in control in a principal shareholder; (ii) the existence of irreconcilable differences between the principal shareholders; or (iii) the occurrence of certain specified events of default.

In the event that (i) one of the principal shareholders buys the other's interest in Coca-Cola FEMSA in any of the circumstances described above or (ii) the beneficial ownership of TCCC or FEMSA is reduced below 20% of our outstanding voting stock, and upon the request of the shareholder whose interest is not so reduced, the shareholders agreement will be terminated and Coca-Cola FEMSA's bylaws will be amended to eliminate all share transfer restrictions and all special-majority voting and quorum requirements.

The shareholders agreement also contains provisions relating to the principal shareholders' understanding as to Coca-Cola FEMSA's growth. It states that it is TCCC's intention that Coca-Cola FEMSA will be viewed as one of a small number of its "anchor" bottlers in Latin America. In particular, the parties agree that it is desirable that Coca-Cola FEMSA expands by acquiring additional bottler territories in Mexico and other Latin American countries in the event any become available through horizontal growth. In addition, TCCC has agreed, subject to a number of conditions, that if it obtains ownership of a bottler territory that fits with Coca-Cola FEMSA's operations, it will give Coca-Cola FEMSA the option to acquire such territory. TCCC has also agreed to support reasonable and sound modifications to Coca-Cola FEMSA's capital structure to support horizontal growth. TCCC's agreement as to horizontal growth expires upon either the elimination of the super-majority voting requirements described above or TCCC's election to terminate the agreement as a result of a default.

The Coca-Cola Memorandum

In connection with the acquisition of Panamco, in 2003, Coca-Cola FEMSA established certain understandings primarily relating to operational and business issues with both TCCC and our company that were memorialized in writing prior to completion of the acquisition. Although the memorandum has not been amended, Coca-Cola FEMSA continues to develop its relationship with TCCC (through, *inter alia*, acquisitions and taking on new product categories), and Coca-Cola FEMSA therefore believes that the memorandum should be interpreted in the context of subsequent events, some of which have been noted in the description below. The main terms are as follows:

- The shareholder arrangements between our company and TCCC and certain of its subsidiaries will continue in place. In 2010, FEMSA amended its shareholders agreement with TCCC. See "Item 10. Additional Information—Material Contracts—Material Contracts Relating to Coca-Cola FEMSA—Shareholders Agreement."
- We will continue to consolidate Coca-Cola FEMSA's financial results under IFRS.
- TCCC and our company will continue to discuss in good faith the possibility of implementing changes to Coca-Cola FEMSA's capital structure in the future.
- TCCC may require the establishment of a different long-term strategy for Brazil. If, after taking into account Coca-Cola FEMSA's performance in Brazil, TCCC does not consider Coca-Cola FEMSA to be part of this long-term strategic solution for Brazil, then Coca-Cola FEMSA will sell its Brazilian franchise to TCCC or its designee at fair market value. Fair market value would be determined by independent investment bankers retained by each party at their own expense pursuant to specified procedures. In light of the performance of Coca-Cola FEMSA's business in Brazil and the fact that TCCC authorized Coca-Cola FEMSA to acquire five Coca-Cola bottlers in Brazil from 2008 to 2022 and participate in the acquisition of

Brazilian operations of Jugos del Valle, Leão Alimentos, Laticínios Verde Campo Ltda, the AdeS business in Brazil, among others, Coca-Cola FEMSA believe that this provision is no longer applicable.

- Coca-Cola FEMSA would like to keep open strategic alternatives that relate to the integration of sparkling beverages and beer. TCCC, our company and Coca-Cola FEMSA would explore these alternatives on a market-by-market basis at the appropriate time.
- TCCC agreed to sell to us sufficient shares to permit us to beneficially own 51% of Coca-Cola FEMSA outstanding capital stock (assuming that we do not sell any shares and that there are no issuances of Coca-Cola FEMSA stock other than as contemplated by the acquisition). As a result of this understanding, in November 2006, we acquired, through a subsidiary, 148,000,000 of Coca-Cola FEMSA Series D shares from certain subsidiaries of TCCC, representing 9.4% of the total outstanding voting shares and 8% of the total outstanding equity of Coca-Cola FEMSA, at a price of US\$ 2.888 per share for an aggregate amount of US\$ 427.4 million. Pursuant to our bylaws, the acquired shares were converted from Series D shares to Series A shares.
- Coca-Cola FEMSA may be entering some markets where significant infrastructure investment may be required. TCCC and our company will conduct a joint study that will outline strategies for these markets, as well as the investment levels required to execute these strategies. Subsequently, it is intended that our company and TCCC will reach an agreement on the level of funding to be provided by each of the partners. The parties intend that this allocation of funding responsibilities would not be overly burdensome for either partner.

Cooperation Framework with The Coca-Cola Company

In 2016, Coca-Cola FEMSA announced a new, comprehensive framework with TCCC. This cooperation framework seeks to maintain a mutually beneficial business relationship over the long-term, which will allow both companies to focus on continuing to drive the business forward and generating profitable growth. The cooperation framework contemplates the following main objectives:

- **Long-term guidelines to the relationship economics.** Concentrate prices for sparkling beverages in Mexico gradually increased from 2017 through July 2019.
- **Other Concentrate Price Adjustments.** Potential future concentrate price adjustments for sparkling beverages and flavored water in Mexico will take into account investment and profitability levels that are beneficial both to Coca-Cola FEMSA and TCCC.
- **Marketing and commercial strategies.** Coca-Cola FEMSA and TCCC are committed to implementing marketing and commercial strategies as well as productivity programs to maximize profitability. Coca-Cola FEMSA believes that these initiatives will partially mitigate the effects of concentrate price adjustments.

As part of a shared vision for the future, and to continue strengthening Coca-Cola FEMSA's relationship with TCCC and combined strategy, in 2021, Coca-Cola FEMSA and TCCC agreed to enhance the Cooperation Framework. This enhancement includes additional drivers to grow the business and strengthen Coca-Cola FEMSA's successful and longstanding partnership with TCCC.

This update contemplates the following main objectives:

- **Growth principles.** Coca-Cola FEMSA and The Coca-Cola Company agreed to continuously build and align ambitious business growth plans to increase Coca-Cola FEMSA operating income via top-line growth, cost and expense efficiencies and the implementation of marketing, commercial strategies and productivity programs
- **Relationship economics.** Ensure that the economics of Coca-Cola FEMSA's business and management incentives are fully aligned towards long-term system value creation. Potential future concentrate price adjustments for sparkling beverages and flavored water in all Coca-Cola FEMSA's territories will be based on mutual consensus between The Coca-Cola Company and Coca-Cola FEMSA as to which investment and profit split levels are mutually beneficial for both parties, including in such profit split levels the results from potential new business and ventures.
- **Potential new business and ventures.** As the Coca-Cola system continues to evolve, leveraging Coca-Cola FEMSA's sales and distribution network, it may be allowed to engage in the distribution of potential new businesses such as the distribution of beer, spirits and other consumer goods.

- **Digital strategy.** Development of a joint general framework for digital initiatives as part of both companies' industry-leading digitization efforts.

Bottler Agreements

Bottler agreements entered into by Coca-Cola FEMSA are described in Item 4, pages 37-38, of Coca-Cola FEMSA's Form 20-F filed on April 14, 2023, which pages in relevant part are hereby incorporated by reference.

Material Contracts Relating to our Heineken Investment

Share Exchange Agreement

On January 11, 2010, FEMSA and certain of our subsidiaries entered into a share exchange agreement, which we refer to as the Share Exchange Agreement, with Heineken. The Share Exchange Agreement required Heineken N.V., in consideration for 100% of the shares of EMPREX Cerveza, S.A. de C.V. (now Heineken Mexico Holding, S.A. de C.V.), which we refer to as "EMPREX Cerveza," to deliver at the closing of the Heineken transaction 86,028,019 newly issued Heineken N.V. shares to FEMSA with a commitment to deliver, pursuant to the ASDI, 29,172,504 Allotted Shares over a period of not more than five years from the date of the closing of the Heineken transaction. As of October 5, 2011, we had received the totality of the Allotted Shares.

The Share Exchange Agreement provided that, simultaneously with the closing of the transaction, Heineken Holding N.V. would swap 43,018,320 Heineken N.V. shares with FEMSA for an equal number of newly issued Heineken Holding N.V. shares. After the closing of the Heineken transaction, we owned 7.5% of Heineken N.V.'s shares. This percentage increased to 12.53% upon full delivery of the Allotted Shares and, together with our ownership of 14.94% of Heineken Holding N.V.'s shares, represented an aggregate 20% economic interest in Heineken. Through a series of transactions in September 2017 and February 2023 we reduced our combined economic interest in Heineken to 8.13%.

Under the terms of the Share Exchange Agreement, in exchange for such economic interest in Heineken, FEMSA delivered 100% of the shares representing the capital stock of EMPREX Cerveza, which owned 100% of the shares of FEMSA Cerveza. As a result of the transaction, EMPREX Cerveza and FEMSA Cerveza became wholly-owned subsidiaries of Heineken.

The principal provisions of the Share Exchange Agreement are as follows:

- delivery to Heineken N.V., by FEMSA, of 100% of the outstanding share capital of EMPREX Cerveza, which together with its subsidiaries, constitutes the entire beer business and operations of FEMSA in Mexico and Brazil (including the United States and other export business);
- delivery to FEMSA by Heineken N.V. of 86,028,019 new Heineken N.V. shares;
- simultaneously with the closing of the Heineken transaction, a swap between Heineken Holding N.V. and FEMSA of 43,018,320 Heineken N.V. shares for an equal number of newly issued shares in Heineken Holding N.V.;
- the commitment by Heineken N.V. to assume indebtedness of EMPREX Cerveza and subsidiaries amounting to approximately US\$ 2.1 billion;
- the provision by FEMSA to Heineken of indemnities customary in transactions of this nature concerning FEMSA and FEMSA Cerveza and its subsidiaries and their businesses;
- FEMSA's covenants to operate the EMPREX Cerveza business in the ordinary course consistent with past practice until the closing of the transaction, subject to customary exceptions, with the economic risks and benefits of the EMPREX Cerveza business transferring to Heineken as of January 1, 2010;
- the provision by Heineken to FEMSA of indemnities customary in transactions of this nature concerning Heineken; and
- FEMSA's covenants, subject to certain limitations, to not engage in the production, manufacture, packaging, distribution, marketing or sale of beer and similar beverages in Latin America, the United States, Canada and the Caribbean.

Corporate Governance Agreement

On April 30, 2010, FEMSA, CB Equity (as transferee of the Heineken Exchange Shares and Allotted Shares), Heineken and L'Arche Green N.V. (as majority shareholder of Heineken Holding N.V.) entered into a corporate governance agreement, which we refer to as the Corporate Governance Agreement, which establishes the terms of the relationship between Heineken and FEMSA after the closing of the Heineken transaction.

The Corporate Governance Agreement covers, among other things, the following topics:

- FEMSA's representation on the Heineken Holding N.V. Board of Directors and the Heineken N.V. Supervisory Board and the creation of an Americas committee, also with FEMSA's representation;
- FEMSA's representation on the selection and appointment committee and the audit committee of the Heineken N.V. Supervisory Board;
- FEMSA's commitment to not increase its holding in Heineken Holding N.V. above 20% and to not increase its holding in Heineken above a maximum 20% economic interest (subject to certain exceptions); and
- FEMSA's agreement not to transfer any shares in Heineken for a five-year period, subject to certain exceptions, including among others, (i) beginning in the third anniversary, the right to sell up to 1% of all outstanding shares of each of Heineken N.V. and Heineken Holding N.V. in each calendar quarter, and (ii) beginning in the third anniversary, the right to dividend or distribute to its shareholders each of Heineken N.V. and Heineken Holding N.V. shares.

Under the Corporate Governance Agreement, FEMSA was previously entitled to nominate two representatives to the Heineken N.V. Supervisory Board, one of whom had to be appointed as its vice-chairman and also serve as a representative of FEMSA on the Heineken N.V. Supervisory Board. The Corporate Governance Agreement has no fixed term, but certain provisions cease to apply if FEMSA ceases to have the right to nominate a representative to the Heineken Holding N.V. Board of Directors and the Heineken N.V. Supervisory Board. In February 2023, in connection with our announcement of the FEMSA Forward initiative, our representatives resigned from their positions on the supervisory board of Heineken, N.V. and board of directors of Heineken Holding, N.V.

Documents on Display

We file reports, including annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. Any filings we make electronically are available to the public over the internet at the SEC's web site at www.sec.gov and at our website at www.femsa.com. (This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to our website. The information on our website, which might be accessible through a hyperlink resulting from this URL, is not and shall not be deemed to be incorporated into this annual report.)

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our business activities require the holding or issuing of derivative financial instruments that expose us to market risks related to changes in interest rates, foreign currency exchange rates, equity risk and commodity price risk.

Interest Rate Risk

Interest rate risk exists principally with respect to our indebtedness that bears interest at floating rates. At December 31, 2022, we had outstanding total debt of Ps. 191,741 million, of which 5% bore interest at variable interest rates and 95% bore interest at fixed interest rates. After giving effect to derivative hedging contracts, as of December 31, 2022, 86.7% of our total debt was fixed rate and 13.3% of our total debt was variable rate (the total amount of debt and of variable rate debt and fixed rate debt used in the calculation of this percentage includes the effect of cross-currency and interest rate swaps). The interest rate on our variable rate debt is determined by reference to the London Interbank Offered Rate ("LIBOR," a benchmark rate used for Eurodollar loans), the Equilibrium Interbank Interest Rate (*Tasa de Interés Interbancaria de Equilibrio*, or "TIE"), and the Treasury Certificates (*Certificados de la Tesorería*, or "CETES") rate. LIBOR is the subject of recent U.S. and international regulatory guidance and proposals for reform. These reforms and other pressures may cause LIBOR to become unavailable or to perform or be reported differently than in the past. The consequences of these developments cannot be entirely predicted but could include an increase in the cost of our floating rate debt or exposure under our interest rate derivative transactions. We do not anticipate a significant impact to our financial position given our current mix of variable and fixed-rate debt, taking into account the impact of our interest rate hedging. If any of the above-described reference rates increase, our interest payments would consequently increase.

The table below provides information about our derivative financial instruments that are sensitive to changes in interest rates and exchange rates. The table presents notional amounts and weighted average interest rates by expected contractual maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Weighted average variable rates are based on the reference rates on December 31, 2022, plus spreads contracted by us. Our derivative financial instruments' current payments are denominated in U.S. dollars and Mexican pesos. All of the payments in the table are presented in Mexican pesos, our reporting currency, utilizing the December 31, 2022 exchange rate of Ps. 19.4960 per U.S. dollar.

The table below also includes the estimated fair value as of December 31, 2022 of:

- short and long-term debt, based on the discounted value of contractual cash flows, in which the discount rate is estimated using rates currently offered for debt with similar terms and remaining maturities;
- long-term notes payable based on quoted market prices; and
- cross-currency swaps and interest rate swaps, based on quoted market prices to terminate the contracts as of December 31, 2022.

As of December 31, 2022, the fair value represents a decrease in total debt. This represents Ps. 28,429 million less than book value.

On December 31, ⁽¹⁾										
(in millions of Mexican pesos)	2023	2024	2025	2026	2027	2028 and Thereafter	Carrying Value at December 31, 2022	Fair Value at December 31, 2022	Carrying Value at December 31, 2021	
Short-term debt:										
Fixed-rate debt:										
Colombian pesos										
Bank loans	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. 311	
Interest rate	—	—	—	—	—	—	—	—	2.5 %	
Argentine pesos										
Bank loans	—	—	—	—	—	—	—	—	461	
Interest rate	—	—	—	—	—	—	—	—	41.0 %	
Chilean pesos										
Bank loans	1,072	—	—	—	—	—	1,072	1,072	261	
Interest rate	12.3 %	—	—	—	—	—	12.3 %	—	0.7 %	
Uruguayan pesos										
Bank loans	—	—	—	—	—	—	—	—	184	
Interest rate	—	—	—	—	—	—	—	—	6.0 %	
Guatemalan quetzal										
Bank loans	—	—	—	—	—	—	—	—	26	
Interest rate	—	—	—	—	—	—	—	—	6.3 %	
Variable-rate debt:										
Mexican pesos										
Bank loans	790	—	—	—	—	—	790	790	760	
Interest rate	12.5 %	—	—	—	—	—	12.5 %	—	5.9 %	
Total short-term debt	Ps. 1,862	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. 1,862	Ps. 1,862	Ps. 2,003	

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

On December 31, ⁽¹⁾

(in millions of Mexican pesos)	2023	2024	2025	2026	2027	2028 and Thereafter	Carrying Value at December 31, 2022	Fair Value at December 31, 2022	Carrying Value at December 31, 2021(1)
Long-term debt:									
Fixed-rate debt:									
Euro									
Senior unsecured notes	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. 24,563	Ps. 24,563	Ps. 18,979	Ps. 27,646
Interest rate	—	—	—	—	—	0.7 %	0.8 %	—	0.7 %
Promissory notes	1,270	682	—	—	186	310	2,448	2,448	—
Interest rate	1.2 %	1.1 %	—	—	2.1 %	2.4 %	1.4 %	—	—
Swiss franc									
Promissory notes	—	482	—	—	—	—	482	482	—
Interest rate	—	0.8 %	—	—	—	—	0.8 %	—	—
U.S. dollars									
Yankee bond ⁽²⁾	1	—	—	—	—	41,428	41,429	37,058	52,255
Interest rate	3.1 %	—	—	—	—	3.1 %	3.1 %	—	3.1 %
Bank of NY (FEMSA USD 2023)	5,808	—	—	—	—	—	5,808	5,777	6,170
Interest rate ⁽¹⁾	2.9 %	—	—	—	—	—	2.9 %	—	2.9 %
Bank of NY (FEMSA USD 2043)	—	—	—	—	—	13,405	13,405	11,178	14,262
Interest rate ⁽¹⁾	—	—	—	—	—	4.4 %	4.4 %	—	4.4 %
Bank of NY (FEMSA USD 2050)	—	—	—	—	—	48,170	48,170	34,088	51,174
Interest rate ⁽¹⁾	—	—	—	—	—	3.5 %	3.5 %	—	3.5 %
Bank loans	—	2,256	63	—	—	—	2,320	2,320	2,352
Interest rate	—	5.0 %	6.8 %	—	—	—	5.1 %	—	3.6 %
Mexican pesos									
Senior Notes 22L	—	—	—	—	827	—	827	831	—
Interest rate ⁽¹⁾	—	—	—	—	10.9 %	—	10.9 %	—	—
Senior Notes 22-2L	—	—	—	—	—	8,436	8,436	8,638	—
Interest rate ⁽¹⁾	—	—	—	—	—	9.7 %	9.7 %	—	—
Domestic senior notes	7,500	—	—	—	8,493	15,445	31,438	29,191	25,947
Interest rate	5.5 %	— %	—	—	7.9 %	8.3 %	7.5 %	—	7.0 %
Bank loans	117	110	107	57	38	—	429	429	305
Interest rate	9.8 %	9.6 %	9.6 %	10.9 %	11.7 %	—	10.0 %	—	5.7 %
Brazilian reais									
Bank loans	35	21	—	—	—	—	56	56	94
Interest rate	7.0 %	7.0 %	—	—	—	—	7.0 %	—	6.2 %
Chilean pesos									
Bank loans	317	—	—	—	—	—	317	317	338
Interest rate	1.2 %	—	—	—	—	—	1.2 %	—	1.2 %
Uruguayan pesos									
Bank loans	976	—	—	—	—	—	976	976	1,186
Interest rate	6.3 %	—	—	—	—	—	6.3 %	—	6.7 %
Subtotal	<u>Ps. 16,024</u>	<u>Ps. 3,551</u>	<u>Ps. 170</u>	<u>Ps. 57</u>	<u>Ps. 9,544</u>	<u>Ps. 151,757</u>	<u>Ps. 181,104</u>	<u>Ps. 152,768</u>	<u>Ps. 181,729</u>

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

On December 31, ⁽¹⁾

(in millions of Mexican pesos)	2023	2024	2025	2026	2027	2028 and Thereafter	Carrying Value at December 31, 2022	Fair Value at December 31, 2022	Carrying Value at December 31, 2021(1)
Variable-rate debt:									
Euro									
Promissory notes	Ps. —	Ps. 1,115	Ps. —	Ps. —	Ps. 929	Ps. 516	Ps. 2,560	Ps. 2,560	Ps. —
Interest rate	—	1.1 %	—	—	1.0 %	1.2 %	1.1 %	—	—
Swiss franc									
Promissory notes	—	691	—	—	—	—	691	691	—
Interest rate	—	0.8 %	—	—	—	—	0.8 %	—	—
Mexican pesos									
Domestic senior notes	—	—	1,727	2,923	—	—	4,650	4,556	5,650
Interest rate (1)	— %	—	10.4 %	10.4 %	—	—	10.4 %	—	5.4 %
Bank Loans	139	213	95	78	17	—	542	542	330
Interest rate (1)	12.9 %	12.8 %	13.1 %	13.1 %	12.7 %	—	12.9 %	—	6.5 %
Brazilian reais									
Bank loans	12	7	6	3	—	—	28	28	5
Interest rate	9.8 %	9.7	9.8	9.8 %	—	—	9.8 %	—	9.0 %
Colombian pesos									
Bank loans	33	—	—	—	—	—	33	33	10
Interest rate	5.9 %	—	—	—	—	—	5.9 %	—	4.5 %
Chilean pesos									
Bank loans	271	—	—	—	—	—	271	272	858
Interest rate	4.9 %	—	—	—	—	—	4.9 %	—	1.8 %
Subtotal	Ps. 455	Ps. 2,026	Ps. 1,828	Ps. 3,004	Ps. 946	Ps. 516	Ps. 8,775	Ps. 8,682	Ps. 6,853
Total long-term debt	Ps. 16,479	Ps. 5,577	Ps. 1,998	Ps. 3,061	Ps. 10,490	Ps. 152,273	Ps. 189,879	Ps. 161,450	Ps. 188,582
Current portion of long-term debt							(16,479)		(2,637)
							Ps. 191,741		Ps. 190,585

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

(2) Interest rate derivatives that have been designated as fair value hedge relationships have been used by Coca-Cola FEMSA to mitigate the volatility in the fair value of existing financing instruments due to changes in floating interest rate benchmarks. Gains and losses on these instruments are recorded in "Market value (gain) loss on financial instruments" in the period in which they occur. During 2022, we are applying IFRS 9 to the hedged portion of the Senior Notes of US\$ 705, which are linked to an interest rate swap. Starting in this year, the hedging gain or loss will adjust the carrying amount of the hedged item and will be recognized in P&L under "Market value (gain) loss in financial instruments". As of December 31, 2022, the Company is recording a gain of Ps. 1,647 in the income statement under "Market value (gain) loss in financial instruments", which offsets the loss on interest rate derivatives used to hedge debt denominated in USD, that resulted from increases in interest rates.

A hypothetical, instantaneous and unfavorable change of 100 basis points in the average interest rate applicable to variable-rate liabilities held at FEMSA as of December 31, 2022 would increase our interest expense by approximately Ps. 203 million, or 3.1%, over the 12-month period of 2022, assuming no additional debt is incurred during such period, in each case after giving effect to all of our interest and cross-currency swap agreements.

Foreign Currency Exchange Rate Risk

Our principal exchange rate risk involves changes in the value of the local currencies, of each country where we operate, relative to the U.S. dollar. In 2022, the percentage of our consolidated total revenues was denominated as follows:

Total Revenues by Currency at December 31, 2022

Region	Currency	% of Consolidated Total Revenues
Mexico and Central America	Mexican peso, Guatemalan quetzal, Panamanian balboa, Costa Rican colon, Nicaraguan córdoba and U.S. dollar	68 %
South America	Brazilian reais, Argentine peso, Colombian peso, Chilean peso, Uruguayan peso and Peru sol	24 %
United States	U.S. dollar	7 %
Europe	Euros and Swiss francs	1 %

We estimate that a majority of our consolidated costs and expenses are denominated in Mexican pesos for Mexican subsidiaries and in the aforementioned currencies for the foreign subsidiaries, which are principally subsidiaries of Coca-Cola FEMSA. Substantially all of our costs and expenses denominated in a foreign currency, other than the functional currency of each country where we operate, are denominated in U.S. dollars. As of December 31, 2022, after giving effect to all cross-currency swaps and interest rate swaps, 44.1% of our long-term indebtedness was denominated in Mexican pesos, 22.5% was denominated in U.S. Dollars, 23.2% was denominated in euros, 7.5% was denominated in Brazilian reais, 0.9% was denominated in Chilean pesos, 0.6% was denominated in Colombian pesos, 0.5% Uruguayan pesos and 0.6% in Swiss franc. We also have short-term indebtedness, which mostly consists of bank loans in Colombian pesos, Chilean pesos and U.S. dollars. Decreases in the value of the different currencies relative to the U.S. dollar will increase the cost of our foreign currency denominated operating costs and expenses, and the debt service obligations with respect to our foreign currency-denominated indebtedness. A depreciation of the Mexican peso relative to the U.S. dollar will also result in foreign exchange losses, as the Mexican peso value of our foreign currency-denominated long-term indebtedness is increased.

Our exposure to market risk associated with changes in foreign currency exchange rates relates primarily to U.S. dollar and euro-denominated debt obligations as shown in the interest rate risk table above. We occasionally utilize financial derivative instruments to hedge our exposure to the U.S. dollar relative to the Mexican peso and other currencies. Also, we occasionally use non-derivative financial instruments to hedge our exposure to the euro relative to the Mexican peso, regarding our net investment in Heineken.

As of December 31, 2022, we had forward agreements that met the hedging criteria for accounting purposes, to hedge our transactions denominated in U.S. dollars. The notional amount of these forward agreements was (i) Ps. 10,828 million that expire in 2023, for which we have recorded a net fair value liability of Ps. 338 million; and (ii) Ps. 2 million that expire in 2024, for which we have recorded a net fair value liability less than a million. The fair value of foreign currency forward contracts is estimated based on the quoted market price of each agreement at year-end assuming the same maturity dates originally contracted for. For the year ended December 31, 2022, a loss of Ps. 565 million on expired forward agreements was recorded in our consolidated results.

As of December 31, 2021, we had forward agreements that met the hedging criteria for accounting purposes, to hedge our transactions denominated in U.S. dollars. The notional amount of these forward agreements was (i) Ps. 6,384 million that expired in 2022, for which we have recorded a net fair value liability of Ps. 26 million; (ii) Ps. 23 million that expire in 2023, for which we have recorded a net fair value liability of Ps. 2 million; and (iii) Ps. 2 million that expire in 2024, for which we have recorded a net fair value liability less than a million. The fair value of foreign currency forward contracts is estimated based on the quoted market price of each agreement at year-end assuming the same maturity dates originally contracted for. For the year ended December 31, 2021, a loss of Ps. 41 million on expired forward agreements was recorded in our consolidated results.

As of December 31, 2020, we had forward agreements that met the hedging criteria for accounting purposes, to hedge our transactions denominated in U.S. dollars. The notional amount of these forward agreements was (i) Ps. 9,042

million that expired in 2021, for which we have recorded a net fair value liability of Ps. 1,036 million; (ii) Ps. 66 million that expired in 2022, for which we have recorded a net fair value liability of Ps. 41 million; (iii) Ps. 23 million that expire in 2023, for which we have recorded a net fair value liability of Ps. 2 million; and (iv) Ps. 2 million that expire in 2024, for which we have recorded a net fair value liability less than a million. The fair value of foreign currency forward contracts is estimated based on the quoted market price of each agreement at year-end assuming the same maturity dates originally contracted for. For the year ended December 31, 2020, a gain of Ps. 167 million on expired forward agreements was recorded in our consolidated results.

As of December 31, 2022, we had long-term debt in the amount of €1,200 million. We have designated a non-derivative financial liability as a hedge on the net investment in our stake hold in Heineken. We recognized a foreign exchange gain, net of tax, of Ps. 2,179 million, which is as part of the exchange differences on translation of foreign operation within the accumulated other comprehensive income. Additionally, as of December 31, 2022, we have long-term debt in the amount of U.S. \$2,500 million. We have designated a portion of the non-derivative financial liability as a hedge on the net investment in our stake hold in Specialized Distribution and JRD. We recognized a foreign exchange /gain, net of tax, of Ps. 1,498 million, which is as part of the exchange differences on translation of foreign operation within the accumulated other comprehensive income.

As of December 31, 2021, we had long-term debt in the amount of €1,200 million. We have designated a non-derivative financial liability as a hedge on the net investment in our stake hold in Heineken. We recognized a foreign exchange gain, net of tax, of Ps. 840 million, which is as part of the exchange differences on translation of foreign operation within the accumulated other comprehensive income. Additionally, as of December 31, 2021, we have long-term debt in the amount of U.S. \$2,500 million. We have designated a portion of the non-derivative financial liability as a hedge on the net investment in our stake hold in Specialized Distribution and JRD. We recognized a foreign exchange loss, net of tax, of Ps. 722 million, which is as part of the exchange differences on translation of foreign operation within the accumulated other comprehensive income.

As of December 31, 2020, we had long-term debt in the amount of €1,000 million. We have designated a non-derivative financial liability as a hedge on the net investment in our stake hold in Heineken. We recognized a foreign exchange loss, net of tax, of Ps. 2,379 million, which is as part of the exchange differences on translation of foreign operation within the accumulated other comprehensive income. Additionally, as of December 31, 2020, we had long-term debt in the amount of U.S. dollars \$2,500. We have designated a portion of the non-derivative financial liability as a hedge on the net investment in our stake hold in Specialized Distribution and JRD. We recognized a foreign exchange gain, net of tax, of Ps. 3,439 million, which is as part of the exchange differences on translation of foreign operation within the accumulated other comprehensive income.

The following table illustrates the effects that hypothetical fluctuations in the exchange rates of the U.S. dollar and the euro relative to the Mexican peso, and the U.S. dollar relative to the Brazilian real and Colombian peso, would have on our equity and profit or loss:

Foreign Currency Risk	Change in Exchange Rate	Effect on Equity (in millions of Mexican pesos)
2022		
FEMSA ⁽¹⁾	+10% MXN/USD	Ps. 6
	-10% MXN/USD	(6)
	+10% MXN/EUR	1
	-10% MXN/EUR	(1)
	+7% CHF/EUR	44
	-7% CHF/EUR	(44)
Coca-Cola FEMSA	+10% MXN/USD	512
	-10% MXN/USD	(512)
	+18% BRL/USD	550
	-18% BRL/USD	(550)
	+7% UYU/USD	25
	-7% UYU/USD	(25)
	+17% COP/USD	112
	-17% COP/USD	(112)

	+3% ARS/USD		10
	-3% ARS/USD		(10)
	+7% CRC/USD		24
	-7% CRC/USD		(24)
2021			
FEMSA ⁽¹⁾	+11% MXN/USD	Ps.	4
	-11% MXN/USD		(4)
	+16% BRL/USD		37
	-16% BRL/USD		(37)
Coca-Cola FEMSA	+11% MXN/USD		298
	-11% MXN/USD		(298)
	+16% BRL/USD		284
	-16% BRL/USD		(284)
	+4% UYU/USD		7
	-4% UYU/USD		(7)
	+11% COP/USD		81
	-11% COP/USD		(81)
	+1% ARS/USD		3
	-1% ARS/USD		(3)
	+3% CRC/USD		10
	-3% CRC/USD		(10)
2020			
FEMSA ⁽¹⁾	+19% MXN/USD	Ps.	327
	-19% MXN/USD		(327)
	+21% BRL/USD		240
	-21% BRL/USD		(240)
Coca-Cola FEMSA	+19% MXN/USD		884
	-19% MXN/USD		(884)
	+21% BRL/USD		357
	-21% BRL/USD		(357)
	+9% UYU/USD		21
	-9% UYU/USD		(21)
	+16% COP/USD		142
	-16% COP/USD		(142)
	+2% ARS/USD		2
	-2% ARS/USD		(2)

(1) Does not include Coca-Cola FEMSA.

As of December 31, 2022, we had (i) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 27,804 million that expire in 2023, for which we have recorded a net fair value asset of Ps. 9,428 million; (ii) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 497 million that expire in 2024, for which we have recorded a net fair value asset of Ps. 244 million; (iii) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 1,010 million that expire in 2025, for which we have recorded a net fair value asset of Ps. 385 million; (iv) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 5,971 million that expire in 2026, for which we have recorded a net fair value liability of Ps. 560 million; (v) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 17,809 million that expire in 2027, for which we have recorded a net fair value liability of Ps. 594 million; (vi) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 14,620 million that expire in 2029, for which we have recorded a net fair value asset of Ps. 1,664 million; (vii) cross-currency swaps designated as fair value hedges

under contracts with an aggregate notional amount of Ps. 3,679 million that expire in 2030, for which we have recorded a net fair value asset of Ps. 6 million; (viii) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 10,000 million that expire in 2035, for which we have recorded a net fair value liability of Ps. 2,203 million; and (ix) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 8,869 million that expire in 2043, for which we have recorded a net fair value asset of Ps. 505 million.

As of December 31, 2021, we had (i) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 4,872 million that expire in 2022, for which we have recorded a net fair value asset of Ps. 982 million; (ii) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 24,403 million that expire in 2023, for which we have recorded a net fair value asset of Ps. 12,379 million; (iii) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 1,400 million that expire in 2024, for which we have recorded a net fair value asset of Ps. 438 million; (iv) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 10,667 million that expire in 2025, for which we have recorded a net fair value liability of Ps. 1,410 million; (v) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 6,348 million that expire in 2026, for which we have recorded a net fair value asset of Ps. 219 million; (vi) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 7,204 million that expire in 2027, for which we have recorded a net fair value asset of Ps. 366 million; (vii) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 16,389 million that expire in 2029, for which we have recorded a net fair value asset of Ps. 634 million; (viii) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 3,911 million that expire in 2030, for which we have recorded a net fair value asset of Ps. 396 million; and (ix) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 8,869 million that expire in 2043, for which we have recorded a net fair value asset of Ps. 1,553 million.

As of December 31, 2020, we had (i) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 4,575 million that expired in 2021, for which we have recorded a net fair value asset of Ps. 164 million; (ii) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 376 million that expire in 2022, for which we have recorded a net fair value asset of Ps. 23 million; (iii) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 24,103 million that expire in 2023, for which we have recorded a net fair value asset of Ps. 10,808 million; (iv) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 1,577 million that expire in 2024, for which we have recorded a net fair value asset of Ps. 255 million; (v) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 10,750 million that expire in 2025, for which we have recorded a net fair value liability of Ps. 2,481 million; (vi) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 6,982 million that expire in 2027, for which we have recorded a net fair value liability of Ps. 384 million; (vii) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 1,519 million that expire in 2029, for which we have recorded a net fair value asset of Ps. 122 million; (viii) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 3,790 million that expire in 2030, for which we have recorded a net fair value asset of Ps. 85 million; and (ix) cross-currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 8,869 million that expire in 2043, for which we have recorded a net fair value asset of Ps. 2,706 million.

Certain cross-currency swap instruments did not meet the hedging criteria for accounting purposes. For the years ended December 31, 2022, 2021 and 2020 changes in the estimated fair value were recorded in the income statement. The changes in fair value of these contracts represented a loss of Ps. 2,270 in 2022, a gain of Ps. 80 in 2021 and a loss of Ps. 212 million in 2020.

A hypothetical, instantaneous and unfavorable 10% devaluation of the Mexican peso relative to the U.S. dollar occurring on December 31, 2022 would result in a foreign exchange loss decreasing our consolidated net income by approximately Ps. 1,926 million over the 12-month period of 2022, reflecting greater foreign exchange loss related to our U.S. dollar denominated indebtedness, net of a gain in the cash balances held by us in U.S. dollars and euros.

As of April 14, 2023, the exchange rates relative to the U.S. dollar of all the countries where we operate, as well as their depreciation/appreciation effect compared to December 31, 2022, were as follows:

Country	Currency	Exchange Rate as of April 14, 2023	(Depreciation) / Appreciation
Mexico	Mexican peso	18.0660	6.7 %
Brazil	Brazilian reais	4.95	5.2 %
Colombia	Colombian peso	4,424.02	8.0 %
Argentina	Argentine peso	215.10	(21.4) %
Costa Rica	Colon	540.81	10.2 %
Guatemala	Quetzal	7.80	0.6 %
Nicaragua	Cordoba	36.36	(0.4) %
Panama	U.S. dollar	1.00	—
Euro Zone	Euro	0.91	2.9 %
Peru	Nuevo sol	3.78	0.9 %
Chile	Chilean peso	795.81	7.0 %
Uruguay	Uruguayan peso	38.95	2.8 %

A hypothetical, instantaneous and unfavorable 10% devaluation in the value of the currencies in each of the countries where we operate, relative to the U.S. dollar, occurring on December 31, 2022, would produce a reduction (or gain) in stockholders' equity as follows:

Country	Currency	Reduction in Stockholders' Equity (in millions of Mexican pesos)
Mexico	Mexican peso	1,926
Brazil	Brazilian reais	3,555
Colombia	Colombian peso	1,197
Costa Rica	Colon	450
Argentina	Argentine peso	363
Guatemala	Quetzal	133
Nicaragua	Cordoba	117
Panama	U.S. dollar	332
Peru	Nuevo sol	18
Chile	Chilean peso	2,626
Uruguay	Uruguayan peso	133
Ecuador	U.S. dollar	62
Euro Zone	Euro	8,216
U.S.A.	U.S. dollar	3,731

Equity Risk

As of December 31, 2022 and 2021, we did not have any equity derivative agreements that exposed us to equity risk.

Commodity Price Risk

We entered into various derivative contracts to hedge the cost of certain raw materials that are exposed to variations of commodity price exchange rates. As of December 31, 2022, we had various derivative instruments contracts with maturity dates in 2023 and 2024, notional amounts of Ps. 2,818 million and a net fair value asset of Ps. 378 million. The results of our commodity price contracts expired for the years ended December 31, 2022, 2021 and

2020 were a loss of Ps. 599, a loss of Ps. 1,245 million and a gain of Ps.129 million, respectively, which were recorded in the results of each year.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

ITEM 12A. DEBT SECURITIES

Please see Exhibit 2.20 to this annual report.

ITEM 12B. WARRANTS AND RIGHTS

Not applicable.

ITEM 12C. OTHER SECURITIES

Not applicable.

ITEM 12D. AMERICAN DEPOSITARY SHARES

The Bank of New York Mellon, headquartered at 225 Liberty Street, New York, New York 10286, serves as the depository for our ADSs. Holders of our ADSs, evidenced by ADRs, are required to pay various fees to the depository, and the depository may refuse to provide any service for which a fee is assessed until the applicable fee has been paid.

ADS holders are required to pay the depository amounts in respect of expenses incurred by the depository or its agents on behalf of ADS holders, including expenses arising from compliance with applicable law, taxes or other governmental charges, cable, telex and facsimile transmission, or the conversion of foreign currency into U.S. dollars. The depository may decide in its sole discretion to seek payment by either billing holders or by deducting the fee from one or more cash dividends or other cash distributions.

ADS holders are also required to pay additional fees for certain services provided by the depository, as set forth in the table below.

Depository service	Fee payable by ADS holders
Issuance and delivery of ADSs, including in connection with share distributions, stock splits	Up to US\$ 5.00 per 100 ADSs (or portion thereof)
Distribution of dividends	Up to US\$ 0.02 per ADS
Withdrawal of shares underlying ADSs	Up to US\$ 5.00 per 100 ADSs (or portion thereof)

Please see Exhibit 2.17 to this annual report for more information.

Direct and indirect payments by the depository

The depository pays us an agreed amount, which includes reimbursements for certain expenses we incur in connection with the ADS program. These reimbursable expenses include legal and accounting fees, listing fees, investor relations expenses and fees payable to service providers for the distribution of material to ADS holders. For the year ended December 31, 2022, this amount was US\$ 2,148,473.14.

ITEMS 13-14. NOT APPLICABLE

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

We have evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures as of December 31, 2022. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (or the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management’s annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our evaluation under the 2013 framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, our management concluded that our internal control over financial reporting was effective as of December 31, 2022.

In accordance with applicable guidance provided by SEC, our management assessment and conclusions of internal control effectiveness over financial reporting as of December 31, 2022 excludes an assessment of the internal control over financial reporting of several acquisitions made by Envoy Solutions during the year (Sigma Supply of North America, LLC, Kalamazoo Sanitary Supply, LLC, Sunbelt Packaging, LLC, H. T. Berry Company, LLC, American Paper Towel Co, LLC, among others), as well as the acquisition of Valora Holding AG. These acquisitions represented 5.6% and 1.8% of our total assets and net assets, respectively, as of December 31, 2022, and 2.7% of our revenues, for the year ended December 31, 2022.

The effectiveness of our internal control over financial reporting as of December 31, 2022 has been audited by Mancera, S.C., a member practice of Ernst & Young Global Limited, an independent registered public accounting firm, as stated in its report included herein.

(c) Attestation Report of the Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

We have audited Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries' internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries ("the Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

As indicated in the accompanying Management's Annual Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of 1) Sigma Supply of North America, LLC, 2) Kalamazoo Sanitary Supply, LLC, 3) Sunbelt Packaging, LLC, 4) H. T. Berry Company, LLC, 5) American Paper Towel Co, LLC, 6) Valora Holding AG, , among others, which are included in the 2022 consolidated financial statements of the Company and collectively constituted 5.6% and 1.8% of total and net assets, respectively, as of December 31, 2022 and 2.7% of revenues for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of these entities.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2022 and 2021, the related consolidated income statements, and statements of comprehensive income (loss), changes in equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes, and our report dated April 21, 2023, expressed an unqualified opinion thereon based on our audits and the report of other auditors.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

/s/ MANCERA, S.C.
San Pedro Garza Garcia, Mexico
April 21, 2023

(d) Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our shareholders and our board of directors have designated Victor Alberto Tiburcio Celorio under the Mexican Securities Market Law and applicable U.S. securities laws and NYSE listing standards, as “audit committee financial expert” within the meaning of this Item 16A. See “Item 6. Directors, Senior Management and Employees—Directors.”

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics, within the meaning of this Item 16B of Form 20-F. Our code of ethics applies to our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions, our directors and other officers and employees, as well as any third party with which Coca-Cola FEMSA engages. Our code of ethics is available on our website at <https://www.femsa.com/en/press-room/documents/code-of-ethics/>. If we amend the provisions of our code of ethics that apply to our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**Audit and Non-Audit Fees**

For the fiscal years ended December 31, 2022, 2021 and 2020 Mancera, S.C., a member practice of Ernst & Young Global Limited, was our auditor.

The following table summarizes the aggregate fees billed to us in 2022, 2021 and 2020 by Mancera, S.C., which is an independent registered public accounting firm, during the fiscal years ended December 31, 2022, 2021 and 2020:

	Year ended December 31,		
	2022	2021	2020
	(in millions of Mexican pesos)		
Audit fees	Ps. 215	Ps. 159	Ps. 149
Audit-related fees	12	19	23
Tax fees	23	17	19
Other fees	1	—	3
Total	Ps. 251	Ps. 195	Ps. 194

Audit fees. Audit fees in the above table represent the aggregate fees billed in connection with the audit of our annual financial statements, as well as to other limited procedures in connection with our quarterly financial information and other statutory and regulatory audit activities.

Audit-related fees. Audit-related fees in the above table are the aggregate fees billed for assurance and other services related to the performance of the audit, mainly in connection with bond issuance processes and other special audits and reviews.

Tax fees. Tax fees in the above table are fees billed for services based upon existing facts and prior transactions in order to document, compute and obtain government approval for amounts included in tax filings such as value-added tax return assistance and transfer pricing documentation.

Other fees. Other fees in the above table include mainly fees billed for due diligence services.

Audit Committee Pre-Approval Policies and Procedures

We have adopted pre-approval policies and procedures under which all audit and non-audit services provided by our external auditors must be pre-approved by the audit committee as set forth in the Audit Committee’s charter. Any service proposals submitted by external auditors need to be discussed and approved by the Audit Committee during its meetings, which take place at least four times a year. Once the proposed service is approved, we or our subsidiaries formalize the engagement of services. The approval of any audit and non-audit services to be provided by our external auditors is specified in the minutes of our Audit Committee. In addition, the members of our board of directors are briefed on matters discussed by the different committees of our board of directors.

ITEM 16D. NOT APPLICABLE**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

We did not directly purchase any of our equity securities in 2022. The following table presents purchases by trusts that we administer in connection with our stock incentive plans, which purchases may be deemed to be purchases by an affiliated purchaser of us. See “Item 6. Directors, Senior Management and Employees—EVA Stock Incentive Plan.”

Purchases of Equity Securities

Period	Total Number of BD Units Purchased	Average Price Paid per BD Units	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Appropriate U.S. dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
2022	4,256,433	Ps. 164.53355	—	—

ITEM 16F. NOT APPLICABLE**ITEM 16G. CORPORATE GOVERNANCE**

Pursuant to Rule 303A.11 of the Listed Company Manual of the NYSE, we are required to provide a summary of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards. We are a Mexican corporation with shares listed on the Mexican Stock Exchange. Our corporate governance practices are governed by our bylaws, the Mexican Securities Market Law and the regulations issued by the CNBV. We also disclose the extent of compliance with the Mexican Code of Principles and Best Corporate Governance (*Código de Principios y Mejores Prácticas de Gobierno Corporativo*), which was created by a group of Mexican business leaders and was endorsed by the Mexican Stock Exchange.

The table below discloses the significant differences between our corporate governance practices and the NYSE standards.

NYSE Standards

Directors independence: A majority of the board of directors must be independent.

Executive sessions: Non-management directors must meet at regularly scheduled executive sessions without management.

Nominating/Corporate Governance Committee: A nominating/corporate governance committee composed entirely of independent directors is required.

Compensation Committee: A compensation committee composed entirely independent directors is required.

Audit Committee: Listed companies must have an audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act and the NYSE independence standards.

Equity compensation plan: Equity compensation plans require shareholder approval, subject to limited exemptions.

Code of business conduct and ethics: Corporate governance guidelines and a code of conduct and ethics are required, with disclosure of any waiver for directors or executive officers.

Our Corporate Governance Practices

Directors independence: Pursuant to the Mexican Securities Market Law, we are required to have a board of directors with a maximum of 21 members, 25% of whom must be independent.

The Mexican Securities Market Law sets forth, in article 26, the definition of “independence,” which differs from the one set forth in Section 303A.02 of the Listed Company Manual of the NYSE. Generally, under the Mexican Securities Market Law, a director is not independent if such director: (i) is an employee or a relevant officer of the company or its subsidiaries; (ii) is an individual with significant influence over the company or its subsidiaries; (iii) is a shareholder or participant of the controlling group of the company; (iv) is a client, supplier, debtor, creditor, partner or employee of an important client, supplier, debtor or creditor of the company; or (v) is a family member of any of the aforementioned persons.

In accordance with the Mexican Securities Market Law, our shareholders are required to make a determination as to the independence of our directors at an ordinary meeting of our shareholders, though the CNBV may challenge that determination. Our board of directors is not required to make a determination as to the independence of our directors.

Executive sessions: Under our bylaws and applicable Mexican law, our non-management and independent directors are not required to meet in executive sessions. Our bylaws state that the board of directors will meet at least four times a year, following the end of each quarter, to discuss our operating results and progress in achieving strategic objectives. Our board of directors can also hold extraordinary meetings.

Nominating/Corporate Governance Committee:

Mexican law does not require us to have a Nominating Committee. However, we recently added nominating functions to our Corporate Practices and Nominations Committee. Our Corporate Practices and Nominations Committee is composed of four members, and as required by the Mexican Securities Market Law and our bylaws, the three members are independent, and its chairman is elected at the shareholders’ meeting.

Compensation Committee: We do not have a committee that exclusively oversees compensation issues. Our Corporate Practices and Nominations Committee, composed entirely of independent directors, reviews and recommends management compensation programs in order to ensure that they are aligned with shareholders’ interests and corporate performance.

Audit Committee: We have an Audit Committee of three members, as required by the Mexican Securities Market Law. Each member of the Audit Committee is an independent director, and its chairman is elected at the shareholders’ meeting.

Equity compensation plan: Shareholder approval is not required under Mexican law or our bylaws for the adoption and amendment of an equity compensation plan. Such plans should provide for general application to all executives. Our current equity compensation plans have been approved by our board of directors.

Code of business conduct and ethics: We have adopted a code of ethics, within the meaning of Item 16B of SEC Form 20-F. Our code of ethics applies to our Chief Executive Officer, Chief Financial Officer and persons performing similar functions, our directors and other officers and employees, as well as any third party with which our business units engage. Our code of ethics is available on our website at <https://www.femsa.com/en/press-room/documents/code-of-ethics/>. If we amend the provisions of our code of ethics that apply to our Chief Executive Officer, Chief Financial Officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

ITEM 16H. NOT APPLICABLE

ITEM 16I. NOT APPLICABLE

ITEM 17. NOT APPLICABLE

ITEM 18. FINANCIAL STATEMENTS

See pages F-1 through F-185, incorporated herein by reference.

ITEM 19. EXHIBITS

- 1.1 Amended and restated bylaws (*estatutos sociales*) of Fomento Económico Mexicano, S.A.B. de C.V., approved on [March 31, 2023](#) (English translation)
- 1.2 Share Exchange Agreement by and between Heineken Holding N.V., Heineken N.V., Compañía Internacional de Bebidas, S.A. de C.V., Emprex and FEMSA dated as of January 11, 2010 (incorporated by reference to Exhibit 1.2 of FEMSA's Annual Report on Form 20-F filed on June 25, 2010 (File No. 333-08752)).
- 1.3 First Amendment to Share Exchange Agreement by and between Heineken Holding N.V., Heineken N.V., Compañía Internacional de Bebidas, S.A. de C.V., Emprex and FEMSA dated as of April 26, 2010 (incorporated by reference to Exhibit 1.3 of FEMSA's Annual Report on Form 20-F filed on June 25, 2010 (File No. 333-08752)).
- 1.4 Corporate Governance Agreement, dated April 30, 2010, between Heineken Holding N.V., Heineken N.V., L'Arche Green N.V., FEMSA and CB Equity (incorporated by reference to Exhibit 1.4 of FEMSA's Annual Report on Form 20-F filed on April 27, 2012 (File No. 333-08752)).
- 2.1 Deposit Agreement, as further amended and restated as of May 11, 2007, among FEMSA, The Bank of New York Mellon (formerly The Bank of New York), and all owners and holders from time to time of any American Depositary Receipts, including the form of American Depositary Receipt (incorporated by reference to FEMSA's registration statement on Form F-6 filed on April 30, 2007 (File No. 333-142469)).
- 2.2 Specimen certificate representing a BD Unit, consisting of one Series B Share, two Series D-B Shares and two Series D-L Shares, together with an English translation (incorporated by reference to FEMSA's registration statement on Form F-4 filed on April 9, 1998 (File No. 33-8618)).*
- 2.3 Indenture, dated as of April 8, 2013, between FEMSA, as Issuer, and The Bank of New York Mellon, as Trustee, Security Registrar, Paying Agent, and Transfer Agent (incorporated by reference to Exhibit 4.1 of FEMSA's registration statement on Form F-3 filed on April 9, 2013 (File No. 333-187806)).
- 2.4 First Supplemental Indenture, dated as of May 10, 2013, between FEMSA, as Issuer, and The Bank of New York Mellon, as Trustee, Security Registrar, Paying Agent and Transfer Agent, and The Bank of New York Mellon SA/NV, Dublin Branch, as Irish Paying Agent, including the form of global note therein (incorporated by reference to Exhibit 1.4 to FEMSA's registration statement on Form 8-A filed on May 17, 2013 (File No. 001-35934)).
- 2.5 Third Supplemental Indenture, dated as of January 16, 2020, between FEMSA, as Issuer, and The Bank of New York Mellon, as Trustee, Security Registrar, Paying Agent and Transfer Agent, including the form of global note therein (incorporated by reference to Exhibit 4.1 of FEMSA's report on Form 6-K filed on January 16, 2020 (File No. 001-35934)).
- 2.6 Indenture, dated as of February 5, 2010, among Coca-Cola FEMSA and The Bank of New York Mellon (incorporated by reference to Exhibit 2.2 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 10, 2010 (File No. 1-12260)).

- 2.7 Fourth Supplemental Indenture, dated as of February 12, 2020, between FEMSA, as Issuer, and The Bank of New York Mellon, as Trustee, Security Registrar, Paying Agent and Transfer Agent, including the form of global note therein (incorporated by reference to Exhibit 4.1 of FEMSA’s report on Form 6-K filed on February 12, 2020 (File No. 001-35934)).
- 2.8 Fifth Supplemental Indenture, dated as of June 25, 2020, between FEMSA, as Issuer, and The Bank of New York Mellon, as Trustee, Security Registrar, Paying Agent and Transfer Agent, including the form of global note therein (incorporated by reference to Exhibit 4.1 of FEMSA’s report on Form 6-K filed on June 25, 2020 (File No. 001-35934)).
- 2.9 Sixth Supplemental Indenture, dated as of April 28, 2021, between FEMSA, as Issuer, and The Bank of New York Mellon, as Trustee, Security Registrar, Paying Agent and Transfer Agent, including the form of global note therein (incorporated by reference to Exhibit 4.1 of FEMSA’s report on Form 6-K filed on April 28, 2021 (File No. 001-35934)).
- 2.10 First Supplemental Indenture, dated as of February 5, 2010 among Coca-Cola FEMSA and The Bank of New York Mellon and the Bank of New York Mellon (Luxembourg) S.A. (incorporated by reference to Exhibit 2.3 to Coca-Cola FEMSA’s Annual Report on Form 20-F filed on June 10, 2010 (File No. 1-12260)).
- 2.11 Second Supplemental Indenture, dated as of April 1, 2011, among Coca-Cola FEMSA, Propimex, S. de R.L. de C.V. (formerly Propimex, S.A. de C.V.), as Guarantor, and The Bank of New York Mellon (incorporated by reference to Coca-Cola FEMSA’s Annual Report on Form 20-F filed on June 17, 2011 (File No. 001-12260)).
- 2.12 Third Supplemental Indenture, dated as of September 6, 2013, among Coca-Cola FEMSA, as issuer, Propimex, S. de R.L. de C.V. (formerly Propimex, S.A. de C.V.), as existing guarantor, Comercializadora La Pureza 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. and Yoli de Acapulco, S.A. de C.V., as additional guarantors, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent (incorporated by reference to Exhibit 4.7 to Coca-Cola FEMSA’s Registration Statement on Form F-3 filed on November 8, 2013 (File No.333- 187275)).
- 2.13 Fourth Supplemental Indenture, dated as of October 18, 2013, among Coca-Cola FEMSA, as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza 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., as existing guarantors, Controladora Interamericana de Bebidas, S. de R.L. de C.V., as additional guarantor, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent (incorporated by reference to Exhibit 4.8 to Coca-Cola FEMSA’s Registration Statement on Form F-3 filed on November 8, 2013 (File No. 333-187275)).
- 2.14 Fifth Supplemental Indenture, dated as of November 26, 2013, among Coca-Cola FEMSA, as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza 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., Yoli de Acapulco, S.A. de C.V. and Controladora Interamericana de Bebidas, S. de R.L. de C.V., as guarantors, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent (incorporated by reference to Exhibit 4.1 to Coca-Cola FEMSA’s Form 6-K filed on December 5, 2013 (File No.1-12260)).
- 2.15 Sixth Supplemental Indenture, dated as of January 21, 2014 among Coca-Cola FEMSA, as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza 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., Yoli de Acapulco, S.A. de C.V. and Controladora Interamericana de Bebidas, S. de R.L. de C.V., as guarantors, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent (incorporated by reference to Exhibit 4.1 to Coca-Cola FEMSA’s Form 6-K filed on January 27, 2014 (File No.1-12260)).

- 2.16 Seventh Supplemental Indenture, dated as of November 23, 2015, among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza 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., Yoli de Acapulco, S. de R.L. de C.V. and Controladora Interamericana de Bebidas, S. de R.L. de C.V., as guarantors, Distribuidora y Manufacturera del Valle de Mexico, S. de R.L. de C.V., as successor guarantor, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent (incorporated by reference to Exhibit 2.9 to Coca-Cola FEMSA’s Annual Report on Form 20-F filed on April 15, 2016 (File No. 1-12260)).
- 2.17 Eighth Supplemental Indenture, dated as of January 22, 2020 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza 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., Yoli de Acapulco, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V. and Distribuidora y Manufacturera del Valle de Mexico, S. de R.L. de C.V., as guarantors, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent (incorporated by reference to Exhibit 4.1 to Coca-Cola FEMSA’s Form 6-K filed on January 22, 2020 (File No. 1-12260)).
- 2.18 Ninth Supplemental Indenture, dated as of January 22, 2020 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza 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., Yoli de Acapulco, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V. and Distribuidora y Manufacturera del Valle de Mexico, S. de R.L. de C.V., as guarantors, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent (incorporated by reference to Exhibit 2.11 to Coca-Cola FEMSA’s Annual Report on Form 20-F filed on April 17, 2020 (File No. 1-12260)).
- 2.19 Tenth Supplemental Indenture dated as of September 1, 2020 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza 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., Yoli de Acapulco, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V. and Distribuidora y Manufacturera del Valle de Mexico, S. de R.L. de C.V., as guarantors, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent (incorporated by reference to Exhibit 4.1 to Coca-Cola FEMSA’s Report on Form 6-K furnished on September 1, 2020 (File No. 1-12260)).
- 2.20 Description of securities registered under Section 12 of the Securities Exchange Act of 1934.
- 3.1 Amended Voting Trust Agreement among certain principal shareholders of FEMSA, together with an English translation (incorporated by reference to FEMSA’s Schedule 13D as amended, filed on August 11, 2005 (File No. 005-54705)).
- 4.1 Amended and Restated Shareholders’ Agreement, dated as of July 6, 2002, by and among CIBSA, Emprex, The Coca-Cola Company and Inmex (incorporated by reference to Coca-Cola FEMSA’s Annual Report on Form 20-F filed on June 27, 2003 (File No. 1-12260)).
- 4.2 First Amendment, dated May 6, 2003, to the Amended and Restated Shareholders’ Agreement dated July 6, 2002, among CIBSA, Emprex, The Coca-Cola Company, Inmex, Atlantic Industries, Dulux CBAI 2003 B.V. and Dulux CBEXINMX 2003 B.V. (incorporated by reference to Exhibit 4.14 to Coca-Cola FEMSA’s Annual Report on Form 20-F filed on June 27, 2003 (File No. 1-12260)).
- 4.3 Second Amendment, dated February 1, 2010, to the Amended and Restated Shareholders’ Agreement dated July 6, 2002, among CIBSA, Emprex, The Coca-Cola Company, Inmex and Dulux CBAI 2003 B.V. (incorporated by reference to Exhibit 4.3 to Coca-Cola FEMSA’s Annual Report on Form 20-F filed on June 10, 2010 (File No. 1-12260)).
- 4.4 Coca-Cola Tradename License Agreement, dated June 21, 1993, between Coca-Cola FEMSA and The Coca-Cola Company (with English translation) (incorporated by reference to FEMSA’s Registration Statement on Form F-4 filed on April 9, 1998 (File No. 33-8618)).*

- 4.5 Amendment to the Trademark License Agreement, dated December 1, 2002, entered by and among Administración de Marcas, S.A. de C.V., as proprietor, and The Coca-Cola Export Corporation Mexico branch, as licensee (incorporated by reference to Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
- 4.6 Trademark Sub-License Agreement, dated January 4, 2003, entered by and among Panamco Golfo, S.A. de C.V., as licensor, and The Coca-Cola Company, as licensee (incorporated by reference to Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
- 4.7 Trademark Sub-License Agreement, dated January 4, 2003, entered by and among Panamco Bajío, S.A. de C.V., as licensor, and The Coca-Cola Company, as licensee (incorporated by reference to Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
- 4.8 Supply Agreement, dated April 3, 1998, between ALPLA Fábrica de Plásticos, S.A. de C.V. and Industria Embotelladora de México, S.A. de C.V. (with English translation) (incorporated by reference to Exhibit 4.18 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on July 1, 2002 (File No. 1-12260)).*
- 4.9 Services Agreement, dated November 7, 2000, between Coca-Cola FEMSA and FEMSA Logística, S.A. de C.V. (with English translation) (incorporated by reference to Exhibit 4.15 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 20, 2001 (File No. 1-12260)).*
- 4.10 Promotion and Non-Compete Agreement, dated March 11, 2003, entered by and among The Coca-Cola Export Corporation Mexico branch and Panamco Bajío, S.A. de C.V. (with English translation) (incorporated by reference to Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
- 4.11 Promotion and Non-Compete Agreement, dated March 11, 2003, entered by and among The Coca-Cola Export Corporation Mexico branch and Panamco Golfo, S.A. de C.V. (with English translation) (incorporated by reference to Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
- 4.12 Memorandum of Understanding, dated as of March 11, 2003, by and among Panamco, as seller, and The Coca-Cola Company, as buyer (incorporated by reference to Panamco's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
- 4.13 The Coca-Cola Company Memorandum to Steve Heyer from Jose Antonio Fernández, dated December 22, 2002 (incorporated by reference to Exhibit 10.1 to FEMSA's Registration Statement on Amendment No. 1 to the Form F-3 filed on September 20, 2004 (File No. 333-117795)).
- 8.1 Significant Subsidiaries.
- 12.1 CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated April [21, 2023](#).
- 12.2 CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated April [21, 2023](#).
- 13.1 Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated April [21, 2023](#).
- 15.1 [Consent letter of Mancera, S.C., a member practice of Ernst & Young Global.](#)
- 15.2 [Consent letter of Deloitte Accountants B.V.](#)

101. INS	Inline XBRL Instance Document.
101. SCH	Inline XBRL Taxonomy Extension Schema Document.
101. CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101. LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101. PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101. DEF	Inline XBRL Taxonomy Extension Definition Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* This was a paper filing, and is not available on the SEC Website.

Omitted from the exhibits filed with this annual report are certain instruments and agreements with respect to our long-term debt, none of which authorizes the issuance of securities in a total amount that exceeds 10% of our total assets. We hereby agree to furnish to the SEC copies of any such omitted instruments or agreements as the SEC requests.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Date: April 21, 2023

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

By: /s/ Eugenio Garza y Garza
Eugenio Garza y Garza
Chief Financial Officer

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES
MONTERREY, N.L., MÉXICO
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Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries (“the Company”) as of December 31, 2022 and 2021, the related consolidated income statements, and statements of comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, based on our audits and the report of other auditors, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We did not audit the consolidated financial statements of Heineken N.V. (a corporation in which the Company has an 8.63% interest at December 31, 2022 and 2021) which is majority owned by Heineken Holding N.V. (a corporation in which the Company has a 12.26% interest at December 31, 2022 and 2021) (collectively “Heineken”). In the consolidated financial statements, the Company’s investment in Heineken includes its share of the net assets of Ps. 59,560 (€. 2,884) and Ps. 59,534 (€. 2,561) million at December 31, 2022 and 2021, respectively, and its equity in the net (loss) income of Heineken of Ps. 8,316 (€. 396), 11,635 (€. 491), and Ps. (842) (€. (30)) million for the years ended December 31, 2022, 2021 and 2020, respectively, which are exclusive of the impact of goodwill and other adjustments recorded by the Company. The consolidated financial statements of Heineken were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Heineken, is based solely on the report of the other auditors.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated April 21, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Impairment testing of distribution rights and goodwill for Coca-Cola FEMSA

Description of the Matter

At December 31, 2022, the Company has distribution rights and goodwill with an aggregate carrying value of approximately \$161,460 million of which \$99,012 million relates to Coca-Cola FEMSA. As explained in Note 13 to the consolidated financial statements, distribution rights and goodwill are tested for impairment annually at the cash generating unit (CGU) level. Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The Company has determined value in use at the CGU level to test for impairment.

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

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the distribution rights and goodwill impairment review processes for Coca-Cola FEMSA, including controls over management's review of the significant assumptions described above, projected financial information and the valuation model used to develop such estimates.

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

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

Recoverability of deferred tax assets for Coca-Cola FEMSA

Description of the Matter

As described in Note 25 to the consolidated financial statements, the Company had recognized deferred tax assets arising from net operating loss carryforwards (NOLs) of approximately \$10,177 million and recoverable tax credits of approximately \$1,065 million of which \$7,207 million and \$1,065 million, respectively, relates to Coca-Cola FEMSA. The Coca-Cola FEMSA NOLs were generated primarily by its Brazilian and Mexican operations and attributable to tax deductions for amortization of goodwill generated from business acquisitions in Brazil and to remeasurement effects of foreign currency denominated borrowings by the Mexico operation. The recoverable tax credits correspond to income tax credits generated in Mexico arising from dividends received from foreign subsidiaries.

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

How We Addressed the Matter in Our Audit

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

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

In addition, with the assistance of our tax professionals, we assessed the application of the tax laws, including the Coca-Cola FEMSA future tax planning opportunities, and tested the scheduling of the timing and amount of reversal of taxable temporary differences.

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

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

/s/ MANCERA, S.C.
We have served as the Company's auditor since 2008
San Pedro Garza Garcia, Mexico
April 21, 2023

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

Consolidated Statements of Financial Position

As of December 31, 2022 and 2021.

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

	Note	2022 (1)	2022	2021
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	\$ 4,280	Ps. 83,439	Ps. 97,407
Investments	6	3	51	24,415
Trade receivables, net	7	2,335	45,527	33,898
Inventories	8	3,192	62,224	50,896
Recoverable taxes	25	993	19,361	18,091
Other current financial assets	9	583	11,369	2,480
Other current assets	9	230	4,478	3,531
Total current assets		11,616	226,449	230,718
NON CURRENT ASSETS				
Equity method accounted investees	10	5,317	103,669	107,299
Property, plant and equipment, net	11	6,873	134,001	115,147
Right-of-use asset	12	4,307	83,966	56,994
Intangible assets, net	13	9,785	190,772	158,138
Deferred tax assets	25	1,379	26,890	20,733
Other non-current financial assets	14	1,221	23,810	41,071
Other non-current assets, net	14	475	9,258	7,400
Total non-current assets		29,357	572,366	506,782
TOTAL ASSETS		\$ 40,973	Ps. 798,815	Ps. 737,500
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Bank loans and notes payable	19	\$ 96	Ps. 1,862	Ps. 2,003
Current portion of non-current debt	19	845	16,479	2,637
Current portion of leases	12	620	12,095	7,306
Interest payable		106	2,075	1,968
Trade payable		4,021	78,400	66,203
Accounts payable		1,633	31,842	27,149
Taxes payable		856	16,694	16,260
Other current financial liabilities	26	896	17,475	13,197
Total current liabilities		9,073	176,922	136,723
NON-CURRENT LIABILITIES				
Bank loans and notes payable	19	8,894	173,400	185,945
Long-term lease liabilities	12	4,166	81,222	55,049
Employee benefits	17	362	7,048	7,600
Deferred tax liabilities	25	350	6,823	6,042
Other non-current financial liabilities	26	339	6,618	2,364
Provisions and other non-current liabilities	26	461	8,981	8,660
Total non-current liabilities		14,572	284,092	265,660
TOTAL LIABILITIES		23,645	461,014	402,383
EQUITY				
Controlling interest:				
Capital stock		172	3,347	3,348
Additional paid-in capital		909	17,714	17,862
Retained earnings		12,884	251,192	238,306
Other comprehensive income		(494)	(9,649)	3,085
Total controlling interest		13,471	262,604	262,601
Non-controlling interest	22	3,857	75,197	72,516
TOTAL EQUITY		17,328	337,801	335,117
TOTAL LIABILITIES AND EQUITY		\$ 40,973	Ps. 798,815	Ps. 737,500

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

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

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

Consolidated Income Statements

For the years ended December 31, 2022, 2021 and 2020.

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

	Note	2022 ⁽¹⁾	2022	2021	2020
Net sales	28	\$ 34,455	Ps. 671,725	Ps. 554,923	Ps. 490,425
Other operating revenues		76	1,477	1,338	2,541
Total revenues		34,531	673,202	556,261	492,966
Cost of goods sold		21,622	421,534	342,548	303,313
Gross profit		12,909	251,668	213,713	189,653
Administrative expenses		1,769	34,486	27,219	22,988
Selling expenses		8,070	157,340	134,079	123,405
Other income	20	56	1,088	5,887	3,343
Other expenses	20	147	2,870	3,727	12,381
Interest expense	19	837	16,314	16,938	17,516
Interest income		197	3,842	1,464	2,100
Foreign exchange loss (gain), net		191	3,729	(1,314)	(385)
Gain on monetary position, net		27	527	738	384
Market value loss (gain) on financial instruments		36	706	(38)	264
Income before income taxes and share in the profit of equity method accounted investees		2,139	41,680	41,191	19,311
Income taxes	25	738	14,395	14,278	14,819
Share in the profit (loss) of equity method accounted investees, net of tax	10	383	7,458	10,765	(736)
CONSOLIDATED NET INCOME		1,784	34,743	37,678	3,756
Controlling interest		1,228	23,909	28,495	(1,930)
Non-controlling interest		556	10,834	9,183	5,686
CONSOLIDATED NET INCOME		\$ 1,784	Ps. 34,743	Ps. 37,678	Ps. 3,756
Controlling interest basic earnings (loss) per share					
Per series "B" share	24	\$ 0.06	Ps. 1.19	Ps. 1.42	Ps. (0.10)
Per series "D" share	24	0.08	1.49	1.78	(0.12)
Controlling interest diluted earnings (loss) per share					
Per series "B" share	24	0.06	1.19	1.42	(0.10)
Per series "D" share	24	0.08	1.49	1.78	(0.12)

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

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

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

Consolidated Statements of Comprehensive Income (Loss)

For the years ended December 31, 2022, 2021 and 2020.

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

	Note	2022 ⁽¹⁾	2022	2021	2020
		\$	Ps.	Ps.	Ps.
CONSOLIDATED NET INCOME		1,784	34,743	37,678	3,756
Items that will be reclassified to consolidated net income in subsequent periods, net of tax:					
Valuation of the effective portion of derivative financial instruments	21	(115)	(2,240)	2,541	1,654
Income on hedge of net investments in foreign operations	19	189	3,677	350	1,060
Exchange differences (loss) income on the translation of foreign operations and equity method accounted investees		(894)	(17,430)	(8,307)	489
Share of other comprehensive income (loss) of equity method accounted investees	10	122	2,369	2,925	(5,948)
Total items that will be reclassified		(698)	(13,624)	(2,491)	(2,745)
Items that will not be reclassified to consolidated net income in subsequent periods, net of tax:					
Gain (loss) due to changes in the fair value in equity financial instruments		(115)	(2,236)	5,165	(3,991)
Share of other comprehensive income (loss) of equity method accounted investees		14	267	590	(111)
Gain (loss) on remeasurements of the net defined benefit liability		34	661	296	(474)
Total items that will not be reclassified		(67)	(1,308)	6,051	(4,576)
Other items of comprehensive income (loss), net of tax		(765)	(14,932)	3,560	(7,321)
Consolidated comprehensive income (loss), net of tax		\$ 1,019	Ps. 19,811	Ps. 41,238	Ps. (3,565)
Controlling interest comprehensive income (loss)		576	11,175	32,423	(3,458)
Non-controlling interest comprehensive income (loss)		443	8,636	8,815	(107)
Consolidated comprehensive income (loss), net of tax		\$ 1,019	Ps. 19,811	Ps. 41,238	Ps. (3,565)

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

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

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

Consolidated Statements of Changes in Equity

For the years ended December 31, 2022, 2021 and 2020.

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

	Notes	Capital Stock	Additional paid-in capital	Retained earnings	Fair value in equity financial instrument	Valuation of the effective portion of derivative financial instrument	Exchange differences on the translation of foreign operations and equity accounted investees	Remeasurements of the net defined benefit liability	Total controlling interest	Non-controlling interest	Total equity
		Ps. 3,348	Ps. 18,162	Ps. 229,794	Ps. (491)	Ps. 1,361	Ps. 2,589	Ps. (2,774)	Ps. 251,989	Ps. 73,762	Ps. 325,751
Balances as of January 1, 2020											
Consolidated net income		—	—	(1,930)	—	—	—	—	(1,930)	5,686	3,756
Other comprehensive income (loss), net		—	—	—	(3,991)	1,306	1,673	(416)	(1,428)	(5,681)	(7,109)
Sale of Joint Venture		—	—	—	—	—	(100)	—	(100)	(112)	(212)
Total other comprehensive income (loss)		—	—	(1,930)	(3,991)	1,306	1,573	(416)	(3,458)	(107)	(3,565)
Dividends declared and paid	22,23	—	—	(10,360)	—	—	—	—	(10,360)	(5,524)	(15,884)
Issuance of share-based compensation plans	18	—	(275)	—	—	—	—	—	(275)	(64)	(339)
Acquisition of Envoy	4	—	(79)	—	—	—	—	—	(79)	1,377	1,298
Other movements in equity method accounted investees, net of tax	10	—	—	(74)	—	—	—	—	(74)	—	(74)
Balances as of December 31, 2020		Ps. 3,348	Ps. 17,808	Ps. 217,430	Ps. (4,482)	Ps. 2,667	Ps. 4,162	Ps. (3,190)	Ps. 237,743	Ps. 69,444	Ps. 307,187
Balances as of January 1, 2021		Ps. 3,348	Ps. 17,808	Ps. 217,430	Ps. (4,482)	Ps. 2,667	Ps. 4,162	Ps. (3,190)	Ps. 237,743	Ps. 69,444	Ps. 307,187
Consolidated net income		—	—	28,495	—	—	—	—	28,495	9,183	37,678
Other comprehensive income (loss), net		—	—	—	5,165	1,563	(3,722)	922	3,928	(368)	3,560
Total other comprehensive income (loss)		—	—	28,495	5,165	1,563	(3,722)	922	32,423	8,815	41,238
Dividends declared and paid		—	—	(7,687)	—	—	—	—	(7,687)	(5,729)	(13,416)
Issuance of share-based compensation plans		—	54	—	—	—	—	—	54	(14)	40
Other movements in equity method accounted investees, net of tax		—	—	68	—	—	—	—	68	—	68
Balances as of December 31, 2021		Ps. 3,348	Ps. 17,862	Ps. 238,306	Ps. 683	Ps. 4,230	Ps. 440	Ps. (2,268)	Ps. 262,601	Ps. 72,516	Ps. 335,117
Balances as of January 1, 2022		Ps. 3,348	Ps. 17,862	Ps. 238,306	Ps. 683	Ps. 4,230	Ps. 440	Ps. (2,268)	Ps. 262,601	Ps. 72,516	Ps. 335,117
Consolidated net income		—	—	23,909	—	—	—	—	23,909	10,834	34,743
Other comprehensive income (loss), net		—	—	—	(2,236)	(1,709)	(9,545)	756	(12,734)	(2,198)	(14,932)
Total other comprehensive income (loss)		—	—	23,909	(2,236)	(1,709)	(9,545)	756	11,175	8,636	19,811
Dividends declared and paid	22,23	—	—	(11,358)	—	—	—	—	(11,358)	(6,176)	(17,534)
Issuance of share-based compensation plans	18	(1)	147	—	—	—	—	—	146	(57)	89
Other acquisition of non-controlling interest		—	(295)	—	—	—	—	—	(295)	(74)	(369)
Contribution from non-controlling interest		—	—	—	—	—	—	—	—	352	352
Other movements in equity method accounted investees, net of tax	10	—	—	335	—	—	—	—	335	—	335
Balances as of December 31, 2022		Ps. 3,347	Ps. 17,714	Ps. 251,192	Ps. (1,553)	Ps. 2,521	Ps. (9,105)	Ps. (1,512)	Ps. 262,604	Ps. 75,197	Ps. 337,801

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

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2022, 2021 and 2020.

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

	2022 ⁽¹⁾		2022		2021		2020	
OPERATING ACTIVITIES								
Income before income taxes and Share in the profit (loss) of equity method accounted investees	\$	2,520	Ps.	49,138	Ps.	51,956	Ps.	18,575
Non-cash items adjustments:								
Operating (income)		158		3,075		(1,884)		(1,544)
Depreciation		1,428		27,831		25,293		25,006
Amortization		138		2,696		2,694		3,043
Gain on sale of long-lived assets		(16)		(308)		(1,176)		(130)
Disposal of long-lived assets		21		416		579		1,290
Impairment of long-lived assets		43		833		1,427		5,102
Share of the profit of equity method accounted investees, net of taxes		(383)		(7,458)		(10,765)		736
Interest income		(197)		(3,842)		(1,464)		(2,100)
Interest expense		837		16,314		16,938		17,516
Foreign exchange loss (gain), net		191		3,729		(1,314)		(385)
Monetary position gain, net		(27)		(527)		(738)		(384)
Market value loss (gain) on financial instruments		36		706		(38)		264
Net cash flows from operating activities before changes in operating accounts		4,749		92,603		81,508		66,989
Trade accounts receivable and other current assets		(399)		(7,777)		(6,050)		2,551
Other current financial assets		(23)		(457)		(743)		31
Inventories		(396)		(7,726)		(7,835)		(247)
Derivative financial instruments		—		5		(69)		124
Trade accounts payable and other accounts		684		13,339		19,931		(1,847)
Other non-current liabilities		10		200		3		901
Other current financial liabilities		114		2,215		732		1,015
Employee benefits paid		(37)		(730)		(771)		(981)
Net cash generated from operations		4,702		91,672		86,706		68,536
Income taxes paid		(979)		(19,096)		(13,616)		(15,363)
Net cash generated by operating activities		3,723		72,576		73,090		53,173

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2022, 2021 and 2020.

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

	2022 ⁽¹⁾	2022	2021	2020
INVESTING ACTIVITIES				
Acquisition of Coca-Cola FEMSA, net of cash (see Note 4)	(121)	(2,356)	—	—
Acquisition of Proximity Division - Americas, net of cash (see Note 4)	(65)	(1,263)	—	—
Acquisition of Valora, net of cash acquired (see Note 4)	(1,052)	(20,504)	—	—
Acquisition of Envoy and other businesses, net of cash acquired (see Note 4)	(825)	(16,076)	(9,612)	(23,284)
Other acquisitions, net of cash acquired	(3)	(59)	—	(137)
Equity method accounted investees	(28)	(542)	(662)	(2,095)
Other equity investments	82	1,593	—	(5,644)
Disposal of investments	—	—	(23,504)	—
Proceeds from investments	1,120	21,830	—	14,149
Interest received	190	3,712	1,715	2,106
Derivative financial instruments	(29)	(560)	213	(191)
Dividends received from equity method accounted investees	133	2,602	5,039	4,180
Property, plant and equipment acquisitions	(1,549)	(30,209)	(18,294)	(18,660)
Proceeds from disposal of property, plant and equipment	24	472	1,478	461
Acquisition of intangible assets	(114)	(2,231)	(2,005)	(1,482)
Proceeds from long-lived assets	—	—	976	—
Investment in other assets	(78)	(1,516)	(997)	(1,082)
Collections of other assets	9	181	213	526
Investment in other financial assets	(77)	(1,506)	(735)	(214)
Net cash (used in) investing activities	(2,383)	(46,432)	(46,175)	(31,367)
FINANCING ACTIVITIES				
Proceeds from borrowings	830	16,185	39,888	129,371
Payments of bank loans	(507)	(9,882)	(38,747)	(63,278)
Interest paid	(429)	(8,358)	(9,469)	(9,615)
Derivative financial instruments	5	103	(3,245)	1,078
Dividends paid	(898)	(17,506)	(13,399)	(15,868)
Contributions from non-controlling interest	19	362	—	—
Acquisition of non-controlling interest	(14)	(266)	—	(11,692)
Interest paid derived from leases	(293)	(5,711)	(5,038)	(4,568)
Payments of leases	(482)	(9,397)	(7,287)	(5,242)
Other financing activities	(73)	(1,428)	308	(611)
Net cash (used in) generated by financing activities	(1,842)	(35,898)	(36,989)	19,575
(Decrease) increase in cash and cash equivalents	(502)	(9,754)	(10,074)	41,381
Cash and cash equivalents at the beginning of the period	4,996	97,407	107,624	65,562
Effects of exchange rate changes and inflation effects on cash and cash equivalents held in foreign currencies	(214)	(4,214)	(143)	681
Cash and cash equivalents at the end of the period	\$ 4,280	Ps. 83,439	Ps. 97,407	Ps. 107,624

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

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

Note 1. Company Business

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

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

Business	% Ownership		Activities
	2022	2021	
Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries (“Coca-Cola FEMSA”)	47.2% (56.0% of the voting shares) ⁽¹⁾	47.2% (56.0% of the voting shares)	Production, distribution and marketing of certain Coca-Cola trademark beverages in Mexico, Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, Brazil, Argentina and Uruguay. As of December 31, 2022, The Coca-Cola Company (“TCCC”) indirectly owns 27.8% of Coca-Cola FEMSA’s capital stock. In addition, shares representing 25% of Coca-Cola FEMSA’s capital stock are traded on the Bolsa Mexicana de Valores (Mexican Stock Exchange “BMV”) and the New York Stock Exchange, Inc. (“NYSE”) in the form of American Depositary Shares (“ADS”).
Proximity Division - Americas ⁽³⁾	100%	100%	Small-box retail chain format operations in Mexico, Colombia, Peru, Chile and Brazil, mainly under the trade name “OXXO.”
Proximity Division - Europe ⁽³⁾⁽⁴⁾	98.15%	—	Small-box retail and foodvenience chain operated by Valora through its portfolio of brands (k kiosk, Brezelkönig, BackWerk, Ditsch, Press & Books, avec, Caffè Spettacolo and ok-) located in Switzerland, Germany, Austria, Luxembourg and the Netherlands; as well as one of the world’s leading producers of pretzels under the trademark “Ditsch”.
Fuel Division	100%	100%	Retail service stations for fuels, motor oils, lubricants and car care products under the trade name “OXXO Gas” with operations in Mexico.
Health Division	100%	100%	Drugstores operations in Chile, Colombia and Ecuador, mainly under the trademark “Cruz Verde”, “Fybeca” and “Sana Sana”; and in Mexico under various brands such as “YZA”, “La Moderna” and “Farmacon.”
Logistics and Distribution	Various (2)	Various (2)	Transport logistics services, specialized distribution and maintenance to subsidiary companies and third parties; with operations mainly in Mexico, the United States, Brazil, Colombia, among other countries in Latin America.
Heineken investment	14.8%	14.8%	Heineken N.V. and Heineken Holding N.V. shares, which represent an aggregate of 14.8% economic interest in both entities (“Heineken Group”). See note 30.
Other businesses	100%	100%	Production and distribution companies of collers, commercial refrigeration equipment, plastic boxes, food processing, preservation and weighing equipment.

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

(2) On May 15, 2020, the Company completed the acquisition of the specialized distribution business of cleaning products and consumables in the United States, through the controlling interest of NW Synergy, which includes WAXIE Sanitary Supply (“WAXIE”) and North American Corporation (“North American”). Additionally, on December 31, 2020, the Company completed the acquisition of Southeastern Paper Group (“SEPG”). During 2022 and 2021 the Company acquired other companies increasing its specialized distribution footprint in the United States. See Note 4.

(3) Starting 2022, the Company opted to report voluntarily a new reportable segment named “Proximity Division - Europe”, which includes Valora’s sales through its portfolio of brands. Additionally, the segment previously called “Proximity Division” was renamed to “Proximity Division - Americas”

(4) As described in note 4, as of October 7, 2022, the Company acquired 96.87% of ownership in Valora Holding AG. Through that date and until December 31, 2022, the Company continued acquiring ownership of Valora, having 98.15% at the end of the year.

Note 2. Basis of Preparation

2.1 Statement of compliance

The consolidated financial statements of the Company as of December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The Company’s consolidated financial statements and notes were authorized for issuance to the Mexican Stock Exchange by the Company’s Board of Directors on February 23, 2023. These consolidated financial statements and notes were then approved by the Company’s Chief Executive Officer Daniel Rodríguez Cofré and the Chief Financial Officer Eugenio Garza y Garza on March 8, 2023, and for issuance by the Company’s Board of Directors on March 9, 2023, and by the Shareholders meeting on March 31, 2023. The accompanying consolidated financial statements were approved for issuance in the Company’s annual report on Form 20-F by the Company’s Chief Executive Officer and Chief Corporate Financial Officer on April 21, 2023 and subsequent events have been considered through that date (see Note 30).

2.2 Basis of measurement and presentation

2.2.1 COVID-19

COVID-19, an infectious disease caused by a virus discovered at the end of 2019, was declared a world-wide pandemic by the WHO on March 11, 2020. The measures to slow the spread of COVID-19 had a significant impact on the global economy.

The COVID-19 pandemic had also caused significant volatility in the financial markets during 2020, undermining investors’ confidence in the growth of countries and businesses. Major stock markets had halted operations on several occasions as persistent market turmoil intensifies and new information became available. In 2021 and 2020, currencies in many of the countries where we operate, including the Mexican peso, had suffered a significant depreciation against the U.S. dollar as compared to 2019, which increased the cost of some of our raw materials, and therefore negatively affected our financial results during that period. The COVID-19 pandemic had also increased the interest rates for short-term loans.

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

Regarding the above, the following were considerations that supported the Company’s going concern basis of accounting:

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

2.2.2 General considerations

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

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

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

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

2.2.3 Presentation of the consolidated income statement

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

2.2.4 Presentation of consolidated statements of cash flows

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

2.2.5 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, 2022, the consolidated income statement, the consolidated statement of comprehensive income (loss) and consolidated statement of cash flows for the year ended December 31, 2022 were converted into U.S. dollars at the closing exchange rate of Ps. 19.4960 Mexican pesos per U.S. dollar as published by the Federal Reserve Bank of New York as of December 31, 2022. This arithmetic conversion should not be construed as a representation that amounts expressed in Mexican pesos may be converted into U.S. dollars at that or any other exchange rate.

As explained in Note 2.1 above, as of April 14, 2023 the exchange rate was Ps. 18.0490 per U.S. dollar, an appreciation of 7.4% since December 31, 2022.

2.3 Critical accounting judgments and estimates

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

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

Judgments and estimations

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

2.3.1 Key sources of estimation uncertainty

The following are the assumptions and other sources of estimation uncertainty 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 in the subsequent financial period. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes would be included in the assumptions when they occur.

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

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

The Company assesses at each reporting date whether there is an indication that a long-lived asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is

considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows expected to be generated from the use of the asset or CGU are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available.

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

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

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

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

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

2.3.1.3 Post-employment and other non-current employee benefits

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

2.3.1.4 Income taxes

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

2.3.1.5 Tax, labor and legal contingencies and provisions

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

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

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

2.3.1.6 Valuation of financial instruments

The Company measures all financial instruments at fair value.

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

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

2.3.1.7 Business combinations

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

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

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

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

2.3.1.8 Equity method accounted investees

If the Company holds, directly or indirectly, 20 percent 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 percent of the voting power of the investee, it is presumed that the Company does not have significant influence, unless such influence can be demonstrated. Decisions regarding the propriety of utilizing the equity method of accounting for a less than 20 percent-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 percent-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 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 or officers hold an additional investment in the investee; and
- Whether the Company is a part of an investee's board of director committees, such as the executive committee or the finance committee.

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

- a) Whether all the parties or a group of the parties, control the arrangement, considering the definition of joint control, as described in Note 3.14; and
- b) Whether decisions about the relevant activities require the unanimous consent of all the parties, or a group of the parties.

2.3.1.9 Venezuela exchange rates and deconsolidation

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

2.3.1.10 Leases

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

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

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

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

2.4 Application of recently issued accounting standards

The Company has applied the following amendments to IFRS during 2022. None of the amendments had a significant impact on the company's financial statements:

2.4.1 Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21, Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

2.4.2 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued amendments to IAS 16, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The company concluded this amendment did not have a material impact on 2022 consolidated financial statements.

2.4.3 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach." The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs that do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The company concluded this amendment did not have a material impact on 2022 consolidated financial statements.

2.4.4 I - Subsidiary as a first-time adopter - amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment will also be applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

2.4.5 Fees in the '10 per-cent' test for derecognition of financial liabilities – amendments to IFRS 9 Financial Instruments

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendments to IFRS 9 Financial Instruments. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments.

Note 3. Significant Accounting Policies

3.1 Basis of consolidation

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

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

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

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

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

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

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

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

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

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

3.1.1 Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do

not involve the loss of control are measured at carrying amount and reflected in shareholders' equity as part of additional paid-in capital.

3.2 Business combinations

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

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

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

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

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

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

The Company sometimes obtains control of an acquiree without transferring consideration. The acquisition method of accounting for a business combination applies to those combinations that may take the following forms:

- (a) The acquiree repurchases a sufficient number of its shares for the Company to obtain control.
- (b) Minority veto rights lapse that previously kept the Company from controlling an acquiree in which it held the majority voting rights.
- (c) The Company and the acquiree agree to combine their businesses by contract alone in which it transfers no consideration in exchange for control and no equity interest is held in the acquiree, either on the acquisition date or previously.

3.3 Foreign currencies, consolidation of foreign subsidiaries and accounting of equity method accounted investees

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

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

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

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

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

- For entities operating in hyperinflationary economic environments, the inflation effects of the origin country are recognized under IAS 29 *Financial Reporting in Hyperinflationary Economies*, and subsequently translated into Mexican pesos using the year-end exchange rate for the consolidated statements of financial position and consolidated income statement and comprehensive income; and
- For entities operating in non-hyperinflationary economic environments, assets and liabilities are translated into Mexican pesos using the year-end exchange rate, equity is translated into Mexican pesos using the historical exchange rate, and the income statement and comprehensive income are translated using the exchange rate at the date of each transaction. The Company uses the average exchange rate of each month if the exchange rate does not fluctuate significantly.

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

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

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

Country or Zone	Functional / Recording Currency	Exchange Rates of Local Currencies Translated to Mexican Pesos (1)				
		Average Exchange Rate for			Exchange Rate as of	
		2022	2021	2020	December 31, 2022	December 31, 2021
Guatemala	Quetzal	2.60	2.62	2.78	2.47	2.67
Costa Rica	Colon	0.03	0.03	0.04	0.03	0.03
Panama	U.S. dollar	20.13	20.28	21.49	19.36	20.58
Colombia	Colombian peso	0.01	0.01	0.01	0.01	0.01
Nicaragua	Cordoba	0.56	0.58	0.63	0.53	0.58
Argentina	Argentine peso	0.15	0.21	0.31	0.11	0.20
Brazil	Reais	3.90	3.76	4.18	3.71	3.69
Chile	Chilean peso	0.02	0.03	0.03	0.02	0.02
Euro Zone	Euro (€)	21.17	24.00	24.48	20.65	23.25
Peru	Nuevo Sol	5.24	5.22	6.15	5.07	5.15
Ecuador	U.S. dollar	20.13	20.28	21.49	19.36	20.58
United States	U.S. dollar	20.13	20.28	21.49	19.36	20.58
Uruguay	Uruguayan peso	0.49	0.47	0.51	0.48	0.46

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

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

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

- Using inflation factors to restate non-monetary assets, such as inventories, property, plant and equipment, net, intangible assets, net including related costs and expenses when such assets are consumed or depreciated;
- Applying the appropriate inflation factors to restate capital stock, additional paid-in capital, net income, retained earnings and items of other comprehensive income by the necessary amount to maintain the purchasing power equivalent in the currency of the subsidiary on the dates such capital was contributed, or income was generated up to the date the consolidated financial statements are presented; and
- Including the monetary position gain or loss in the consolidated net income.

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

As of December 31, 2022, 2021, and 2020, the operations of the Company are classified as follows:

Country	Cumulative Inflation -	Type of Economy	Cumulative Inflation -	Type of Economy	Cumulative Inflation -	Type of Economy
Mexico	15.7 %	Non-hyperinflationary	13.9 %	Non-hyperinflationary	11.2 %	Non-hyperinflationary
Guatemala	12.6 %	Non-hyperinflationary	11.7 %	Non-hyperinflationary	10.9 %	Non-hyperinflationary
Costa Rica	11.4 %	Non-hyperinflationary	5.8 %	Non-hyperinflationary	4.5 %	Non-hyperinflationary
Panama	4.7 %	Non-hyperinflationary	0.9 %	Non-hyperinflationary	(1.5) %	Non-hyperinflationary
Colombia	19.5 %	Non-hyperinflationary	11.4 %	Non-hyperinflationary	8.8 %	Non-hyperinflationary
Nicaragua	19.6 %	Non-hyperinflationary	17.1 %	Non-hyperinflationary	13.5 %	Non-hyperinflationary
Argentina (a)	194.0 %	Hyperinflationary	216.1 %	Hyperinflationary	209.2 %	Hyperinflationary
Brazil	16.4 %	Non-hyperinflationary	20.0 %	Non-hyperinflationary	13.1 %	Non-hyperinflationary
Euro Zone	14.6 %	Non-hyperinflationary	5.8 %	Non-hyperinflationary	2.4 %	Non-hyperinflationary
Chile	20.9 %	Non-hyperinflationary	13.7 %	Non-hyperinflationary	8.8 %	Non-hyperinflationary
Peru	15.4 %	Non-hyperinflationary	10.6 %	Non-hyperinflationary	6.2 %	Non-hyperinflationary
Ecuador	5.8 %	Non-hyperinflationary	22.8 %	Non-hyperinflationary	(0.7) %	Non-hyperinflationary
United States	13.8 %	Non-hyperinflationary	11.0 %	Non-hyperinflationary	3.7 %	Non-hyperinflationary
Uruguay	16.9 %	Non-hyperinflationary	28.5 %	Non-hyperinflationary	28.5 %	Non-hyperinflationary

a) Argentina

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

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

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

3.5 Cash and cash equivalents and restricted cash

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

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

3.6 Investments

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

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

3.7 Financial assets

Financial assets are classified within the following business models depending on management's objective: (i) "held to maturity to recover cash flows," (ii) "held to maturity and to sell financial assets" and (iii) "others or held for trading," including derivatives assigned in hedging instruments with 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.

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

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

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

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

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

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

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

3.7.1 Financial assets at amortized cost

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

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

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

3.7.2 Effective interest rate method (“ERR”)

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

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

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

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

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

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

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

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

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

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

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

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

3.7.6 Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

3.7.7 Derecognition

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

- The rights to receive cash flows from the financial asset have expired; or

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

3.7.8 Offsetting of financial instruments

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

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

3.8 Other financial assets

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

3.9 Derivative financial instruments

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

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

3.9.1 Hedge accounting

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

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

When forward contracts are used to hedge forecasted transactions, the Company generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses related to the effective portion of the change in the spot component of forward contracts are recognized in the cash now hedge reserve under OCI. The change in the forward element of the contract that refers to the hedged item "aligned forward element" is recognized in other comprehensive income in the costs of the hedge reserve in capital stock. In some cases, the Company can designate the total change in the fair value of the forward contract including forward points as a hedging instrument. In those cases, gains or losses related to the effective portion of the change in the fair value of the overall forward contract are recognized in the cash now hedge reserve under OCI.

3.9.2 Cash flow hedges

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

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

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

3.9.2.1 Fair value hedges

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

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

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

3.9.2.2 Hedge of net investment in a foreign business

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

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

3.10 Fair value measurement

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

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

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

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

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

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

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

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

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

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

3.11 Inventories and cost of goods sold

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

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

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

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

3.12 Loans and receivables

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

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

Interest income is recognized by applying the effective interest rate except for current receivables. For the years ended December 31, 2022, 2021 and 2020 there was no interest income on loans and receivables.

3.13 Other current assets

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

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

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

Coca-Cola FEMSA has agreements with customers for the right to sell and promote Coca-Cola FEMSA's products over a certain period. The majority of these agreements have terms of more than one year, and the related costs are amortized using the straight-line method over the term of the contract, with amortization presented as a reduction of net sales. During the years ended December 31, 2022, 2021 and 2020, such amortization aggregated to Ps. 295 Ps. 219 and Ps. 213, respectively.

3.14 Equity method accounted investees

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

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

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

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

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

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

After the application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on its investment in its associate. Goodwill that forms part of the carrying amount of the net investment in an associate or a joint venture is not separately recognized and therefore is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, by comparing its recoverable amount. The Company determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognizes the amount in the share of the profit or loss of associates and joint ventures accounted for using the equity method in the consolidated income statements.

If an investment interest is reduced but continues to be classified as an associate, the Company reclassifies to profits or losses the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to

the reduction in ownership interest if the gain or loss would be required to be reclassified to consolidated net income on the disposal of the related investment.

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

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

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Company recognizes its interest in the joint ventures as an investment and accounts for that investment using the equity method. For the years ended December 31, 2022, 2021 and 2020 the Company does not have an interest in joint operations.

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

The Company reclassifies the proportion of the interest disposed of a joint venture investment based on the overall reduction in the investment. During the years ended December 31, 2022, 2021, and 2020 the Company did not have any significant disposals or partial disposals of joint arrangements.

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

3.15 Property, plant and equipment

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

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

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

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

During 2022, Coca-Cola FEMSA reviewed the useful lives of its property, plant and equipment, and determined changes in its estimated useful lives of these assets. The financial impact of this change for 2022 is immaterial. Changes in these estimations were applied prospectively.

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

	Years
Buildings	25-50
Machinery and equipment	6-15
Distribution equipment	4-10
Refrigeration equipment	6-7
Returnable bottles	1.5-3
Leasehold improvements	The shorter of the lease term or 21 years
Information technology equipment	3-5
Other equipment	3-15

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

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

Returnable and non-returnable bottles:

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

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

There are two types of returnable bottles:

- Those that are in Coca-Cola FEMSA's control within its facilities, plants and distribution centers; and
- Those that have been placed in the hands of customers, and still belong to Coca-Cola FEMSA.

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

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

3.16 Leases

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

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

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

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

As a lessee

Initial recognition

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

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

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

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

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

Subsequent measurement

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

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

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

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

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

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

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

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

As a lessor

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

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

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

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

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

- (i) fixed payments, including those that are in substance fixed payments, which may involve variability, but that are unavoidable, less any lease incentive to be received;
- (ii) payments for variable rent that depend on an index or a rate at the start date of the lease contract;
- (iii) amounts payable by the lessee under residual value guarantees (if applicable);
- (iv) the price related to a purchase option if the lessee is reasonably certain to exercise the option (if applicable); and
- (v) payments for penalties derived from the termination of the lease, if the term of the lease reflects that the lessee will exercise an option to terminate the lease.

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

3.17 Borrowing costs

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

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

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

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

3.18 Intangible assets

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

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

- Customer relationships intangible assets acquired in a business combination, recognized on acquisition and recorded at fair value. After initial recognition, customer relationships intangible assets are stated at cost less accumulated amortization and any impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful economic lives which range from 5 to 25 years.
- Information technology and management system costs incurred during the development stage which are currently in use. Such amounts are capitalized and then amortized using the straight-line method over their expected useful lives, with a range in useful lives from 3 to 10 years. Expenditures that do not fulfill the requirements for capitalization are expensed as incurred.
- Long-term alcohol licenses are amortized using the straight-line method over their estimated useful lives, which are estimated at 12 years, and are presented as part of intangible assets with finite useful lives.

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

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

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

As of December 31, 2022, and in regards to a joint restructure with TCCC for certain bottling agreements, Coca-Cola FEMSA had four bottler agreements in Mexico, (i) Valley of Mexico territory, which is up for renewal in June 2023, (ii) Southeast territory, which is up for renewal in June 2023, (iii) Bajío territory, which is up for renewal in May 2025 and (iv) Golfo territory, which is up for renewal in May 2025. As of December 31, 2022, Coca-Cola FEMSA had one bottler agreement in Brazil, which is up for renewal in October 2027. As of December 31, 2022, Coca-Cola FEMSA had three bottler agreements in Guatemala, which are up for renewal in March 2025 (one contract) and April 2028 (two contracts).

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

As of December 31, 2022, Coca-Cola FEMSA's Venezuela investee (see Note 2.3.1.9) had one bottler agreement, which is up for renewal in August 2026.

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

3.19 Non-current assets held for sale and discontinued operations

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

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

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

Discontinued operations are excluded from the continuing operations and are also presented as a single line item as earnings (loss) after income taxes of discontinued operations in the income statement. For the year ended on December 31, 2022, 2021 and 2020 the Company did not have discontinued operations.

3.20 Impairment of long-lived assets

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

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

The WACC takes into account both debt and cost of equity. The cost of equity is derived from the expected return on investment by Company's investors. The cost of debt is based on the interest-bearing borrowings the Company is obliged to service, which is equivalent to the cost of debt based on the conditions that a creditor would assess in the market. Segment-specific risk is incorporated by applying beta factors which are evaluated annually based on publicly available market data.

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

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

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

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

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

For the years ended December 31, 2022, 2021 and 2020, the Company recognized impairment losses of Ps. 833, Ps. 1,427 and Ps. 5,102, respectively (see Note 20).

3.21 Financial liabilities and equity instruments

3.21.1 Classification as debt or equity

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

3.21.2 Equity instruments

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

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

3.21.3 Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

3.21.4 Loans and borrowings

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

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

3.21.5 Derecognition

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

3.22 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, 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 26.

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

3.23 Post-employment and other long-term employee benefits

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

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

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

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

In December 2022 a Labor Reform was approved, in which the number of vacations granted to workers is extended, which is to take effects in January 2023. The Company made the analysis and determined that the impact of this reform is not significant on its financial statements.

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

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

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

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

3.24 Revenue recognition

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

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

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

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

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

The Company generates revenues for the following activities:

Sale of goods

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

Rendering of services

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

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

Financial income

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

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

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

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

Rewards programs

The Company recognizes a provision for the obligation to award additional benefits to its customers. Management considers in determining that provision, the expectation that some percentage of its customers would not redeem their rewards points in the future based on previous experience. Revenue is recognized when the reward points are redeemed and the related inventory is transferred to the customer.

Variable allowances granted to customers

The Company adjusts the transaction price based on estimates of the promotions, discounts or any other variable allowances that may be granted to the customers. These estimates are based on the commercial agreements celebrated with the customers and on the historical performance for the customer.

Sales discounts are considered variable consideration and are reflected in the client's invoice. Therefore discounts are recorded at the moment of sale (sales are recorded net of discounts).

In the Modern Channel, retail products are sold at a discount based on volume, considering total sales during certain period. Revenues on these sales are recognized based on the price established in the agreement, net of discounts for estimated volume. Accumulated experience is used to estimate discounts, using the expected value method. No element of financing is considered, due to the fact that the majority of sales are made in cash for the Traditional Channel or on credit for the Modern Channel.

Contracts costs

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

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

The asset recognized is amortized in the same manner as the goods and services are transferred to the customer. Accordingly, the asset is recognized in the income statement through its amortization in the same period in which the related revenue is recognized. For the years ended December 31, 2022, 2021 and 2020, contract costs were not significant.

3.25 Administrative and selling expenses

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

Selling expenses include:

- Distribution: labor costs, outbound freight costs, warehousing costs of finished products, write-off of returnable bottles in the distribution process, depreciation and maintenance of trucks and other distribution facilities and equipment. For the years ended December 31, 2022, 2021 and 2020, these distribution costs amounted to Ps. 30,721, Ps. 26,023 and Ps. 24,190, respectively;
- Sales: labor costs and sales commissions paid to sales personnel; and
- Marketing: promotional expenses and advertising costs.

As consequence of the 2021 labor law reform in Mexico there was an increase in the employee profit sharing to be paid to employees on a yearly basis. The increase is the result of transferring employees as obligated by the labor law from service companies to operating companies, where the profit margins are higher and therefore more profit sharing is expected to be paid. In addition, there is a cap on the payment of profit sharing of up to three months of salary per employee or the average of profit sharing received by each employee in the previous three years, whichever is greater.

3.26 Income taxes

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

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

3.26.1 Current income taxes

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

3.26.2 *Deferred income taxes*

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and, 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.

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

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

In Mexico, the income tax rate was 30%, for 2022, 2021 and 2020, and it is expected to remain at 30% for the following years.

3.27 *Share-based payments arrangements*

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

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

3.28 *Earnings per share*

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

3.29 Issuance of subsidiary common shares

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

Note 4. Business Combinations and Disposals

4.1 Business Combinations

The Company has consummated certain business acquisitions during 2022, 2021 and 2020, which were recorded using the acquisition method of accounting. The results of the acquired operations have been included in the consolidated financial statements since the date on which the Company obtained control of the business, as disclosed below. Therefore, the consolidated income statements and the consolidated statements of financial position in the year of such acquisitions are not comparable with previous periods. The consolidated statements of cash flows show the cash outflow and inflow for the acquired operations, net of the cash acquired related to those acquisitions.

Acquisitions completed in the periods presented and disclosed below are presented according to their relative importance to the consolidated financial statements, not necessarily following a chronological order.

4.1.1 Coca-Cola FEMSA

On January 2022, the Company (through Coca-Cola FEMSA) completed the acquisition of 100% of CVI Refrigerantes Ltda. (herein "CVI"), to expand its geographic footprint, for Ps. 1,947 in an all cash consideration. CVI was a bottler of Coca-Cola trademark products which operated in Rio Grande do Sul, Brazil. CVI is included in the Company's results since the acquisition date.

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

	2022
Total current assets, including cash acquired of Ps. 104	Ps. 615
Total non-current assets	972
Distribution rights	894
Total assets	2,481
Total liabilities	(731)
Net assets acquired	1,750
Goodwill arising on acquisition	197
Total consideration transferred	1,947
Amount to be paid	(186)
Net payment on acquisition date	1,761
Cash acquired of CVI	(104)
Net cash paid	Ps. 1,657

Total revenues of CVI for the period from the acquisition date through to December 31, 2022 were Ps. 1,923.

The consolidated total revenues of the Company adjusted to give effect to the acquisition of CVI, as if the acquisition had occurred on January 1, 2022 were Ps. 226,929 (unaudited).

4.1.2 Proximity Division - Europe

On October 2022, the Company (through Proximity Division - Europe) completed the acquisition of 96.87% of Valora Holding AG. (herein "Valora"), for Ps. 22,475 in an all cash consideration.

Due to the timing of the acquisition in the fourth quarter of 2022, the purchase price allocation is preliminary with respect to the valuation of acquired assets, liabilities assumed (including income taxes), intangible assets, and goodwill. The Company continues to obtain the information to complete the purchase price allocation and will record adjustments, if any, during the 12 month measurement period.

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

	2022	
Total current assets, including cash acquired of Ps. 1,971	Ps.	8,536
Right of use assets		18,820
Trademark		1,037
Other non-current assets		8,515
Total assets		36,908
Total liabilities		(34,733)
Net assets acquired		2,175
Goodwill and intangible assets pending of allocation ⁽¹⁾		20,361
Non-controlling interest		61
Total consideration transferred		22,475
Cash acquired		(1,971)
Net cash paid		20,504

(1) Goodwill and intangibles assets pending allocation would include primarily trademarks and customer relationships of which the majority are expected to be indefinite life. The company estimate that the amortization expense of customer relationships during 2022 is not significant.

The Company expects to recover the amounts to be allocated as goodwill through synergies, building on FEMSA's capabilities by leveraging its expertise in the organization and management of small-format proximity stores.

The income statement information of this acquisition for the period from the acquisition date through December 31, 2022 is as follows:

Income Statement	2022	
Total revenues	Ps.	10,064
Income before income taxes		229
Net loss	Ps.	(72)

4.1.3 Logistics and distribution

On May 2022, the Company (through Envoy Solutions LLC) completed the acquisition of 100% of Sigma Supply of North America, LLC. (herein "Sigma Supply"), for Ps. 8,118 in an all cash consideration.

Due to the timing of the acquisition in 2022, the purchase price allocation is preliminary with respect to the valuation of acquired assets, liabilities assumed (including income taxes), intangible assets, and goodwill. The Company continues to obtain the information to complete the purchase price allocation and will record adjustments, if any, during the 12 month measurement period.

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

	2022	
Current assets, including cash acquired of Ps. 15	Ps.	46
Accounts receivable		1,255
Inventory		1,391
Total non-current assets		24
Total assets		2,716
Total liabilities		(560)
Net assets acquired		2,156
Goodwill and intangible assets pending of allocation ⁽¹⁾		5,962
Total consideration transferred		8,118
Cash acquired		(15)
Net cash paid	Ps.	8,103

(1) Goodwill and intangible assets pending allocation would include customer relationships which are expected to be approximately 28% of goodwill and intangible assets pending of allocation. The company estimate that the amortization expense of customer relationships during 2022 is not significant.

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

The income statement information of this acquisition for the period from the acquisition date through December 31, 2022 is as follows:

Income Statement	2022	
Total revenues	Ps.	5,718
Income before income taxes		463
Net income	Ps.	463

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

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

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

(1) Non-controlling interests were measured using the net asset value method.

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

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

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

4.2 Other acquisitions

4.2.1 Coca-Cola FEMSA

On November 2022, the Company (through Coca-Cola FEMSA) completed the acquisition of 100% of the business of "Agua Cristal" from Bepensa, a mexican business group, in the Southeast region of Mexico for Ps. 699 in an all cash consideration transferred. The business of "Agua Cristal" is included in the Company results since December, 2022. As of the date of these Financial Statements, the Company is in the process of completing the evaluation of the fair value of this acquisition; however the Company booked provisional amounts, among which the main are property, plant and equipment for Ps. 448 and distribution rights for Ps.228, the provisional amount of goodwill amounts to Ps. 8 and the amount of liabilities assumed was not significant.

4.2.2 Proximity Division - Americas

On February 2022, the Company (through Proximity Division - Americas) completed the acquisition of 100% of Ok Market (herein "Ok Market"), a chain of small-format proximity stores in Chile, for Ps. 1,269 in an all cash consideration.

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

	2022
Total current assets, including cash acquired of Ps. 6	Ps. 463
Total non-current assets	1,238
Total assets	1,701
Total liabilities	(1,055)
Net assets acquired	646
Goodwill	623
Total consideration transferred	1,269
Cash acquired	(6)
Net cash paid	Ps. 1,263

The Company expects to recover the amounts recorded as goodwill through synergies, building on FEMSA's capabilities by leveraging its expertise in the organization and management of small-format proximity stores.

The income statement information of this acquisition for the period from the acquisition date through December 31, 2022 is as follows:

Income Statement	2022
Total revenues	Ps. 2,635
Income before income taxes	314
Net income	Ps. 204

4.2.3 Logistics and distribution

During 2022, the Company (through Envoy Solutions LLC) completed the acquisition of 100% of ATRA Janitorial Supply Co., LLC. (herein "Atra"), Hughes Enterprises, LLC. (herein "Hughes"), Sunbelt Packaging, LLC. (herein "Sunbelt"), H.T. Berry Company, LLC. (herein "H.T. Berry") and other smaller acquisitions for Ps. 8,171 in an all cash consideration.

Due to the timing of the acquisition in 2022, the purchase price allocation is preliminary with respect to the valuation of acquired assets, liabilities assumed (including income taxes), intangible assets, and goodwill. The Company continues to obtain the information to complete the purchase price allocation and will record adjustments, if any, during the 12 month measurement period.

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

	2022
Total current assets, including cash acquired of Ps. 198	Ps. 2,023
Total non-current assets	489
Total assets	2,512
Total liabilities	(838)
Net assets acquired	1,674
Goodwill and intangible assets pending of allocation (1)	6,497
Total consideration transferred	8,171
Cash acquired	(198)
Net cash paid	Ps. 7,973

(1) Goodwill and intangible assets pending allocation would include customer relationships which are expected to be approximately 28% of goodwill and intangible assets pending of allocation. The company estimate that the amortization expense of customer relationships during 2022 is not significant.

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

The income statement information of these acquisitions for the period from the acquisition date through December 31, 2022 is as follows:

Income Statement	2022	
Total revenues	Ps.	2,148
Income before income taxes		115
Net income	Ps.	115

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

In 2022, the Company finalized the allocation of the purchase price to the fair values of the identifiable assets acquired and liabilities assumed for acquisitions completed during the prior year, with no significant variations to the preliminary allocation to the fair value of the net assets acquired, which were included in its audited annual consolidated financial statements as of and for the year ended December 31, 2021.

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

	2021	
Total current assets, including cash acquired of Ps. 337	Ps.	2,795
Customer relationships		2,864
Trademarks		58
Other non-current assets		1,594
Total assets		7,311
Total liabilities		(2,907)
Net assets acquired		4,404
Goodwill		5,545
Total consideration transferred		9,949
Amount to be paid		(337)
Net cash paid	Ps.	9,612

(1) As a result of the purchase price allocation which was finalized in 2022, additional fair value adjustments from those recognized in 2021 have been recognized as follows: an increase in total net assets of Ps. 3,068 (from which Ps. 2,864 are customer relationships and Ps. 58 are trademarks), and a decrease in goodwill of Ps. 2,395.

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

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

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

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

Unaudited Pro Forma Financial Data

The following unaudited consolidated pro forma financial data represent the Company's historical financial information, adjusted to give effect to (i) the acquisitions of Valora, Sigma Supply and the other acquisitions made by Envoy Solutions LLC as if these acquisitions had occurred on January 1, 2022; and (ii) certain accounting adjustments mainly related to the pro forma depreciation of fixed assets and amortization of definite life intangibles of the acquired companies.

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

	For the year ended December 31, 2022	
Total revenues	Ps.	730,624
Income before income taxes and share of the profit of equity method accounted investees		43,318
Net income		34,864
Basic net controlling interest income per share Series "B"	Ps.	1.20
Basic net controlling interest income per share Series "D"		1.50

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

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

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

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

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

For the year ended
December 31, 2020

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

4.3. Disposals

4.3.1 Specialty's

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

In connection with Specialty's closing, the Company recorded an impairment charge of Ps. 2,021.

Note 5. Cash and Cash Equivalents

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

	December 31, 2022		December 31, 2021	
Cash and bank balances	Ps.	39,598	Ps.	32,145
Cash equivalents (see Note 3.5)		43,841		65,262
	Ps.	83,439	Ps.	97,407

Note 6. Investments

As of December 31, 2022 and 2021, current investments with a maturity greater than three months but less than twelve months are carried at amortized cost, and their carrying value is similar to their fair value. The following is a detail of such investments:

<i>Fixed-rate</i>	2022		2021	
Corporate debt securities				
Acquisition cost	Ps.	21	Ps.	24,396
Accrued interest		30		19
Total investments	Ps.	51	Ps.	24,415

Note 7. Trade Accounts Receivable, Net

	December 31, 2022		December 31, 2021	
Trade accounts receivable	Ps.	39,331	Ps.	30,564
The Coca-Cola Company (see Note 15)		776		820
Loans to employees		131		118
Heineken Group (see Note 15)		1,172		1,191
Others		6,355		3,156
Allowance for expected credit losses		(2,238)		(1,951)
	Ps.	45,527	Ps.	33,898

7.1 Trade receivables

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

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

Because less than 5% of the trade accounts receivables are unrecoverable, the Company does not have customers classified as "high risk," which would be eligible to have special management conditions for the credit risk. As of December 31, 2022, the main customers of the Company represent, in aggregate form, 13% of the expected loss of unrecoverable trade receivable accounts.

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

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

The parameters used within the model are:

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

Aging of accounts receivable (days current or outstanding)

	December 31, 2022		December 31, 2021	
Current	Ps.	36,978	Ps.	28,523
0-30 days		7,517		4,108
31-60 days		1,037		622
61-90 days		463		373
91-120 days		291		748
120+ days		1,479		1,475
Total	Ps.	47,765	Ps.	35,849

7.2 Changes in the allowance for expected credit losses

	2022	2021	2020
Balance at the beginning of the period	Ps. 1,951	Ps. 2,462	Ps. 2,189
Allowance for the period	1,060	496	591
Additions (write-offs) of uncollectible accounts	(945)	(821)	(613)
Addition from business combinations	166	—	273
Effects of changes in foreign exchange rates	6	(186)	22
Balance at the end of the period	<u>Ps. 2,238</u>	<u>Ps. 1,951</u>	<u>Ps. 2,462</u>

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

7.3 Payments from The Coca-Cola Company

The Coca-Cola Company participates in certain advertising and promotional programs as well as in Coca-Cola FEMSA's refrigeration equipment and returnable bottles investment program. Contributions received by Coca-Cola FEMSA for advertising and promotional incentives are recognized as a reduction in selling expenses and contributions received for the refrigeration equipment and returnable bottles investment program are recorded as a reduction in the carrying amount of refrigeration equipment and returnable bottles items. For the years ended December 31, 2022, 2021, and 2020 contributions received were Ps. 1,170, Ps. 2,437 and Ps. 1,482, respectively.

Note 8. Inventories

	December 31, 2022	December 31, 2021
Finished products	Ps. 53,185	Ps. 40,742
Raw materials	6,383	6,138
Spare parts	1,159	1,109
Work in process	1,028	960
Inventories in transit	469	1,947
	<u>Ps. 62,224</u>	<u>Ps. 50,896</u>

For the years ended 2022, 2021 and 2020, the Company recognized write-downs of its inventories for Ps. 2,040, Ps. 1,871 and Ps. 2,046 to net realizable value, respectively.

For the years ended 2022, 2021 and 2020, changes in inventories are comprised of the following and included in the consolidated income statement under the cost of goods sold caption:

	2022	2021	2020
Changes in inventories of finished goods and work in progress	Ps. 270,345	Ps. 246,134	Ps. 209,410
Raw materials and consumables used	114,857	85,286	79,896
Total	<u>Ps. 385,202</u>	<u>Ps. 331,420</u>	<u>Ps. 289,306</u>

Note 9. Other Current Assets and Other Current Financial Assets

9.1 Other current assets

	December 31, 2022	December 31, 2021
Prepaid expenses	Ps. 3,953	Ps. 3,115
Agreements with customers	208	111
Licenses	247	218
Assets classified as held for sale	27	10
Other	43	77
	<u>Ps. 4,478</u>	<u>Ps. 3,531</u>

As of December 31, 2022 and 2021, the Company's prepaid expenses are as follows:

	December 31, 2022	December 31, 2021
Advances for inventories	Ps. 1,964	Ps. 2,110
Advertising and promotional expenses paid in advance	119	105
Advances to service suppliers	44	81
Prepaid leases	64	118
Prepaid insurance	332	284
Others	1,430	417
	Ps. 3,953	Ps. 3,115

For the years ended December 31, 2022, 2021 and 2020, the Company's advertising and promotional expenses amounted to Ps. 5,768, Ps. 7,586 and Ps. 7,471, respectively.

9.2 Other current financial assets

	2022	2021
Restricted cash	Ps. 1,103	Ps. 688
Derivative financial instruments (see Note 21)	10,061	1,629
Note receivables ⁽¹⁾	205	163
	Ps. 11,369	Ps. 2,480

(1) The carrying value approximates its fair value as of December 31, 2022 and 2021.

The Company has pledged part of its cash to fulfill the collateral requirements for the accounts payable in different currencies. As of December 31, 2022 and 2021, the restricted cash pledged was held in:

	2022	2021
U.S. Dollars	Ps. 1,095	Ps. 685
Chilean pesos	8	3
	Ps. 1,103	Ps. 688

The restricted cash in U.S. Dollars corresponds to operations in Brazil and relates to short term deposits in order to fulfill the collateral requirements for accounts payable.

Note 10. Equity Method Accounted Investees

As of December 31, 2022 and 2021, Company's equity method accounted investees are as follows:

Investee	Principal Activity	Place of Incorporation	Ownership Percentage		Carrying Value	
			December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Heineken ⁽¹⁾⁽²⁾	Beverages	The Netherlands	14.8 %	14.8 %	Ps. 92,282	Ps. 96,349
Coca-Cola FEMSA:						
Joint ventures:						
Dispensadoras de Café, S.A.P.I. de C.V.	Services	Mexico	50.0 %	50.0 %	189	183
Fountain Agua Mineral, L.T.D.A.	Beverages	Brazil	50.0 %	50.0 %	752	699
Planta Nueva Ecología De Tabasco, S.A. de C.V.	Recycling	Mexico	50.0 %	50.0 %	578	18
Associates:						
Promotora Industrial Azucarera, S.A. de C.V. ("PIASA")	Sugar production	Mexico	36.4 %	36.4 %	3,632	3,348
Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA")	Canned bottling	Mexico	26.5 %	26.5 %	157	178
Industria Mexicana de Reciclaje, S.A. de C.V. ("IMER")	Recycling	Mexico	35.0 %	35.0 %	100	102
Jugos del Valle, S.A.P.I. de C.V.	Beverages	Mexico	29.3 %	28.8 %	2,267	2,128
Leao Alimentos e Bebidas, L.T.D.A.	Beverages	Brazil	25.1 %	24.7 %	388	404
TROP Frutas do Brasil S.A. ("TROP")	Beverages	Brazil	23.9 %	23.6 %	13	55
Alimentos de Soja S.A.U.	Beverages	Argentina	10.7 %	10.7 %	282	263
Other investments in Coca-Cola FEMSA	Various	Various	Various	Various	94	116
Proximity Division - Americas:						
Raizen Conveniências	Proximity	Brazil	50.0 %	50.0 %	2,371	2,567
Other investments ⁽¹⁾⁽⁶⁾	Various	Various	Various	Various	564	889
					Ps. 103,669	Ps. 107,299

(1) Associate.

(2) As of December 31, 2022 and 2021 comprised of 8.63% of Heineken, N.V. and 12.26% of Heineken Holding, N.V., which represents an economic interest of 14.76% in Heineken Group. The Company has significant influence, mainly, because it participates in the Board of Directors of Heineken Holding, N.V. and the Supervisory Board of Heineken N.V.; and for the material transactions between the Company and Heineken Group (see Note 30).

(3) Joint ventures.

During 2022, Coca-Cola FEMSA's ownership in Jugos del Valle, S.A.P.I. de C.V. increased due to a corporate restructuring and its ownership in Leao Alimentos e Bebidas, LTDA, Trop Frutas do Brasil, LTDA increased due to the acquisition of CVI.

During 2022 and 2021 Coca-Cola FEMSA received dividends from Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA") for the amount of Ps. 16 and Ps. 16, respectively.

During 2022 Coca-Cola FEMSA made capital contributions to Planta Nueva Ecología de Tabasco S.A. de C.V. for the amounts of Ps. 560, and there were no changes in the ownership percentage as a result of capital contributions made by the other shareholders.

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

During 2021, Coca-Cola FEMSA recognized an impairment on its investment in Trop Frutas Do Brasil LTDA. for the amount of Ps. 250.

During 2020 Coca-Cola FEMSA recognized impairments on its investment in Compañía Panameña de Bebidas, S.A.P.I. de C.V. and Leao Alimentos y Bebidas LTDA. for the amounts of Ps. 1,463 and Ps. 1,038, respectively.

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

On April 30, 2010, the Company acquired an economic interest of 20% of Heineken Group. Heineken's main activities are the production, distribution and marketing of beer worldwide. On September 18, 2017, the Company concluded the sale of a portion of its investment, representing 5.2% combined economic interest, consisting of 22,485,000 Heineken N.V. shares and 7,700,000 Heineken Holding N.V. shares at the price of € 84.50 and € 78.00 per share, respectively.

The Company recognized an equity income (loss) of Ps. 7,359, Ps. 10,775 and Ps. (434) net of taxes based on its economic interest in Heineken Group for the years ended December 31, 2022, 2021 and 2020, respectively. The economic interest as of December 31, 2022 and 2021 was 14.8%. The Company's share of the net income (loss) attributable to equity holders of Heineken Group exclusive of amortization of adjustments amounted to Ps. 8,316 (€396 million), Ps. 11,635 (€ 491 million) and Ps. (842) (€ (30) million), for the years ended December 31, 2022, 2021 and 2020, respectively.

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

Amounts in millions	December 31, 2022		December 31, 2021	
	Peso	Euro	Peso	Euro
Total current assets	Ps. 227,481	€ 11,015	Ps. 222,653	€ 9,578
Total non-current assets	854,803	41,391	912,929	39,272
Total current liabilities	293,050	14,190	281,141	12,094
Total non-current liabilities	336,543	16,296	396,489	17,056
Total equity	452,690	21,920	457,952	19,700
Equity attributable to equity holders	403,765	19,551	403,463	17,356
Total revenue and other income	Ps. 598,072	€ 28,866	Ps. 555,269	€ 23,462
Total cost and expenses	509,333	24,583	449,171	18,979
Net income	Ps. 62,965	€ 3,039	Ps. 83,662	€ 3,535
Net income attributable to equity holders	55,568	2,682	78,668	3,324
Other comprehensive income	6,257	302	31,713	1,340
Total comprehensive income	Ps. 69,222	€ 3,341	Ps. 115,375	€ 4,875
Total comprehensive income attributable to equity holders	62,965	3,039	107,968	4,562

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

Amounts in millions	December 31, 2022		December 31, 2021	
	Peso	Euro	Peso	Euro
Equity attributable to equity holders of Heineken	Ps. 403,765	€ 19,551	Ps. 403,463	€ 17,356
Economic ownership percentage	14.76 %	14.76 %	14.76 %	14.76 %
Investment in Heineken investment exclusive of goodwill and other adjustments	Ps. 59,560	€ 2,884	Ps. 59,534	€ 2,561
Effects of fair value determined by purchase price allocation	14,528	704	16,342	703
Goodwill	18,194	881	20,473	881
Heineken investment	Ps. 92,282	€ 4,469	Ps. 96,349	€ 4,145

As of December 31, 2022 and 2021, the fair value of the Company's investment in Heineken N.V. Holding and Heineken N.V. represented by shares equivalent to 14.8% of its outstanding shares amounted to Ps. 143,638 (€.6,912 million) and Ps. 181,059 (€.7,779 million) based on quoted market prices of those dates. As of April 14, 2023, the fair value amounted to €. 8,090 million.

During the years ended December 31, 2022, 2021 and 2020, the Company received dividends distributions from Heineken Group, amounting to Ps. 2,635, Ps. 2,005 and Ps. 2,322, respectively.

For the years ended December 31, 2022, 2021 and 2020 the equity (loss) earnings recognized for associates of Coca-Cola FEMSA were Ps. 194, Ps. 85 and Ps. (124), respectively.

For the years ended December 31, 2022, 2021 and 2020 the equity (loss) earnings recognized for joint ventures of Coca-Cola FEMSA were Ps. 192, Ps. 3 and Ps. (157), respectively.

For the year ended December 31, 2022, 2021 and 2020, the Company's share of other comprehensive income from equity investees, net of taxes are as follows:

	2022	2021	2020
Items that may be reclassified to consolidated net income:			
Valuation of the effective portion of derivative financial instruments	Ps. (286)	Ps. 32	Ps. (14)
Exchange differences on translating foreign operations	2,655	2,893	(5,934)
Total	Ps. 2,369	Ps. 2,925	Ps. (5,948)
Items that may not be reclassified to consolidated net income in subsequent periods:			
Remeasurements of the net defined benefit liability	Ps. 267	Ps. 590	Ps. (111)

Note 11. Property, Plant and Equipment

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
Cost as of January 1, 2020	Ps. 9,682	Ps. 26,794	Ps. 82,646	Ps. 17,301	Ps. 16,152	Ps. 9,601	Ps. 25,291	Ps. 793	Ps. 188,260
Additions ⁽¹⁾	241	616	5,277	137	2,613	6,979	2,611	185	18,659
Additions from business acquisitions	158	—	200	—	—	3	46	81	488
Changes in the fair value of past acquisitions	—	—	59	—	—	—	—	—	59
Transfer of completed projects in progress	4	809	3,471	1,192	57	(5,644)	110	1	—
Transfer (to)/from assets classified as held for sale	—	—	449	—	—	—	—	—	449
Disposals	(13)	(122)	(3,358)	(1,073)	(561)	(12)	(808)	(58)	(6,005)
Specialty's disposal	—	—	(775)	—	—	(24)	(1,036)	—	(1,835)
Effects of changes in foreign exchange rates	(238)	(1,135)	(2,233)	(797)	(629)	(339)	310	(97)	(5,158)
Effects on the recognition of inflation effects	88	293	990	189	291	(30)	3	—	1,824
Cost as of December 31, 2020	Ps. 9,922	Ps. 27,255	Ps. 86,726	Ps. 16,949	Ps. 17,923	Ps. 10,534	Ps. 26,527	Ps. 905	Ps. 196,741
Cost as of January 1, 2021	Ps. 9,922	Ps. 27,255	Ps. 86,726	Ps. 16,949	Ps. 17,923	Ps. 10,534	Ps. 26,527	Ps. 905	Ps. 196,741
Additions ⁽¹⁾	303	484	5,263	115	3,655	8,527	2,869	237	21,453
Additions from business acquisitions	—	—	86	—	—	—	—	—	86
Changes in the fair value of past acquisitions	—	—	55	—	—	—	3	—	58
Transfer of completed projects in progress	3	768	4,997	1,351	31	(7,384)	215	19	—
Transfer (to)/from assets classified as held for sale	—	—	60	—	—	—	(8)	4	56
Disposals	(93)	(205)	(7,196)	(1,614)	(2,300)	(190)	(1,771)	(32)	(13,401)
Effects of changes in foreign exchange rates	(162)	(657)	(1,487)	(556)	(364)	(752)	(76)	(82)	(4,136)
Effects on the recognition of inflation effects	140	464	1,580	318	487	1	—	—	2,990
Cost as of December 31, 2021	Ps. 10,113	Ps. 28,109	Ps. 90,084	Ps. 16,563	Ps. 19,432	Ps. 10,736	Ps. 27,759	Ps. 1,051	Ps. 203,847

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, 2022	Ps.	10,113	Ps.	28,109	Ps.	90,084	Ps.	16,563	Ps.	19,432	Ps.	10,736	Ps.	27,759	Ps.	1,051	Ps.	203,847
Additions ⁽¹⁾		447		774		8,239		939		4,124		15,597		2,669		397		33,184
Additions from business acquisitions		201		1,268		4,478		126		8		699		175		—		6,955
Changes in the fair value of past acquisitions		—		—		(68)		—		—		—		36		(18)		(51)
Transfer of completed projects in progress		159		1,571		4,794		2,485		645		(9,954)		290		10		—
Transfer (to)/from assets classified as held for sale		—		—		(107)		—		—		—		—		—		(107)
Disposals		(33)		(259)		(3,362)		(1,072)		(381)		(290)		(214)		(14)		(5,626)
Effects of changes in foreign exchange rates		(458)		(1,167)		(1,955)		(1,276)		(1,707)		(589)		641		(165)		(6,677)
Effects on the recognition of inflation effects		222		735		2,903		536		849		7		—		(2)		5,250
Cost as of December 31, 2022	Ps.	10,651	Ps.	31,030	Ps.	105,004	Ps.	18,300	Ps.	22,970	Ps.	16,204	Ps.	31,356	Ps.	1,259	Ps.	236,775

(1) Total includes Ps. 2,278, Ps. 3,784 and Ps. 289 outstanding payment to suppliers, as of December 31, 2022, 2021 and 2020 respectively.

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

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

Accumulated Depreciation	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
Accumulated Depreciation as of January 1, 2021	Ps. —	Ps. (7,643)	Ps. (43,110)	Ps. (9,162)	Ps. (12,152)	Ps. —	Ps. (11,130)	Ps. (438)	Ps. (83,635)
Depreciation for the year	—	(870)	(8,344)	(1,795)	(2,708)	—	(2,462)	(154)	(16,333)
Transfer to/(from) assets classified as held for sale	—	—	(38)	—	—	—	—	—	(38)
Disposals	—	80	5,312	1,493	2,391	4	1,649	27	10,956
Effects of changes in foreign exchange rates	—	151	864	372	222	—	417	88	2,114
Changes in value on the recognition of inflation effects	—	(139)	(946)	(208)	(427)	—	(6)	(38)	(1,764)
Accumulated Depreciation as of December 31, 2021	Ps. —	Ps. (8,421)	Ps. (46,262)	Ps. (9,300)	Ps. (12,674)	Ps. 4	Ps. (11,532)	Ps. (515)	Ps. (88,700)

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, 2022	Ps. —	Ps. (8,421)	Ps. (46,262)	Ps. (9,300)	Ps. (12,674)	Ps. 4	Ps. (11,532)	Ps. (515)	Ps. (88,700)
Depreciation for the year	—	(1,393)	(9,107)	(2,015)	(3,234)	—	(2,456)	(134)	(18,339)
Transfer to/(from) assets classified as held for sale	—	—	89	—	—	—	—	—	89
Disposals	—	217	3,319	936	305	—	248	12	5,037
Effects of changes in foreign exchange rates	—	298	745	860	1,274	—	(766)	144	2,555
Changes in value on the recognition of inflation effects	—	(244)	(2,034)	(354)	(745)	—	(5)	(34)	(3,416)
Accumulated Depreciation as of December 31, 2022	Ps. —	Ps. (9,544)	Ps. (53,249)	Ps. (9,873)	Ps. (15,074)	Ps. 4	Ps. (14,510)	Ps. (528)	Ps. (102,774)

Carrying Amount	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
As of December 31, 2020	Ps. 9,922	Ps. 19,612	Ps. 43,616	Ps. 7,787	Ps. 5,771	Ps. 10,534	Ps. 15,397	Ps. 467	Ps. 113,106
As of December 31, 2021	Ps. 10,113	Ps. 19,688	Ps. 43,822	Ps. 7,263	Ps. 6,758	Ps. 10,740	Ps. 16,227	Ps. 536	Ps. 115,147
As of December 31, 2022	Ps. 10,651	Ps. 21,486	Ps. 51,755	Ps. 8,428	Ps. 7,896	Ps. 16,209	Ps. 16,846	Ps. 730	Ps. 134,001

For the years ended December 31, 2022, 2021 and 2020, the Company did not recognize any capitalization of borrowing costs.

Note 12. Leases

During 2022, the activity in the Company's right-of-use assets was as follows:

	Land and buildings	Other ⁽¹⁾	Total
Cost as of January 1, 2022	Ps. 54,944	2,050	56,994
Additions	10,208	478	10,686
Additions from business combinations	21,414	519	21,933
Disposals	(1,464)	(77)	(1,541)
Remeasurements	6,228	494	6,722
Depreciation	(9,366)	(1,106)	(10,472)
Effects of changes in foreign exchange rates and restatement effects associated with hyperinflationary economies	(211)	(145)	(356)
Right-of-use assets, net as of December 31, 2022	Ps. 81,753	2,213	83,966

(1) Other assets mainly include transportation equipment and servers.

As of December 31, 2022, the lease liabilities are integrated as follows:

	December 31, 2022
Maturity analysis – contractual undiscounted cash flows	
Less than one year	Ps. 14,374
One to five years	45,562
Five to ten years	32,348
More than ten years	14,282
Total undiscounted lease liabilities on December 31	106,566
Lease liabilities included in the statement of financial position on December 31	93,317
Current	12,095
Non-Current	Ps. 81,222

As December 31, 2022, the weighted average incremental borrowing rate was 9.17%.

The interest expense for leases reported in the income statement for the year ended December 31, 2022 was Ps. 5,789.

The expense relating to short-term leases and leases of low-value assets for the year ended December 31, 2022 was Ps. 841.

For the year ended December 31, 2022, the amounts recognized in the consolidated statement of cash flows related to leases paid, including interest paid derived from leases, are Ps. 15,108

As of December 31, 2022, the accumulated amount of concessions, decreases or cancellations for rent, which arose as a direct consequence of COVID-19 were not material. The Company applied the practical expedient to all decreases that met the criteria of the amendment to IFRS 16 effective as of June 1, 2020.

During 2021, the activity in the Company's right-of-use assets was as follows:

	Land and buildings	Other ⁽¹⁾	Total
Cost as of January 1, 2021	Ps. 52,764	1,893	54,747
Additions	7,485	386	7,871
Additions from business combinations	1,440	100	1,540
Disposals	(1,337)	(34)	(1,371)
Remeasurements	3,776	188	3,964
Depreciation	(8,363)	(597)	(8,960)
Effects of changes in foreign exchange rates and restatement effects associated with hyperinflationary economies	(821)	24	(797)
Right-of-use assets, net as of December 31 2021	Ps. 54,944	2,050	56,994

(1) Other assets mainly include transportation equipment and servers.

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

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

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

The interest expense for leases reported in the income statement for the year ended-December 31, 2021 and 2020 was Ps. 5,118 and Ps. 5,074, respectively.

The expense relating to short-term leases and leases of low-value assets for the year ended December 31, 2021 and 2020 was Ps. 112 and Ps. 508, respectively.

For the year ended December 31, 2021 and 2020, the amounts recognized in the consolidated statement of cash flows related to leases paid, including interest paid derived from leases, are Ps. 12,325 and Ps. 9,810, respectively.

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

12.1 Land and buildings leases

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

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

Variable lease payments based on sales

Some leases of retail stores contain variable lease payments that are based on sales that the Company makes at the store. Variable rental payments were not significant for the year ended December 31, 2022 and 2021.

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

Extension options

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

period of the expiration of the current lease term. Extension options on leases do not represent a significant impact on the right-of-use assets on December 31, 2022 and 2021.

12.2 Other leases

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

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

Note 13. Intangible Assets

	Rights to Produce and Distribute Coca-Cola Trademark Products	Goodwill	Trademark Rights	Other Indefinite Lived Intangible Assets	Total Unamortized Intangible Assets	Technology Costs and Management Systems	Customer Relationships ⁽¹⁾	Alcohol Licenses	Other	Total Amortized Intangible Assets	Total Intangible Assets
Cost as of January 1, 2020	Ps. 81,255	Ps. 47,907	Ps. 6,600	Ps. 1,702	Ps. 137,464	Ps. 9,566	Ps. 2,012	Ps. 1,829	Ps. 2,531	Ps. 15,938	Ps. 153,402
Additions	1	—	—	—	1	771	—	111	604	1,486	1,487
Acquisitions from business combinations (see Note 4)	—	12,080	2,101	—	14,181	26	8,596	—	1	8,623	22,804
Changes in fair value of past acquisitions	—	(1,086)	285	—	(801)	—	745	—	22	767	(34)
Transfer of completed development systems	—	—	—	—	—	398	—	—	(398)	—	—
Disposals	—	(183)	(116)	(311)	(610)	(164)	—	(43)	(378)	(585)	(1,195)
Specialty's disposal	—	(1,194)	(215)	(11)	(1,420)	—	—	—	(5)	(5)	(1,425)
Effect of movements in exchange rates	(4,067)	(4,704)	(8)	(4)	(9,323)	276	(1,503)	—	(65)	(1,292)	(10,615)
Changes in value on the recognition of inflation effects	—	—	—	—	—	—	—	—	38	38	38
Cost as of December 31, 2020	Ps. 76,649	Ps. 52,820	Ps. 8,647	Ps. 1,376	Ps. 139,492	Ps. 10,873	Ps. 9,850	Ps. 1,897	Ps. 2,350	Ps. 24,970	Ps. 164,462

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

(1) Includes customer relationships related to the acquisitions through Envoy Solutions disclosed in Note 4.

	Rights to Produce and Distribute Coca-Cola Trademark Products	Goodwill	Trademark Rights	Other Indefinite Lived Intangible Assets	Total Unamortized Intangible Assets	Technology Costs and Management Systems	Customer Relationships ⁽¹⁾	Alcohol Licenses	Other	Total Amortized Intangible Assets	Total Intangible Assets
Cost as of January 1, 2022	Ps. 75,396	Ps. 57,351	Ps. 8,073	Ps. 1,413	Ps. 142,233	Ps. 10,661	Ps. 10,800	Ps. 2,006	Ps. 2,470	Ps. 25,937	Ps. 168,170
Additions	—	22	—	12	34	672	—	50	1,476	2,198	2,232
Acquisitions from business combinations (see Note 4)	1,116	33,715	1,077	—	35,908	373	—	—	1,054	1,427	37,335
Changes in fair value of past acquisitions	—	(2,557)	—	—	(2,557)	—	2,955	—	—	2,955	398
Internal developments	—	—	—	—	—	10	—	—	—	10	10
Transfer of completed development systems	—	—	—	—	—	65	—	(50)	(15)	—	—
Disposals	—	—	—	(2)	(2)	(891)	(3)	(29)	—	(923)	(925)
Effect of movements in exchange rates	(756)	(2,057)	(106)	(158)	(3,077)	15	(264)	—	466	217	(2,860)
Changes in value on the recognition of inflation effects	—	—	—	—	—	—	—	—	80	80	80
Impairment	—	(770)	—	—	(770)	—	—	—	—	—	(770)
Cost as of December 31, 2022	Ps. 75,756	Ps. 85,704	Ps. 9,044	Ps. 1,265	Ps. 171,769	Ps. 10,905	Ps. 13,488	Ps. 1,977	Ps. 5,531	Ps. 31,901	Ps. 203,670

(1) Includes customer relationships related to the acquisitions through Envoy Solutions disclosed in Note 4 .

Amortization and Impairment Losses	Rights to Produce and Distribute Coca-Cola Trademark Products	Goodwill	Trademark Rights	Other Indefinite Lived Intangible Assets	Total Unamortized Intangible Assets	Technology Costs and Management Systems	Customer Relationships	Alcohol Licenses	Other	Total Amortized Intangible Assets	Total Intangible Assets
Amortization as of January 1 2020	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. (5,174)	Ps. (393)	Ps. (637)	Ps. (636)	Ps. (6,840)	Ps. (6,840)
Amortization expense	—	—	—	—	—	(1,537)	(467)	(99)	(362)	(2,465)	(2,465)
Disposals	—	—	—	—	—	129	—	—	48	177	177
Effect of movements in exchange rates	—	—	—	—	—	142	32	—	21	195	195
Changes in value on the recognition of inflation effects	—	—	—	—	—	(29)	1	—	—	(28)	(28)
Amortization as of December 31 2020	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. (6,469)	Ps. (827)	Ps. (736)	Ps. (929)	Ps. (8,961)	Ps. (8,961)
Amortization as of January 1 2021	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. (6,469)	Ps. (827)	Ps. (736)	Ps. (929)	Ps. (8,961)	Ps. (8,961)
Amortization expense	—	—	—	—	—	(1,473)	(791)	(102)	(328)	(2,694)	(2,694)
Disposals	—	—	—	—	—	789	—	—	101	890	890
Effect of movements in exchange rates	—	—	—	—	—	792	10	—	(15)	787	787
Changes in value on the recognition of inflation effects	—	—	—	—	—	(53)	—	—	(1)	(54)	(54)
Amortization as of December 31 2021	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. (6,414)	Ps. (1,608)	Ps. (838)	Ps. (1,172)	Ps. (10,032)	Ps. (10,032)
Amortization as of January 1 2022	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. (6,414)	Ps. (1,608)	Ps. (838)	Ps. (1,172)	Ps. (10,032)	Ps. (10,032)
Amortization expense	—	—	—	—	—	(1,312)	(915)	(104)	(365)	(2,696)	(2,696)
Disposals	—	—	—	—	—	992	157	3	—	1,152	1,152
Effect of movements in exchange rates	—	—	—	—	—	(193)	(786)	—	(248)	(1,227)	(1,227)
Changes in value on the recognition of inflation effects	—	—	—	—	—	(94)	—	—	(1)	(95)	(95)
Amortization as of December 31 2022	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. (7,021)	Ps. (3,152)	Ps. (939)	Ps. (1,786)	Ps. (12,898)	Ps. (12,898)

Carrying Amount	Rights to Produce and Distribute Coca-Cola Trademark Products	Goodwill	Trademark Rights	Other Indefinite Lived Intangible Assets	Total Unamortized Intangible Assets	Technology Costs and Management Systems	Customer Relationships	Alcohol Licenses	Other	Total Amortized Intangible Assets	Total Intangible Assets
As of December 31 2020	Ps. 76,649	Ps. 52,820	Ps. 8,647	Ps. 1,376	Ps. 139,492	Ps. 4,404	Ps. 9,023	Ps. 1,161	Ps. 1,421	Ps. 16,009	Ps. 155,501
As of December 31 2021	Ps. 75,396	Ps. 57,351	Ps. 8,073	Ps. 1,413	Ps. 142,233	Ps. 4,247	Ps. 9,192	Ps. 1,168	Ps. 1,298	Ps. 15,905	Ps. 158,138
As of December 31 2022	Ps. 75,756	Ps. 85,704	Ps. 9,044	Ps. 1,265	Ps. 171,769	Ps. 3,884	Ps. 10,336	Ps. 1,038	Ps. 3,745	Ps. 19,003	Ps. 190,772

For the years ended December 31, 2022, 2021 and 2020, the Company did not recognize any capitalization of borrowing costs.

For the years ended December 31, 2022, 2021 and 2020, allocation for amortization expense is as follows:

	2022	2021	2020
Cost of goods sold	Ps. 207	Ps. 254	Ps. 288
Administrative expenses	1,771	1,630	1,412
Selling expenses	718	810	765
	Ps. 2,696	Ps. 2,694	Ps. 2,465

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

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

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, 2022	December 31, 2021
Mexico	Ps. 56,587	Ps. 56,352
Guatemala	1,691	1,735
Nicaragua	404	438
Costa Rica	1,418	1,407
Panama	1,170	1,238
Colombia	3,051	3,798
Brazil	31,753	30,608
Argentina	426	395
Uruguay	2,512	2,332
Total	Ps. 99,012	Ps. 98,303

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 reflect the outcomes that Coca-Cola FEMSA considers most likely to occur based on the current situation of each of the CGUs including the macroeconomic situation in each CGU, the foregoing forecasts could differ from the results obtained over time.

The value in use of CGUs is determined based on the method of discounted cash flows. The key assumptions used to calculate value in use are: volume, expected annual long-term inflation, and the 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 impairment test for each CGU considers market participants' assumptions. Market participants were selected considering 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 into the projected cash flows. The discount rate calculation is based on the opportunity cost to a market participant, considering the specific circumstances of Coca-Cola FEMSA and its operating segments and is derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by Coca-Cola FEMSA's investors. The cost of debt is based on the interest-bearing borrowings Coca-Cola FEMSA is obliged to service, which is equivalent to the cost of debt based on the conditions that a creditor would assess in the market. Segment-specific risk is incorporated by applying beta factors which are evaluated annually based on publicly available market data.

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

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

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

The key assumptions by CGU for impairment testing as of December 31, 2022 were as follows:

CGU	Pre-tax WACC	Post-tax WACC	Expected Annual Long-Term Inflation	Expected Volume Growth Rates
			2023-2027	2023-2027
Mexico	9.5 %	6.5 %	4.3 %	2.4 %
Brazil	11.6 %	7.2 %	3.9 %	4.3 %
Colombia	13.9 %	8.0 %	3.9 %	9.5 %
Argentina	27.8 %	19.8 %	68.0 %	4.5 %
Guatemala	10.2 %	7.6 %	4.4 %	14.8 %
Costa Rica	15.4 %	10.2 %	3.3 %	6.4 %
Nicaragua	24.6 %	11.8 %	4.1 %	6.0 %
Panama	11.0 %	8.3 %	2.2 %	4.0 %
Uruguay	10.2 %	7.4 %	5.7 %	4.0 %

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

CGU	Pre-tax WACC	Post-tax WACC	Expected Annual Long-Term Inflation	Expected Volume Growth Rates
			2022-2026	2022-2026
Mexico	6.8 %	4.9 %	3.7 %	2.8 %
Brazil	9.1 %	5.8 %	3.3 %	7.7 %
Colombia	8.7 %	5.8 %	3.0 %	8.4 %
Argentina	19.7 %	14.5 %	35.9 %	5.4 %
Guatemala	7.9 %	6.1 %	4.2 %	10.7 %
Costa Rica	13.5 %	9.2 %	3.1 %	6.5 %
Nicaragua	18.3 %	10.6 %	4.3 %	6.4 %
Panama	8.5 %	6.5 %	2.2 %	7.0 %
Uruguay	8.5 %	6.1 %	5.0 %	4.0 %

Sensitivity to Changes in Assumptions

On December 31, 2022, Coca-Cola FEMSA performed an additional impairment sensitivity calculation, taking into account an adverse change in post-tax WACC, according to the country risk premium, using for each country the relative standard deviation between equity and sovereign bonds and an additional sensitivity to the volume of 100 basis points and concluded that no impairment would be recorded.

CGU	Change in WACC		Change in Volume Growth CAGR ⁽¹⁾		Effect on Valuation
Mexico	+0.3	p.p.	-1.0	%	Passes by 4.2x
Brazil	+0.5	p.p.	-1.0	%	Passes by 2.6x
Colombia	+0.5	p.p.	-1.0	%	Passes by 2.0x
Argentina	+1.9	p.p.	-1.0	%	Passes by 8.6x
Guatemala	+0.4	p.p.	-1.0	%	Passes by 42.9x
Costa Rica	+0.6	p.p.	-1.0	%	Passes by 2.6x
Nicaragua	+0.8	p.p.	-1.0	%	Passes by 1.0x
Panama	+0.3	p.p.	-1.0	%	Passes by 5.8x
Uruguay	+0.2	p.p.	-1.0	%	Passes by 3.9x

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

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.

Health Division Impairment Test for cash-generating Units Containing Goodwill

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

As of December 31, 2022 in Health Division there is a significant carrying amount of goodwill allocated in Chile and Colombia as a cash generating unit (South America) with a total carrying amount of Ps. 6,422.

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

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

The discount rates represent the current market assessment of the risks specific to each CGU or group of CGUs, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the opportunity cost to a market participant, considering the specific circumstances of the Company and its operating segments and is derived from its WACC.

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

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

- Cash flows were projected based on actual operating results and the five-year business plan. The Company believes that this forecasted period is justified due to the non-current nature of the business and past experiences.
- Cash flows projected based on actual operating results and five-year business plan were calculated using a perpetual growth rate equal to the expected annual population growth, to calculate the terminal recoverable amount.

- A per CGU-specific WACC was applied by Health Division as a hurdle rate to discount cash flows to get the recoverable amount of the units; the calculation assumes size premium adjustments.

The key assumptions by CGU for impairment test as of December 31, 2022 were as follows:

CGU	Pre-tax WACC	Post-tax WACC	Expected Annual Long-Term Inflation 2023-2027	Expected Volume Growth Rates 2023-2027
South America (Health Division)	9.3 %	6.5 %	4.9 %	0.6 %

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

CGU	Pre-tax WACC	Post-tax WACC	Expected Annual Long-Term Inflation 2022-2026	Expected Volume Growth Rates 2022-2026
South America (Health Division)	7.3 %	5.3 %	3.4 %	0.3 %

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

Sensitivity to Changes in Assumptions

On December 31, 2022, the Company performed an additional impairment sensitivity calculation, taking into account an adverse change in post-tax WACC, according to the country risk premium, using for each country the relative standard deviation between equity and sovereign bonds and a sensitivity analysis of sales that would be affected considering a contraction in economic conditions as a result of lower purchasing power of customers, which based on management estimation considered to be reasonably possible an effect of 50 basis points in the sale's CAGR, concluding that no impairment would be recognized.

CGU	Change in WACC	Change in Sales Growth CAGR ⁽¹⁾	Effect on Valuation
Health Division (South America)	0.0 p.p.	(0.5) %	Passes by 1.41x

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

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

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

As of December 31, 2022 in specialized distribution there is a significant carrying amount of final allocated goodwill and trademark rights as a cash-generating unit with a total carrying amount of Ps. 15,549. Goodwill and trademark rights are tested for impairments annually.

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

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

The discount rates represent the current market assessment of the risks specific to each CGU or group of CGUs, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated

in the cash flow estimates. The discount rate calculation is based on the opportunity cost to a market participant, considering the specific circumstances of the Company and its operating segments and is derived from its WACC.

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

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

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

The key assumptions by CGU for impairment test as of December 31, 2022 were as follows:

CGU	Pre-tax WACC	Post-tax WACC	Expected Annual Long-Term Inflation 2023-2027	Expected Volume Growth Rates 2023-2027
United States (Specialized Distribution)	7.1 %	5.5 %	3.5 %	1.3 %

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

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

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

Sensitivity to Changes in Assumptions

On December 31, 2022, the Company performed an additional impairment sensitivity calculation, taking into account an adverse change in post-tax WACC, according to the country risk premium, using for each country the relative standard deviation between equity and sovereign bonds and sensitivity analysis of sales that would be affected considering a contraction in economic conditions as a result of lower purchasing power of customers, which based on management estimation considered to be reasonably possible an effect of 50 basis points in the sale's CAGR, concluding that no impairment would be recognized.

CGU	Change in Sales Growth CAGR ⁽¹⁾	Effect on Valuation
United States (Specialized Distribution)	(0.5) %	Passes by 1.76x

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

Note 14. Other Non-Current Assets and Other Non-Current Financial Assets*14.1 Other non-current assets*

	December 31, 2022	December 31, 2021
Agreement with customers	Ps. 771	Ps. 759
Long-term prepaid advertising expenses	184	213
Guarantee deposits ⁽¹⁾	1,612	1,532
Prepaid bonuses	327	283
Advances to acquire property, plant and equipment	981	460
Recoverable taxes	1,844	1,687
Indemnifiable assets from business combinations ⁽²⁾	1,555	1,554
Others	1,984	912
	Ps. 9,258	Ps. 7,400

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

(2) Corresponds to indemnification assets that are warranted by former Vonpar owners in accordance with the share purchase agreement.

14.2 Other non-current financial assets

	December 31, 2022	December 31, 2021
Non-current accounts receivable	Ps. 1,686	Ps. 1,245
Derivative financial instruments (see Note 21)	3,520	16,710
Others	923	674
Other investments in equity instruments ⁽¹⁾	17,681	22,442
	Ps. 23,810	Ps. 41,071

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

As of December 31, 2022 and 2021, non-current accounts receivable includes mainly receivables measured at its fair value for to Ps. 1,623 and Ps. 1,178, respectively. The fair value is calculated based on the discounted value of contractual cash flows whereby the discount rate is estimated using rates currently offered for receivables of similar amounts and maturities, which is considered to be level 2 in the fair value hierarchy.

Note 15. Balances and Transactions with Related Parties and Affiliated Companies

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

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

	December 31, 2022	December 31, 2021
Balances		
Due from The Coca-Cola Company (see Note 7) ⁽¹⁾⁽⁶⁾	Ps. 776	Ps. 820
Balance with BBVA Bancomer, S.A. de C.V. ⁽²⁾	3,891	8,076
Balance with Grupo Scotiabank Inverlat, S.A. ⁽²⁾	2,350	6,585
Due from Heineken Group ⁽¹⁾⁽⁵⁾	2,455	2,001
Other receivables ⁽¹⁾	114	190
Due to The Coca-Cola Company ⁽⁴⁾⁽⁶⁾	Ps. 1,248	Ps. 1,444
Due to BBVA Bancomer, S.A. de C.V. ⁽³⁾	2,317	1,847
Due to Heineken Group ⁽⁴⁾⁽⁵⁾	3,214	3,144
Due to Grupo Financiero Scotiabank Inverlat, S.A. ⁽⁴⁾	65	132
Other payables ⁽⁴⁾	2,711	1,557

(1) Presented within trade receivables.

- (2) Presented within cash and cash equivalents.
(3) Recorded within bank loans and notes payable.
(4) Recorded within trade payables.
(5) Associates.
(6) Non-controlling interest.

Balances due from related parties are considered to be recoverable. Accordingly, for the years ended December 31, 2022, 2021 and 2020, there was no expense resulting from uncollectible balances due from related parties.

Transactions	2022	2021	2020
Income:			
Services to Heineken Group ⁽¹⁾	Ps. 3,796	Ps. 2,530	Ps. 3,181
Logistic services to Jugos del Valle ⁽¹⁾	552	514	532
Interest revenues from BBVA Bancomer, S.A. de C.V. ⁽³⁾	2,297	2,146	1,825
Interest revenues from Grupo Financiero Scotiabank Inverlat, S.A. ⁽³⁾	455	302	295
Other revenues from related parties	963	814	764
Expenses:			
Purchase of concentrate from The Coca-Cola Company ⁽²⁾	Ps. 43,717	Ps. 37,213	Ps. 32,222
Purchases of beer from Heineken Group ⁽¹⁾	16,006	19,552	23,233
Purchase of baked goods and snacks from Grupo Bimbo, S.A.B. de C.V. ⁽³⁾	6,101	4,417	5,774
Advertisement expense paid to The Coca-Cola Company ⁽²⁾⁽⁴⁾	545	1,482	865
Purchase of juices from Jugos del Valle, S.A.P.I. de C.V. ⁽¹⁾	4,990	4,102	4,055
Purchase of sugar from Promotora Industrial Azucarera, S.A. de C.V. ⁽¹⁾	2,841	2,213	2,123
Interest expense and fees paid to BBVA Bancomer, S.A. de C.V. ⁽³⁾	472	72	232
Purchase of sugar from Beta San Miguel ⁽¹⁾	724	938	1,023
Purchase of canned products from IEQSA ⁽¹⁾	577	234	226
Purchases to AdeS Alimentos y Bebidas ⁽¹⁾	—	—	338
Purchase of inventories to Leao Alimentos e Bebidas, L.T.D.A. ⁽¹⁾	215	1,320	1,253
Purchases of Material with Ecolab, Inc ⁽³⁾	99	450	340
Advertising paid to Grupo Televisa, S.A.B. ⁽³⁾	123	167	148
Insurance premiums for policies with Grupo Nacional Provincial, S.A.B. ⁽³⁾	10	1	7
Donations to Fundación FEMSA, A.C. ⁽³⁾	232	144	171
Donations to Difusión y Fomento Cultural, A.C. ⁽³⁾	20	32	55
Donations to ITESM ⁽³⁾	371	208	310
Purchases of resine to IMER ⁽¹⁾	504	416	308
Other expenses with related parties	57	206	311

- (1) Associates.
(2) Non-controlling interest.
(3) Members of the board of directors in FEMSA participate in the board of directors of this entity.
(4) Net of the contributions from The Coca-Cola Company of Ps. 1,170, Ps. 2,437 and Ps. 1,482, for the years ended in 2022, 2021 and 2020, respectively.

Commitments with related parties

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

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

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

	2022	2021	2020
Short-term employee benefits paid	Ps. 2,381	Ps. 1,934	Ps. 2,112
Postemployment benefits	53	52	45
Termination benefits	63	36	373
Share-based payments	866	853	575

Note 16. Balances and Transactions in Foreign Currencies

Assets, liabilities and transactions denominated in foreign currencies are those realized in a currency different than the functional currency of the Company. For the three years ended on December 31, 2022, 2021 and 2020, the 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, 2022				
U.S. dollars	Ps. 40,557	Ps. 978	Ps. 11,049	Ps. 111,962
Euros	34	—	400	24,782
Other currencies	46	1,358	6	—
Total	Ps. 40,637	Ps. 2,336	Ps. 11,455	Ps. 136,744
As of December 31, 2021				
U.S. dollars	Ps. 74,994	Ps. 983	Ps. 6,310	Ps. 125,447
Euros	74	—	355	27,896
Other currencies	46	1,325	557	—
Total	Ps. 75,114	Ps. 2,308	Ps. 7,222	Ps. 153,343

Transactions	Revenues	Other Operating Revenues	Purchases of Raw Materials	Interest Expense	Consulting Fees	Asset Acquisitions	Other
For the year ended							
December 31, 2022							
U.S. dollars	Ps. 6,373	Ps. 2,080	Ps. 25,247	Ps. 2,411	Ps. 1,011	Ps. 44	Ps. 4,245
Euros	651	1	253	226	11	3	779
Other currencies	—	—	—	—	16	—	—
Total	Ps. 7,024	Ps. 2,081	Ps. 25,500	Ps. 2,637	Ps. 1,038	Ps. 47	Ps. 5,024
For the year ended							
December 31, 2021							
U.S. dollars	Ps. 4,261	Ps. 2,107	Ps. 20,009	Ps. 3,466	Ps. 826	Ps. 180	Ps. 2,908
Euros	14	—	81	1,371	16	8	1
Other currencies	7	14	—	—	1	—	64
Total	Ps. 4,282	Ps. 2,121	Ps. 20,090	Ps. 4,837	Ps. 843	Ps. 188	Ps. 2,973
For the year ended							
December 31, 2020							
U.S. dollars	Ps. 4,213	Ps. 1,478	Ps. 16,398	Ps. 13,660	Ps. 480	Ps. 79	Ps. 2,413
Euros	—	—	35	—	20	—	1
Other currencies	125	52	3	532	3	—	103
Total	Ps. 4,338	Ps. 1,530	Ps. 16,436	Ps. 14,192	Ps. 503	Ps. 79	Ps. 2,517

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

	December 31,		April 14,
	2022	2021	2023
U.S. dollar	19.3615	20.5835	18.0638
Euro	20.7810	23.2753	19.9740

Note 17. Employee Benefits

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

17.1 Assumptions

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

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

Mexico	December 31, 2022	December 31, 2021	December 31, 2020
Financial:			
Discount rate used to calculate the defined benefit obligation	9.90 %	8.00 %	7.20 %
Salary increase	4.75 %	4.50 %	4.50 %
Future pension increases	3.75 %	3.50 %	3.50 %
Healthcare cost increase rate	6.00 %	5.10 %	5.10 %
Biometric:			
Mortality ⁽¹⁾	EMSSA 2009	EMSSA 2009	EMSSA 2009
Disability ⁽²⁾	IMSS 97	IMSS-97	IMSS 97
Normal retirement age	60 YEARS	60 YEARS	60 YEARS
Employee turnover table ⁽³⁾	BMAR 2007	BMAR 2007	BMAR 2007

Measurement date December:

(1) EMSSA. Mexican Experience of social security.

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

(3) BMAR. Actuary experience.

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

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

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

	Pension and Retirement Plans		Seniority Premiums		Post-Retirement Medical Services		Total	
2023	Ps.	747	Ps.	266	Ps.	21	Ps.	1,034
2024		345		205		22		572
2025		419		192		24		635
2026		414		185		25		624
2027		509		182		28		719
2028 to 2032		3,118		928		191		4,237

17.2 Balances of the liabilities for employee benefits

	December 31, 2022	December 31, 2021
Pension and Retirement Plans:		
Defined benefit obligation	Ps. 15,113	Ps. 8,015
Pension plan funds at fair value	(14,324)	(2,952)
Effect due to asset ceiling	3,851	—
Net defined benefit liability	<u>Ps. 4,640</u>	<u>Ps. 5,063</u>
Seniority Premiums:		
Defined benefit obligation	Ps. 2,068	Ps. 2,108
Seniority premium plan funds at fair value	(128)	(133)
Net defined benefit liability	<u>Ps. 1,940</u>	<u>Ps. 1,975</u>
Postretirement Medical Services:		
Defined benefit obligation	Ps. 556	Ps. 647
Medical services funds at fair value	(88)	(85)
Net defined benefit liability	<u>Ps. 468</u>	<u>Ps. 562</u>
Total Employee Benefits	<u>Ps. 7,048</u>	<u>Ps. 7,600</u>

17.3 Trust assets

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

	2022		2021	
Fixed return:				
Traded securities	2	%	17	%
Bank instruments	13	%	10	%
Federal government instruments of the respective countries	52	%	35	%
Variable return:				
Publicly traded shares	33	%	38	%
	<u>100</u>	<u>%</u>	<u>100</u>	<u>%</u>

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

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

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

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

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

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

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

	December 31, 2022		December 31, 2021	
Debt:				
BBVA Bancomer, S.A de C.V.	Ps.	9	Ps.	9
Grupo Industrial Bimbo, S.A.B. de C. V.		5		5
El Puerto de Liverpool, S.A.B. de C.V.		—		30
Grupo Financiero Scotiabank Inverlat, S.A. de C.V.		—		10
Equity:				
Alfa, S.A.B. de C.V.		—		2
Grupo Industrial Bimbo, S.A.B. de C. V.		—		1
Grupo Aeroportuario del Sureste, S.A.B. de C.V.		—		1
Others		—		4

For the years ended December 31, 2022, 2021 and 2020, the Company did not make significant contributions to the plan assets and does not expect to make material contributions to the plan assets during the following fiscal year. There are no restrictions placed on the trustee's ability to sell those securities. As of December 31, 2022 and 2021, the plan assets did not include securities of the Company in portfolio funds.

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

	Income Statement				AOCI ⁽¹⁾	
	Current Service Cost	Past Service Cost	Gain or Loss on Settlement or Curtailment	Net Interest on the Net Defined Benefit Liability	Remeasurements of the Net Defined Benefit Liability	
December 31, 2022						
Pension and retirement plans	Ps. 534	Ps. 189	Ps. (220)	Ps. 313	Ps. 1,686	
Seniority premiums	328	21	(27)	150	38	
Postretirement medical services	32	26	(29)	45	(35)	
Total	Ps. 894	Ps. 236	Ps. (276)	Ps. 508	Ps. 1,689	
December 31, 2021						
Pension and retirement plans	Ps. 390	Ps. 39	Ps. (55)	Ps. 319	Ps. 1,757	
Seniority premiums	290	1	(3)	114	853	
Postretirement medical services	44	2	(24)	52	202	
Total	Ps. 724	Ps. 42	Ps. (82)	Ps. 485	Ps. 2,812	
December 31, 2020						
Pension and retirement plans	Ps. 372	Ps. 73	Ps. —	Ps. 305	Ps. 2,024	
Seniority premiums	239	—	—	91	483	
Postretirement medical services	44	—	—	54	342	
Total	Ps. 655	Ps. 73	Ps. —	Ps. 450	Ps. 2,849	

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

For the years ended December 31, 2022, 2021 and 2020, labor costs of Ps. 1,130, Ps. 766 and Ps. 729 have been included in the consolidated income statements in costs of goods sold, administrative expenses, and selling expenses.

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

	December 31, 2022	December 31, 2021	December 31, 2020
Amount accumulated in other comprehensive income as of the beginning of the period, net of tax	Ps. 2,078	Ps. 2,099	Ps. 1,624
Actuarial (gains) losses arising from exchange rates	(77)	11	(6)
Remeasurements during the year, net of tax	211	744	312
Actuarial (gains) and losses arising from changes in financial assumptions	(1,848)	(776)	139
Actuarial (gains) and losses arising from changes in demographic assumptions	(71)	—	27
Acquisitions	336	—	—
Return on plan assets	713	—	—
Changes in the effect of limiting a net defined benefit asset to the asset ceiling	319	—	—
Effect of settlement	—	—	3
Amount accumulated in other comprehensive income as of the end of the period, net of tax	Ps. 1,661	Ps. 2,078	Ps. 2,099

Remeasurements of the net defined benefit liability include the following:

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

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

	December 31, 2022	December 31, 2021	December 31, 2020
Pension and Retirement Plans:			
Initial balance	Ps. 8,015	Ps. 7,679	Ps. 7,193
Current service cost	534	390	372
Past service cost	163	2,881	73
Interest expense	687	527	506
Gain on settlement	(280)	(2,884)	—
Remeasurements of the net defined benefit obligation	(2,073)	(42)	326
Foreign exchange (gain) or loss	(134)	28	37
Benefits paid	(1,146)	(564)	(828)
Acquisitions	9,189	—	—
Change in consolidation scope	55	—	—
Employees contributions	103	—	—
Ending balance	Ps. 15,113	Ps. 8,015	Ps. 7,679
Seniority Premiums:			
Initial balance	Ps. 2,108	Ps. 1,763	Ps. 1,237
Current service cost	328	290	239
Past service cost	7	836	—
Interest expense	160	124	101
(Gain) or loss on settlement	(13)	(839)	13
Remeasurements of the net defined benefit obligation	(342)	112	309
Benefits paid	(180)	(178)	(136)
Ending balance	Ps. 2,068	Ps. 2,108	Ps. 1,763
Postretirement Medical Services:			
Initial balance	Ps. 647	Ps. 812	Ps. 797
Current service cost	32	44	44
Past service cost	26	236	—
Interest expense	52	57	61
Gain on settlement	(29)	(271)	—
Remeasurements of the net defined benefit obligation	(136)	(191)	(59)
Benefits paid	(36)	(40)	(31)
Ending balance	Ps. 556	Ps. 647	Ps. 812

17.6 Changes in the balance of plan assets

	December 31, 2022	December 31, 2021	December 31, 2020
Total Plan Assets:			
Initial balance	Ps. 3,170	Ps. 3,001	Ps. 2,880
Actual return on trust assets	(695)	152	113
Foreign exchange loss	1	—	3
Life annuities	(3)	17	5
Acquisitions	12,417	—	—
Benefits paid	(533)	—	—
Plan amendments	(101)	—	—
Change in consolidation scope	59	—	—
Employees' contributions	103	—	—
Employer's contributions	133	—	—
Administration cost	(11)	—	—
Ending balance	Ps. 14,540	Ps. 3,170	Ps. 3,001

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

17.7 Variation in assumptions

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

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

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

	Income Statement			OCI ⁽¹⁾	
	Current Service Cost	(Gain) or Loss on Settlement or Curtailment	Effect of Net Interest on the Net Defined Benefit Liability	Remeasurements of the Net Defined Benefit Liability	
+1%:					
Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability					
Pension and retirement plans	Ps. 640	Ps. (203)	Ps. 222	Ps.	1,478
Seniority premiums	325	(24)	135		36
Postretirement medical services	48	(26)	38		(26)
Total	Ps. 1,013	Ps. (253)	Ps. 395	Ps.	1,488
Expected salary increase					
Pension and retirement plans	Ps. 764	Ps. (232)	Ps. 341	Ps.	1,689
Seniority premiums	374	(28)	164		49
Postretirement medical services	58	(29)	45		(35)
Total	Ps. 1,196	Ps. (289)	Ps. 550	Ps.	1,703
Assumed rate of increase in healthcare costs					
Postretirement medical services	Ps. 71	Ps. (32)	Ps. 54	Ps.	(47)

-1%:				OCI ⁽¹⁾	
Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability	Current Service Cost	(Gain) or Loss on Settlement or Curtailment	Effect of Net Interest on the Net Defined Benefit Liability	Remeasurements of the Net Defined Benefit Liability	
Pension and retirement plans	Ps. 767	Ps. (233)	Ps. 370	Ps.	1,772
Seniority premiums	374	(28)	166		46
Postretirement medical services	70	(32)	54		(47)
Total	Ps. 1,211	Ps. (293)	Ps. 590	Ps.	1,771
Expected salary increase					
Pension and retirement plans	Ps. 644	Ps. (203)	Ps. 256	Ps.	1,551
Seniority premiums	324	(24)	136		28
Postretirement medical services	58	(29)	45		(35)
Total	Ps. 1,026	Ps. (256)	Ps. 437	Ps.	1,544
Assumed rate of increase in healthcare costs					
Postretirement medical services	Ps. 47	Ps. (26)	Ps. 38	Ps.	(25)

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

17.8 Employee benefits expense

For the years ended December 31, 2022, 2021 and 2020, employee benefits expenses recognized in the consolidated income statements as cost of goods sold, administrative and selling expenses are as follows:

	2022	2021	2020
Wages and salaries	Ps. 83,433	Ps. 70,238	Ps. 68,312
Social security costs	13,511	11,737	11,595
Employee profit sharing	2,598	2,035	1,112
Post-employment benefits	1,151	1,176	1,002
Share-based payments	866	854	575
Termination benefits	231	259	201
	Ps. 101,790	Ps. 86,299	Ps. 82,797

Note 18. Bonus Programs

18.1 Quantitative and qualitative objectives

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

The quantitative objectives represent approximately 50% of the bonus and are based on the Economic Value Added (“EVA”) methodology. The objective established for the executives at each entity is based on a combination of the EVA generated per entity and the EVA generated by the Company, calculated at approximately 70% and 30%, respectively. The qualitative objectives and special projects re

resent the remaining 50% of the annual bonus and are based on the critical success factors established at the beginning of the year for each executive.

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

18.2 Share-based payment bonus plan

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

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

The Company contributes the individual employee's special bonus (after taxes) in cash to the Administrative Trust (which is controlled and consolidated by FEMSA), who then uses the funds to purchase FEMSA or Coca-Cola FEMSA shares (as instructed by the Administrative Trust's Technical Committee), which are then allocated to such employee. The Administrative Trust tracks the individual employees' account balance. FEMSA created the Administrative Trust to conduct the purchase of FEMSA and Coca-Cola FEMSA shares by each of its subsidiaries with eligible executives participating in the stock incentive plan. The Administrative Trust's objectives are to acquire FEMSA shares or shares of Coca-Cola FEMSA and to manage the shares granted to the individual employees based on instructions set forth by the Technical Committee. Once the shares are acquired following the Technical Committee's instructions, the Administrative Trust assigns to each participant their respective rights. As the trust is controlled and therefore consolidated by FEMSA, shares purchased in the market and held within the Administrative Trust are presented as treasury stock (as it relates to FEMSA's shares) or as a reduction of the noncontrolling interest (as it relates to Coca-Cola FEMSA's shares) in the consolidated statement of changes in equity, within the line item issuance (purchase) of shares associated with share-based payment plans. Should an employee leave prior to their shares vesting, such employee would lose the rights to such shares, which would then remain within the Administrative Trust and be able to be reallocated to other eligible employees as determined by the Company. The incentive plan target is expressed in months of salary, and the final amount payable is computed based on a percentage of compliance with the goals established every year. For the years ended December 31, 2022, 2021 and 2020, the compensation expense recorded in the consolidated income statement amounted to Ps. 866, Ps. 853 and Ps. 575, respectively.

All shares held in the Administrative Trust are considered outstanding for diluted earnings per share purposes and dividends on treasury shares are paid out and affect retained earnings.

As of December 31, 2022 and 2021, the changes in the number of shares held by the trust associated with the Company's share-based payment plans are as follows:

	Number of Shares			
	FEMSA UBD		KOF UBL	
	2022	2021	2022	2021
Beginning balance	3,672,586	3,414,900	1,701,074	1,360,158
Shares acquired by the administrative trust to employees	4,256,433	2,221,136	1,266,283	921,125
Shares released from administrative trust to employees upon vesting	(2,206,000)	(1,963,450)	(1,106,978)	(580,209)
Ending balance	5,723,019	3,672,586	1,860,379	1,701,074

The fair value of the shares held by the trust as of the end of December 31, 2022 and 2021 was Ps. 1,117, and Ps. 706, respectively, based on quoted market prices of those dates.

Note 19. Bank Loans and Notes Payable

(in millions of Mexican pesos)	On December 31, ⁽¹⁾						2028 and Thereafter	Carrying Value at December 31, 2022	Fair Value at December 31, 2022	Carrying Value at December 31, 2021
	2023	2024	2025	2026	2027					
Short-term debt:										
Fixed-rate debt:										
Colombian pesos										
Bank loans	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	311
Interest rate	—	—	—	—	—	—	—	—	—	2.5 %
Argentine pesos										
Bank loans	—	—	—	—	—	—	—	—	—	461
Interest rate	—	—	—	—	—	—	—	—	—	41.0 %
Chilean pesos										
Bank loans	1,072	—	—	—	—	—	1,072	1,072	—	261
Interest rate	12.3 %	—	—	—	—	—	12.3 %	—	—	0.7 %
Uruguayan pesos										
Bank loans	—	—	—	—	—	—	—	—	—	184
Interest rate	—	—	—	—	—	—	—	—	—	6.0 %
Guatemalan quetzal										
Bank loans	—	—	—	—	—	—	—	—	—	26
Interest rate	—	—	—	—	—	—	—	—	—	6.3 %
Variable-rate debt:										
Mexican pesos										
Bank loans	790	—	—	—	—	—	790	790	—	760
Interest rate	12.5 %	—	—	—	—	—	12.5 %	—	—	5.9 %
Total short-term debt	Ps. 1,862	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. 1,862	Ps. 1,862	Ps. 1,862	Ps. 2,003

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

On December 31, ⁽¹⁾

(in millions of Mexican pesos)	2023	2024	2025	2026	2027	2028 and Thereafter	Carrying Value at December 31, 2022	Fair Value at December 31, 2022	Carrying Value at December 31, 2021(1)
Long-term debt:									
Fixed-rate debt:									
Euro									
Senior unsecured notes	Ps. —	Ps. —	Ps. —	Ps. —	Ps. —	Ps. 24,563	Ps. 24,563	Ps. 18,979	Ps. 27,646
Interest rate	—	—	—	—	—	0.7 %	0.8 %	—	0.7 %
Promissory notes	1,270	682	—	—	186	310	2,448	2,448	—
Interest rate	1.2 %	1.1 %	—	—	2.1 %	2.4 %	1.4 %	—	—
Swiss franc									
Promissory notes	—	482	—	—	—	—	482	482	—
Interest rate	—	0.8 %	—	—	—	—	0.8 %	—	—
U.S. dollars									
Yankee bond ⁽²⁾	1	—	—	—	—	41,428	41,429	37,058	52,255
Interest rate	3.1 %	—	—	—	—	3.1 %	3.1 %	—	3.1 %
Bank of NY (FEMSA USD 2023)	5,808	—	—	—	—	—	5,808	5,777	6,170
Interest rate ⁽¹⁾	2.9 %	—	—	—	—	—	2.9 %	—	2.9 %
Bank of NY (FEMSA USD 2043)	—	—	—	—	—	13,405	13,405	11,178	14,262
Interest rate ⁽¹⁾	—	—	—	—	—	4.4 %	4.4 %	—	4.4 %
Bank of NY (FEMSA USD 2050)	—	—	—	—	—	48,170	48,170	34,088	51,174
Interest rate ⁽¹⁾	—	—	—	—	—	3.5 %	3.5 %	—	3.5 %
Bank loans	—	2,256	63	—	—	—	2,320	2,320	2,352
Interest rate	—	5.0 %	6.8 %	—	—	—	5.1 %	—	3.6 %
Mexican pesos									
Senior Notes 22L	—	—	—	—	827	—	827	831	—
Interest rate ⁽¹⁾	—	—	—	—	10.9 %	—	10.9 %	—	—
Senior Notes 22-2L	—	—	—	—	—	8,436	8,436	8,638	—
Interest rate ⁽¹⁾	—	—	—	—	—	9.7 %	9.7 %	—	—
Domestic senior notes	7,500	—	—	—	8,493	15,445	31,438	29,191	25,947
Interest rate	5.5 %	—	—	—	7.9 %	8.3 %	7.5 %	—	7.0 %
Bank loans	117	110	107	57	38	—	429	429	305
Interest rate	9.8 %	9.6 %	9.6 %	10.9 %	11.7 %	—	10.0 %	—	5.7 %
Brazilian reais									
Bank loans	35	21	—	—	—	—	56	56	94
Interest rate	7.0 %	7.0 %	—	—	—	—	7.0 %	—	6.2 %
Chilean pesos									
Bank loans	317	—	—	—	—	—	317	317	338
Interest rate	1.2 %	—	—	—	—	—	1.2 %	—	1.2 %
Uruguayan pesos									
Bank loans	976	—	—	—	—	—	976	976	1,186
Interest rate	6.3 %	—	—	—	—	—	6.3 %	—	6.7 %
Subtotal	Ps. 16,024	Ps. 3,551	Ps. 170	Ps. 57	Ps. 9,544	Ps. 151,757	Ps. 181,104	Ps. 152,768	Ps. 181,729

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

On December 31, ⁽¹⁾

(in millions of Mexican pesos)	2023	2024	2025	2026	2027	2028 and Thereafter	Carrying Value at December 31, 2022	Fair Value at December 31, 2022	Carrying Value at December 31, 2021(1)
Variable-rate debt:									
Euro									
Promissory notes	Ps. —	Ps. 1,115	Ps. —	Ps. —	Ps. 929	Ps. 516	Ps. 2,560	Ps. 2,560	Ps. —
Interest rate	—	1.1 %	—	—	1.0 %	1.2 %	1.1 %	—	—
Swiss franc									
Promissory notes	—	691	—	—	—	—	691	691	—
Interest rate	—	0.8 %	—	—	—	—	0.8 %	—	—
Mexican pesos									
Domestic senior notes	—	—	1,727	2,923	—	—	4,650	4,556	5,650
Interest rate (1)	—	—	10.4 %	10.4 %	—	—	10.4 %	—	5.4 %
Bank Loans	139	213	95	78	17	—	542	542	330
Interest rate (1)	12.9 %	12.8 %	13.1 %	13.1 %	12.7 %	—	12.9 %	—	6.5 %
Brazilian reais									
Bank loans	12	7	6	3	—	—	28	28	5
Interest rate	9.8 %	9.7 %	9.8 %	9.8 %	—	—	9.8 %	—	9.0 %
Colombian pesos									
Bank loans	33	—	—	—	—	—	33	33	10
Interest rate	5.9 %	—	—	—	—	—	5.9 %	—	4.5 %
Chilean pesos									
Bank loans	271	—	—	—	—	—	271	272	858
Interest rate	4.9 %	—	—	—	—	—	4.9 %	—	1.8 %
Subtotal	Ps. 455	Ps. 2,026	Ps. 1,828	Ps. 3,004	Ps. 946	Ps. 516	Ps. 8,775	Ps. 8,682	Ps. 6,853
Total long-term debt	Ps. 16,479	Ps. 5,577	Ps. 1,998	Ps. 3,061	Ps. 10,490	Ps. 152,273	Ps. 189,879	Ps. 161,450	Ps. 188,582
Current portion of long-term debt	—	—	—	—	—	—	(16,479)	—	(2,637)
							Ps. 191,741		Ps. 190,585

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

(2) Interest rate derivatives that have been designated as fair value hedge relationships have been used by Coca-Cola FEMSA to mitigate the volatility in the fair value of existing financing instruments due to changes in floating interest rate benchmarks. Gains and losses on these instruments are recorded in "Market value (gain) loss on financial instruments" in the period in which they occur. During 2022, we are applying IFRS 9 to the hedged portion of the Senior Notes of US\$ 705, which are linked to an interest rate swap. Starting in this year, the hedging gain or loss will adjust the carrying amount of the hedged item and will be recognized in P&L under "Market value (gain) loss in financial instruments". As of December 31, 2022, the Company is recording a gain of Ps. 1,647 in the income statement under "Market value (gain) loss in financial instruments", which offsets the loss on interest rate derivatives used to hedge debt denominated in USD, that resulted from increases in interest rates.

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Hedging Derivative Financial Instruments (1)	2023	2024	2025	2026	2027	2028 and Thereafter	Total 2022	Total 2021
(notional amounts in millions of Mexican pesos)								
Cross-currency swaps:								
U.S. dollars to Mexican pesos								
Fixed to a variable (3)	Ps.	11,403	Ps.	—	Ps.	—	Ps.	11,403
Interest pay rate		7.0 %	—	—	—	—	8.9 %	7.0 %
Interest receive rate		4.0 %	—	—	—	—	3.6 %	4.0 %
Fixed to fixed		1,743	—	—	—	—	10,000	24,235
Interest pay rate		8.2 %	—	—	—	—	8.9 %	8.4 %
Interest receive rate		3.3 %	—	—	—	—	3.5 %	3.5 %
Fixed to fixed (2)								
Interest pay rate		—	—	—	—	—	9.4 %	9.4 %
Interest receive rate		—	—	—	—	—	4.4 %	4.4 %
U.S. dollars to Euro								
Fixed to fixed		—	—	—	—	8,735	13,395	22,130
Interest pay rate		—	—	—	—	3.1 %	1.9 %	2.4 %
Interest receive rate		—	—	—	—	3.5 %	3.5 %	3.5 %
U.S. dollars to Brazilian reais								
Fixed to variable		—	—	—	4,840	1,936	—	6,777
Interest pay rate		—	—	—	10.7 %	2.8 %	—	11.5 %
Interest receive rate		—	—	—	1.9 %	2.8 %	—	2.1 %
Fixed to fixed		9,294	—	—	—	—	—	9,294
Interest pay rate		11.5 %	—	—	—	—	—	9.5 %
Interest receive rate		3.2 %	—	—	—	—	—	3.9 %
Colombian pesos								
Fixed to fixed		345	—	—	—	1,131	—	1,476
Interest pay rate		8.5 %	—	—	—	6.3 %	—	6.8 %
Interest receive rate		2.2 %	—	—	—	2.8 %	—	2.6 %
Interest rate swaps:								
Fixed to variable rate:		—	—	—	—	—	—	6,175
Interest pay rate		—	—	—	—	—	—	0.4 %
Interest receive rate		—	—	—	—	—	—	1.9 %
Variable to a fixed rate:		679	2,227	—	—	—	—	2,905
Interest pay rate		5.8 %	3.6 %	—	—	—	—	4.1 %
Interest receive rate		1.8 %	1.9 %	—	—	—	—	1.9 %
Variable to fixed rate (3):								
Interest pay rate		7.2 %	—	—	—	—	—	7.2 %
Interest receive rate		7.0 %	—	—	—	—	—	7.0 %

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

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

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

For the years ended December 31, 2022, 2021 and 2020, the interest expense is comprised as follows:

	2022		2021		2020	
Interest on debts and borrowings	Ps.	8,129	Ps.	9,356	Ps.	10,789
Finance charges for employee benefits, net		553		476		456
Derivative instruments		1,795		1,970		1,428
Finance operating charges		48		18		(231)
Finance charges payable for leases		5,789		5,118		5,074
	Ps.	16,314	Ps.	16,938	Ps.	17,516

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

On January 16, 2020, the Company issued U.S. \$1,500 million 3.500% Senior Unsecured Notes at an annual rate of 130 basis points over the relevant benchmark. In addition, on February 12, 2020, the Company placed a re-tap to its US-denominated SEC-registered Senior Unsecured Notes due 2050 and issued U.S. \$300 million 3.500% at an annual rate of 137.5 basis points over the relevant benchmark, raising the total outstanding balance to U.S. \$1,800 million with an implied yield to maturity of 3.577%. In June 2020, the Company issued U.S. \$700 million 3.500% Senior Unsecured Notes due 2050 with an implicit weighted performance of 3.358%. The Company has designated a portion of these non-derivative financial liabilities as a hedge on the net investment. For the year ended December 31, 2022, a foreign exchange gain, net of tax, has been recognized as part of the income on hedge of net investments in foreign operations within the cumulative other comprehensive income of Ps. 1,498.

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

In April 2021, the Company issued € 500 and € 700 million in debt certificates at a fixed rate of 1.0%, maturing in 2033 and 0.5% maturing in 2028, respectively. On May 21, 2021, this non-derivative financial liability was designated as a hedge on the net investment in Heineken. For the year ended December 31, 2022, a foreign exchange gain, net of tax, has been recognized as part of the income on the hedge of net investments in foreign operations within the cumulative other comprehensive income of Ps. 2,179.

In November 2022, the Company issued \$8,446 millions and \$827 million in debt certificates at a fixed rate of 9.65%, maturing in 2032 and a floating rate of THIE28 + 0.10%, maturing in 2027, respectively. In accordance with the terms of the Bonds, they are linked to FEMSA's Sustainability-Linked Bond Framework, the which was adopted and published by the Company in relation to the issuance of the Sustainability-Linked Bond denominated in Euros issued in 2021 in the international capital market, for €700 million in senior notes maturing in 2028, and €500 million in senior notes maturing in 2033.

Coca-Cola FEMSA has the following bonds:

- a) registered with the Mexican stock exchange:
 - i) Ps. 7,500 (nominal value), maturing in 2023 and a fixed interest rate of 5.46%; ii) Ps. 8,500 (nominal value) with a maturity in 2027 and a fixed interest rate of 7.87%; iii) Ps. 1,727 (nominal value) with a maturity date in 2025 and a floating interest rate of THIE + 0.08%; iv) Ps. 3,000 (nominal amount) with a maturity date in 2028 and fixed interest rate of 7.35%, v) Ps. 6,965 (nominal amount) on a Sustainability-Linked Bond (SLB) with a maturity date in 2028 and fixed rate of 7.36%, and vi) Ps. 2,435 (nominal amount) on an SLB with a maturity date in 2026 and floating rate of THIE + 0.05%, vii)

Ps.5,500 (nominal amount) with a maturity date in 2029 and a fixed rate of 9.95%, viii) Ps.\$500 (nominal amount) with a maturity date in 2026 and a floating rate of TIEE + 0.05%.

b) registered with the New York Stock Exchange:

- i) Senior notes of U.S. \$1,041 with a fixed interest rate of 2.75% and maturity on January 22, 2030; ii) Senior notes of US. \$ 705 with interest at a fixed rate of 1.85% and maturity date on September 1, 2032 and iii) Senior notes of US. \$ 489 with interest at a fixed rate of 5.25% and maturity date on November 26, 2043.

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

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

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

During the third quarter of 2021, Coca-Cola FEMSA issued the first SLB in the Mexican market for a total of Ps. 9,400 in the modality of communicating vessels with maturities in 2025 and 2026 and with those resources prepaid bilateral loans denominated in Mexican pesos of: i) Ps. 3,760 with a maturity date of February 2025 and ii) Ps. 5,640 with an expiration date of August 2026. The bond's interest rate depends on us achieving key performance indicators, and in the event that such indicators are not met by the dates established in the offering documents, (2024 and 2026), the interest rate on the bonds will increase by 25 basis points.

Additionally, during 2021, Coca-Cola FEMSA obtained bank loans in local currency in Argentina and Uruguay for Ps. 461 and Ps. 1,114 (nominal amounts) respectively.

During the fourth quarter of 2022, Coca-Cola FEMSA repurchased a portion of the following notes registered with the SEC i) Senior notes of US. \$209 with maturity date on January 2030, and ii) Senior notes of US. \$111 with maturity date on November 2043, representing a net savings of Ps. 408 (nominal amounts).

Additionally during 2022, Coca-Cola FEMSA issued a social and sustainable bond in the Mexican Market on a dual-tranche transaction for an amount of Ps. 6,000.

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

19.1 Reconciliation of liabilities arising from financing activities

	Carrying Value at January 1, 2022		Cash Flows		Non-cash effects				Carrying Value at December 31, 2022	
					Acquisition	New leases	Foreign Exchange Income (Loss)	Others ⁽¹⁾		
Bank loans	Ps.	7,580	Ps.	(415)	Ps.	—	Ps.	(78)	Ps.	6,712
Notes payable		183,005		6,718		6,181		(8,957)		185,029
Total liabilities from financing activities		190,585		6,303		6,181		(9,034)		191,741
Lease liabilities		62,355		(15,108)		21,933		(356)		93,317
Total financing activities	Ps.	252,940	Ps.	(8,805)	Ps.	28,114	Ps.	(9,390)	Ps.	285,058

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

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

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

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

Note 20. Other Income and Expenses

	2022		2021		2020	
	Ps.		Ps.		Ps.	
Gain on sale of other assets	—		968		—	
Gain on sale of long-lived assets	308		208		130	
Sale of waste material	33		25		20	
Insurance rebates	59		71		35	
Foreign exchange gain	175		—		112	
Other investment in shares ⁽⁴⁾	113		3,245		2,011	
Recycling of cumulative gain on sale of joint venture	—		—		212	
Recoveries of prior years ⁽¹⁾	333		881		594	
Others	67		489		229	
Other income	Ps. 1,088		Ps. 5,887		Ps. 3,343	
Recoveries of prior years	Ps. 12		Ps. 41		Ps. —	
Impairment of long-lived assets ⁽²⁾	833		1,427		5,102	
Loss in write-off of intangible assets	—		—		375	
Disposal of long-lived assets ⁽³⁾	408		579		915	
Contingencies	426		187		804	
Severance payments	318		305		465	
Donations	512		433		605	
Legal fees and other expenses from past acquisitions	231		127		—	
Foreign exchange loss	—		86		—	
Items without tax requirements	103		173		—	
Effect of taxes paid of previous years ⁽⁵⁾	—		—		3,253	
Other	27		370		862	
Other expenses	Ps. 2,870		Ps. 3,727		Ps. 12,381	

- (1) Following a favorable decision from Brazilian tax authorities received during 2020, Coca-Cola FEMSA has been entitled to reclaim indirect tax payments made in prior years in Brazil, resulting in the recognition of a tax credit and a positive effect on the operating revenues and other income captions of the condensed consolidated income statements. See Note 25.1.1.
- (2) Includes impairment loss related to Corporación Grupo FYBECA S.A. (Health Division) for an amount of Ps. 770 and Ps. 1,170 in 2022 and 2021, respectively; as well as an impairment loss in Campo Verde (Coca-Cola FEMSA) for an amount of Ps. 256 in 2021. Likewise, includes impairment loss related to Compañía Panameña de Bebidas, S.A.P.I. de C.V., for an amount of Ps. 1,463 million in 2020. Additionally, includes impairment loss related to Leao Alimentos e Bebidas, L.T.D.A., for an amount of Ps. 1,038 million in 2020 (see Note 10). Also, includes impairment loss related to Specialty's, and Doña Tota in 2020 for an amount of Ps. 2,021 and Ps. 576, respectively. The impairment losses in 2020 were mainly driven by mobility restrictions that impacted customer behavior and the economic crisis generated by the COVID-19 pandemic.
- (3) Charges related to fixed assets retirement from ordinary operations and other long-lived assets.
- (4) During 2021 and 2020, the Company received a dividend income related to its investment in Jetro Restaurant Depot.
- (5) Interest and penalties associated with taxes paid from previous years.

Note 21. Financial Instruments**Fair Value of Financial Instruments**

The Company's financial assets and liabilities that are measured at fair value are based on level 1 and 2 applying the income approach method, which estimates the fair value based on expected cash flows discounted to net present value. The following table summarizes the Company's financial assets and liabilities measured at fair value, as of December 31, 2022, and 2021:

	December 31, 2022		December 31, 2021	
	Level 1	Level 2	Level 1	Level 2
Financial instrument (current asset)	351	9,710	764	865
Financial instrument (non-current asset)	14,540	21,201	3,170	39,152
Financial instrument (current liability)	64	406	35	103
Financial instrument (non-current liability)	—	5,651	—	1,635

21.1 Total debt

The fair value of bank loans is calculated based on the discounted value of contractual cash flows whereby the discount rate is estimated using rates currently offered for the debt of similar amounts and maturities, which is considered to be level 2 in the fair value hierarchy. The fair value of the Company's publicly traded debt is based on quoted market prices as of December 31, 2022 and 2021, which is considered to be level 1 in the fair value hierarchy.

	December 31, 2022		December 31, 2021	
	Ps.		Ps.	
Carrying value		191,741		190,585
Fair value		163,312		198,232

21.2 Interest rate swaps

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

On December 31, 2022, the Company has the following outstanding interest rate swap agreements:

Maturity Date	Notional Amount	Fair Value Liability		Fair Value Asset	
		December 31, 2022		December 31, 2022	
2023	Ps. 11,675	Ps.	—	Ps.	236
2024	2,227		—		129
2032	9,681		(1,728)		—

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

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

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

21.3 Forward agreements to purchase foreign currency

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

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

On December 31, 2022, the Company had the following outstanding forward agreements to purchase foreign currency:

Maturity Date		Notional Amount		Fair Value Liability December 31, 2022		Fair Value Asset December 31, 2022
2023	Ps.	10,828	Ps.	(399)	Ps.	61
2024		2		—		—

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

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

21.4 Cross-currency swaps

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

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

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

On December 31, 2022, the Company had the following outstanding cross-currency swap agreements:

Maturity Date	Notional Amount		Fair Value Liability December 31, 2022		Fair Value Asset December 31, 2022	
	Ps.		Ps.		Ps.	
2023		27,804	(7)			9,435
2024		497	(3)			247
2025		1,010	—			385
2026		5,971	(924)			364
2027		17,809	(689)			95
2029		14,620	—			1,664
2030		3,679	(104)			110
2035		10,000	(2,203)			—
2043		8,869	—			505

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

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

21.5 Commodity price contracts

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

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

On December 31, 2022, Coca-Cola FEMSA had the following sugar price contracts:

Maturity Date	Notional Amount		Fair Value Liability December 31, 2022		Fair Value Asset December 31, 2022	
	Ps.		Ps.		Ps.	
2023		1,688	(46)			328
2024		468	—			21

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

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

On December 31, 2022, Coca-Cola FEMSA had the following aluminum price contracts:

Maturity Date	Notional Amount	Fair Value Liability December 31, 2022	Fair Value Asset December 31, 2022
2023	Ps. 662	Ps. (18)	Ps. 1

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

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

On December 31, 2022, Coca-Cola FEMSA had no outstanding paraxylene and monoethylene glycol or PX + MEG (resin) price contracts.

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

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

21.6 Disposal of Estrella Azul

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

21.7 Net effects of expired contracts that met hedging criteria

	Impact in Consolidated Income Statement			2022			2021			2020		
Cross-currency swaps ⁽¹⁾	Interest expense	Ps.	1	Ps.	—	Ps.	—	Ps.	—	Ps.	(109)	
Cross-currency swaps ⁽¹⁾	Foreign exchange		(5)		—		—		—		1,212	
Interest rate swaps	Interest expense		—		—		—		—		(163)	
Forward agreements to purchase foreign currency	Foreign exchange		565		41		41		—		(167)	
Commodity price contracts	Cost of goods sold		599		1,245		1,245		—		(129)	
Options to purchase foreign currency	Cost of goods sold		—		—		—		—		8	
Forward agreements to purchase foreign currency	Cost of goods sold		(681)		(788)		(788)		—		839	
Treasury locks	Interest expense		—		—		—		—		153	

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

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

Type of Derivatives	Impact in Consolidated Income Statement	2022			2021			2020		
		Ps.	(2,270)			80			(212)	
Cross currency swaps and interest rate swaps	Market value gain (loss) on financial instruments	Ps.	(2,270)			80			(212)	

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

Type of Derivatives	Impact in Consolidated Income Statement	2022			2021			2020		
		Ps.	—	Ps.	—	Ps.	—	(212)		
Cross currency swaps and interest rate swaps	Market value gain (loss) on financial instruments	Ps.	—	Ps.	—	Ps.	—	(212)		

21.10 Risk management

The Company has exposure to the following financial risks:

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

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

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

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

21.10.1 Market risk

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

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

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

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

The following disclosures provide a sensitivity analysis of the market risks management considered to be reasonably possible at the end of the reporting period based on a stress test of the exchange rates according to an annualized volatility estimated with historic prices obtained for the underlying asset over a period, in the cases of derivative

financial instruments related to foreign currency risk, which the Company is exposed to as it relates to in its existing hedging strategy:

Foreign Currency Risk	Change in Exchange Rate		Effect on Equity
2022			
FEMSA ⁽¹⁾	+10% MXN/USD	Ps.	6
	-10% MXN/USD		(6)
	+10% MXN/EUR		1
	-10% MXN/EUR		(1)
	+7% CHF/EUR		44
	-7% CHF/EUR		(44)
Coca-Cola FEMSA	+10% MXN/USD		512
	-10% MXN/USD		(512)
	+18% BRL/USD		550
	-18% BRL/USD		(550)
	+7% UYU/USD		25
	-7% UYU/USD		(25)
	+17% COP/USD		112
	-17% COP/USD		(112)
	+3% ARS/USD		10
	-3% ARS/USD		(10)
	+7% CRC/USD		24
	-7% CRC/USD		(24)
2021			
FEMSA ⁽¹⁾	+11% MXN/USD	Ps.	4
	-11% MXN/USD		(4)
	+16% BRL/USD		37
	-16% BRL/USD		(37)
Coca-Cola FEMSA	+11% MXN/USD		298
	-11% MXN/USD		(298)
	+16% BRL/USD		284
	-16% BRL/USD		(284)
	+4% UYU/USD		7
	-4% UYU/USD		(7)
	+11% COP/USD		81
	-11% COP/USD		(81)
	+1% ARS/USD		3
	-1% ARS/USD		(3)
	+3% CRC/USD		10
	-3% CRC/USD		(10)
2020			
FEMSA ⁽¹⁾	+19% MXN/USD	Ps.	327
	-19% MXN/USD		(327)
	+21% BRL/USD		240
	-21% BRL/USD		(240)
Coca-Cola FEMSA	+19% MXN/USD		884

Foreign Currency Risk	Change in Exchange Rate	Effect on Equity
	-19% MXN/USD	(884)
	+21% BRL/USD	357
	-21% BRL/USD	(357)
	+9% UYU/USD	21
	-9% UYU/USD	(21)
	+16% COP/USD	142
	-16% COP/USD	(142)
	+2% ARS/USD	2
	-2% ARS/USD	(2)

(1) Does not include Coca-Cola FEMSA.

Cross Currency Swaps ^{(1) (2)}	Change in		Effect on Profit or Loss	
	Exchange Rate	Effect on Equity	Effect on Equity	Effect on Profit or Loss
2022				
FEMSA ⁽³⁾	+21% CLP/USD	Ps.	—	Ps. 966
	-21% CLP/USD		—	(966)
	+10% MXN/USD		—	2,647
	-10% MXN/USD		—	(2,647)
	+21% COP/USD		—	354
	-21% COP/USD		—	(354)
	+18% USD/BRL		—	18
	-18% USD/BRL		—	(18)
	+10% EUR/USD		—	1,315
	-10% EUR/USD		—	(1,315)
	+10% EUR/MXN		—	(902)
	-10% EUR/MXN		—	902
Coca-Cola FEMSA	+10% MXN/USD		1,220	—
	-10% MXN/USD		(1,220)	—
	+18% BRL/USD		2,893	—
	-18% BRL/USD		(2,893)	—
2021				
FEMSA ⁽³⁾	+13% CLP/USD	Ps.	—	Ps. 552
	-13% CLP/USD		—	(552)
	+11% MXN/USD		—	3,404
	-11% MXN/USD		—	(3,404)
	+11% COP/USD		—	235
	-11% COP/USD		—	(235)
	+15% MXN/BRL		—	123
	-15% MXN/BRL		—	(123)
Coca-Cola FEMSA	+6% EUR/USD		—	1,049
	-6% EUR/USD		—	(1,049)
	+11% MXN/USD		1,645	—
	-11% MXN/USD		(1,645)	—
	+16% BRL/USD		2,300	—
	-16% BRL/USD		(2,300)	—
2020				
FEMSA ⁽³⁾	+13% CLP/USD	Ps.	—	Ps. 717
	-13% CLP/USD		—	(717)
	+19% MXN/USD		—	6,381
	-19% MXN/USD		—	(6,381)
	+16% COP/USD		—	426
	-16% COP/USD		—	(426)
	+19% MXN/BRL		—	238
	-19% MXN/BRL		—	(238)
Coca-Cola FEMSA	+19% MXN/USD		5,507	—
	-19% MXN/USD		(5,507)	—
	+21% BRL/USD		2,161	—
	-21% BRL/USD		(2,161)	—

(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
2022			
FEMSA ⁽²⁾	+10% EUR/ +10 % USD	Ps.	1,779
	-10% EUR/ -10 % USD		(1,779)
Coca-Cola FEMSA	+10% USD		2,282
	-10% USD		(2,282)
2021			
FEMSA ⁽²⁾	+10% EUR/ +11% USD	Ps.	4,931
	-10% EUR/ -11% USD		(4,931)
Coca-Cola FEMSA	+11% USD		3,200
	-11% USD		(3,200)
2020			
FEMSA ⁽²⁾	+18% EUR/ +19 % USD	Ps.	8,827
	-18% EUR/ -19 % USD		(8,827)
Coca-Cola FEMSA	+18% USD		5,755
	-18% USD		(5,755)

(1) The sensitivity analysis effects include all subsidiaries of the Company.

(2) Does not include Coca-Cola FEMSA.

Commodity Price Contracts ⁽¹⁾	Change in U.S.\$ Rate		Effect on Equity
2022			
Coca-Cola FEMSA	Sugar -22 %	Ps.	(333)
	Aluminum -35 %	Ps.	(4,520)
2021			
Coca-Cola FEMSA	Sugar -28 %	Ps.	(714)
	Aluminum -24 %	Ps.	(39)
2020			
Coca-Cola FEMSA	Sugar -32 %	Ps.	(515)
	Aluminum -16 %	Ps.	(289)

(1) Effects on commodity price contracts are only in Coca-Cola FEMSA.

21.10.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk because it and its subsidiaries borrow funds at both fixed and variable interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and variable rate borrowings, and by the use of the different derivative financial instruments. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The following disclosures provide a sensitivity analysis of the interest rate risks management considered to be reasonably possible at the end of the reporting period, which the Company is exposed to as it relates to its fixed and floating rate borrowings, which it considers in its existing hedging strategy:

Interest Rate Swap ⁽¹⁾	Change in	
	Bps.	Effect on Equity
2022		
FEMSA ⁽²⁾	(100 Bps.)	Ps. (90)
2021		
FEMSA ⁽²⁾	(100 Bps.)	Ps. (212)
2020		
FEMSA ⁽²⁾	(100 Bps.)	Ps. (354)

(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	2022	2021	2020
Change in interest rate	+100 Bps.	+100 Bps.	+100 Bps.
Effect on profit loss	Ps. (249)	Ps. (627)	Ps. (110)

21.10.3 Liquidity risk

Each of the Company's sub-holding companies generally finances its operational and capital requirements on an independent basis. As of December 31, 2022 and 2021, 46.5% and 47.4%, respectively of the Company's outstanding consolidated total indebtedness was at the level of its sub-holding companies. This structure is attributable, in part, to the inclusion of third parties in the capital structure of Coca-Cola FEMSA. Currently, the Company's management expects to continue financing its operations and capital requirements (e.g., acquisitions, investments or capital expenditures) when it is considering domestic funding at the level of its sub-holding companies, otherwise; it is generally more convenient that its foreign operations would be financed directly through the Company because of more favorable terms of its financing market conditions. Nonetheless, sub-holdings companies may decide to incur indebtedness in the future to finance their operations and capital requirements of the Company's subsidiaries or significant acquisitions, investments or capital expenditures. As a holding company, the Company depends on dividends and other distributions from its subsidiaries to service the Company's indebtedness.

The Company's principal source of liquidity has generally been cash generated from its operations. The Company has traditionally been able to rely on cash generated from operations because a significant majority of the sales of Coca-Cola FEMSA and Proximity Division - Americas, Health Division and Fuel Division are on a cash or short-term credit basis, and OXXO stores can finance a significant portion of their initial and ongoing inventories with supplier credit. The Company's principal use of cash has generally been for capital expenditure programs, acquisitions, debt repayment and dividend payments.

Ultimate responsibility for liquidity risk management rests with the Company's board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity requirements. The Company manages liquidity risk by maintaining adequate cash reserves and continuously monitoring the forecast and actual cash flows, and with a low concentration of maturities per year.

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

As part of the Company's financing policy, management expects to continue financing its liquidity needs with cash from operations. Nonetheless, as a result of regulations in certain countries in which the Company operates, it may not be beneficially practicable to remit cash generated in local operations to fund cash requirements in other countries. If cash from operations in these countries is not sufficient to fund future working capital requirements and capital expenditures, management may decide, or be required, to fund cash requirements in these countries through local borrowings rather than remitting funds from another country. In the future the Company's management may finance its working capital and capital expenditure needs with short-term or other borrowings.

The Company's management continuously evaluates opportunities to pursue acquisitions or engage in joint ventures or other transactions. We would expect to finance any significant future transactions with a combination of cash from operations, long-term indebtedness and capital stock.

The Company's sub-holding companies generally incur short-term indebtedness if they are temporarily unable to finance operations or meet any capital requirements with cash from operations. A significant decline in the business of any of the Company's sub-holding companies may affect the sub-holding company's ability to fund its capital requirements. A significant and prolonged deterioration in the economies in which we operate or in the Company's businesses may affect the Company's ability to obtain short-term and long-term credit or to refinance existing indebtedness on terms satisfactory to the Company's management.

The Company presents the maturity dates associated with its long-term financial liabilities as of December 31, 2022, see Note 19. The Company generally makes payments associated with its long-term financial liabilities with cash generated from its operations.

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. It includes expected net cash outflows from derivative financial liabilities that are in place as of December 31, 2022. 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 and excluding IFRS 16 lease liabilities) without fixed amount or timing are based on economic conditions (like interest rates and foreign exchange rates) existing on December 31, 2022.

	2023		2024		2025		2026		2027		2028 and thereafter	
Non-derivative financial liabilities:												
Notes and bonds	Ps.	17,257	Ps.	3,610	Ps.	5,464	Ps.	6,677	Ps.	12,166	Ps.	222,563
Loans from Banks		4,594		5,092		301		158		1,317		813
Lease liabilities		14,374		—		—		—		45,562		46,630
Derivative financial liabilities		(4,359)		118		24		571		328		(6,421)

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

21.10.4 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment-grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

The Company has a high receivable turnover; hence management believes credit risk is minimal due to the nature of its businesses, which have a large portion of their sales settled in cash. The Company's maximum exposure to credit risk for the components of the statement of financial position at December 31, 2022 and 2021 is the carrying amounts, see Note 7.

The Company manages the credit risk related to its derivative portfolio by only entering into transactions with reputable and credit-worthy counterparties as well as by maintaining in some cases a Credit Support Annex ("CSA") that

establishes margin requirements, which could change upon changes to the credit ratings given to the Company by independent rating agencies. As of December 31, 2022, the Company concluded that the maximum exposure to credit risk related to derivative financial instruments is not significant given the high credit rating of its counterparties.

21.11 Cash flows hedges

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

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

- The effect of the credit risk of the counterparty and the Company on the fair value of foreign currency forward contracts, which is not reflected in the change in the fair value of the hedged cash flows; and
- Changes in the period hedges.

As of December 31, 2022, the Company's financial instruments used to hedge its exposure to foreign exchange rates and interest rates are as follows:

	Maturity		
	1-6 months	6-12 months	More than 12
Foreign exchange currency risk			
Foreign exchange currency forward contracts			
Net exposure	3,416	2,485	2
Average exchange rate MXN/USD	20.72	20.88	24.33
Net exposure	1,857	746	—
Average exchange rate BRL/USD	5.34	5.55	—
Net exposure	407	207	—
Average exchange rate COP/USD	4,502	4,977	—
Net exposure	437	—	—
Average exchange rate ARS/USD	231.40	—	—
Net exposure	299	139	—
Average exchange rate URY/USD	42.51	42.74	—
Net exposure	332	182	—
Average exchange rate CRC/USD	686.50	664.50	—
Net exposure	293	—	—
Average exchange rate ARS/MXN	10.57	—	—
Foreign exchange currency swap contracts			
Net exposure	12,670	1,743	29,324
Average exchange rate MXN/USD	12.67	19.08	18.11
Net exposure	—	9,294	6,874
Average exchange rate BRL/USD	—	4	5.28
Net exposure	345	250	2,313
Average exchange rate COP/USD	3,926	2,333.06	3,510.06
Net exposure	3,306	—	1,225
Average exchange rate CLP/USD	774.49	—	677
Net exposure	—	—	22,130
Average exchange rate EUR/USD	—	—	0.91
Interest rate risk			
Interest rate swaps			
Net exposure	—	—	9,681
Interest rate average BRL	—	—	0.16 %
Net exposure	—	—	11,403
Interest rate average MXN	—	—	7.17 %
Net exposure	271	—	—
Interest rate average CLP	5.79 %	—	—
Net exposure	—	—	3
Interest rate average USD	—	—	3.57 %
Commodities risk			
Aluminum	294	368	—
Average price (USD/Ton)	2,483	2,480	—
Sugar	1,058	631	468
Average price (USD cent/Lb)	17.62	17.08	17.14

As of December 31, 2021, the Company's financial instruments used to hedge its exposure to foreign exchange rates and interest rates are as follows:

	Maturity		
	1-6 months	6-12 months	More than 12
Foreign exchange currency risk			
Foreign exchange currency forward contracts			
Net exposure	Ps. 1,996	Ps. 1,068	Ps. 25
Average exchange rate MXN/USD	20.90	21.43	24.33
Net exposure	1,171	593	—
Average exchange rate BRL/USD	5.44	5.97	—
Net exposure	497	191	—
Average exchange rate COP/USD	3,858	3,952	—
Net exposure	280	—	—
Average exchange rate ARS/USD	122.56	—	—
Net exposure	165	48	—
Average exchange rate URY/USD	45.51	46.30	—
Net exposure	211	120	—
Average exchange rate CRC/USD	646.33	650.71	—
Foreign exchange currency swap contracts			
Net exposure	—	—	44,507
Average exchange rate MXN/USD	—	—	16.41
Net exposure	—	—	15,026
Average exchange rate BRL/USD	—	—	4.47
Net exposure	—	—	885
Average exchange rate BRL/MXN	—	—	0.22
Net exposure	1,038	321	2,384
Average exchange rate COP/USD	3,207.80	3,240	3,431.99
Net exposure	—	3,514	1,311
Average exchange rate CLP/USD	—	696.02	677
Net exposure	—	—	15,078
Average exchange rate EUR/USD	—	—	0.86
Interest rate risk			
Interest rate swaps			
Net exposure	—	—	6,175
Interest rate average BRL	—	—	0.09 %
Net exposure	—	—	11,403
Interest rate average MXN	—	—	7.17 %
Net exposure	—	131	726
Interest rate average CLP	—	6.55 %	5.79 %
Net exposure	—	—	2,367
Interest rate average USD	—	—	3.57 %
Commodities risk			
Aluminum	67	35	—
Average price (USD/Ton)	1,722	1,777	—
Sugar	1,366	653	769
Average price (USD cent/Lb)	15.22	14.76	14.74

	Maturity		
	1-6 months	6-12 months	More than 12
PX+MEG	337	134	—
Average price (USD /Ton)	934	866	—

As of December 31, 2022, a reconciliation per category of equity components and an analysis of OCI components, net of tax; generated by the cash flow hedges were as follows:

	Ps.	Hedging reserve
Balances at beginning of the period	4,121	4,121
Cash flows hedges		
Fair value changes:		
Foreign exchange currency risk – Purchase of stock	(908)	(908)
Foreign exchange currency risk – Other stock	(5,538)	(5,538)
Interest rate risk	199	199
Commodity price contracts – Purchase of stock	235	235
The amounts reclassified to profit and loss:		
Foreign exchange currency risk – Other stock	2,696	2,696
Interest rate risk	—	—
The amounts included in non-financial costs:		
Foreign exchange currency risk – Purchase of stock	526	526
Commodity price contracts – Purchase of stock	(613)	(613)
Taxes due to changes in reserves during the period	1,163	1,163
Balances at the end of the period	1,881	1,881

Impact of hedging on equity

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

	Foreign currency option	Foreign currency option	Cross-currency swaps	Interest rate swaps	Treasury Lock contracts	Commodity price contracts	Total holders of the parent	Non-controlling interest	Total
As at January 1, 2021	Ps. (541)	Ps. —	Ps. 2,729	Ps. (442)	Ps. —	Ps. 109	Ps. 1,854	Ps. (274)	Ps. 1,580
Financial instruments purchases	33	—	1,040	—	—	202	1,274	541	1,816
Change in fair value of financial instruments recognized in OCI	(13)	—	2,036	584	—	390	2,998	2,088	5,086
Amount reclassified from OCI to profit or loss	568	—	(1,587)	—	—	(539)	(1,558)	(325)	(1,883)
Foreign currency revaluation of the net foreign operations	—	—	(654)	—	—	—	(654)	(836)	(1,490)
Effects of changes in foreign exchange rates	3	—	4	—	—	(4)	3	2	5
Tax effect	(175)	—	(165)	(175)	—	(16)	(531)	(460)	(992)
As at December 31, 2021	Ps. (124)	Ps. —	Ps. 3,403	Ps. (34)	Ps. —	Ps. 141	Ps. 3,385	Ps. 736	Ps. 4,121
Financial instruments purchases	(223)	—	(2,080)	—	—	(23)	(2,326)	(269)	(2,595)
Change in fair value of financial instruments recognized in OCI	(211)	—	(3,231)	199	—	133	(3,110)	(1,500)	(4,610)
Amount reclassified from OCI to profit or loss	303	—	2,674	—	—	(289)	2,688	(79)	2,609
Foreign currency revaluation of the net foreign operations	—	—	513	—	—	—	513	670	1,183
Effects of changes in foreign exchange rates	2	—	1	—	—	1	4	6	10
Tax effect	30	—	769	(54)	—	59	804	359	1,163
As at December 31, 2022	Ps. (223)	Ps. —	Ps. 2,049	Ps. 111	Ps. —	Ps. 22	Ps. 1,958	Ps. (77)	Ps. 1,881

Note 22. Non-Controlling Interest in Consolidated Subsidiaries

An analysis of FEMSA's non-controlling interest in its consolidated subsidiaries as of December 31, 2022 and 2021 is as follows:

	December 31, 2022		December 31, 2021	
Coca-Cola FEMSA	Ps.	72,128	Ps.	69,692
Other		3,069		2,824
	Ps.	75,197	Ps.	72,516

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

	2022	2021	2020
Balance at beginning of the period	Ps. 72,516	Ps. 69,444	Ps. 73,762
Net income of non-controlling interest	10,834	9,183	5,686
Other comprehensive loss:	(2,198)	(368)	(5,793)
Exchange differences on translation of foreign operation	(1,558)	(1,342)	(5,958)
Remeasurements of the net defined benefits liability	173	(36)	(169)
Valuation of the effective portion of derivative financial instruments	(813)	1,010	334
Dividends	(6,176)	(5,729)	(5,524)
Share based payment	(57)	(14)	(64)
Acquisition of Envoy Solutions non-controlling interest (see Note 4.1)	—	—	1,298
Other acquisitions and remeasurements	5	—	79
Repurchase of non-controlling interests	(79)	—	—
Contribution from non-controlling interest	352	—	—
Balance at end of the period	Ps. 75,197	Ps. 72,516	Ps. 69,444

Non-controlling interest's accumulated other comprehensive income is comprised as follows:

	December 31, 2022	December 31, 2021
Exchange differences on translation foreign operation	Ps. (9,557)	Ps. (7,999)
Remeasurements of the net defined benefits liability	(422)	(595)
Valuation of the effective portion of derivative financial instruments	(80)	733
Accumulated other comprehensive income	Ps. (10,059)	Ps. (7,861)

Coca-Cola FEMSA shareholders, especially the Coca-Cola Company which holds Series D shares, have some protective rights about investing in or disposing of significant businesses. However, these rights do not limit the continued normal operations of Coca-Cola FEMSA.

Summarized financial information in respect of Coca-Cola FEMSA is set out below:

	December 31, 2022	December 31, 2021
Total current assets	Ps. 79,212	Ps. 80,364
Total non-current assets	198,783	191,203
Total current liabilities	57,960	46,221
Total non-current liabilities	88,159	97,774
Total revenue	Ps. 226,740	Ps. 194,804
Consolidated net income	19,626	16,331
Consolidated comprehensive income for the year, net of tax	Ps. 15,767	Ps. 15,764
Net cash flows generated from operating activities	35,491	32,721
Net cash flows used in investing activities	(19,597)	(9,547)
Net cash flows used in financing activities	(20,847)	(20,263)

22.1 Options embedded from past acquisitions

Health Division entered into option transactions regarding the remaining 40% non-controlling interest not held by Health Division.

On December 13, 2019, the former controlling shareholders of Socofar exercised their put option to sell the remaining 40% non-controlling interest to Health Division at the fair value of the interest. As of December 31, 2019, the Company

recognized a loss in the consolidated statements of changes in equity and Socofar has been included 100% in the consolidated statements of financial position.

The former controlling shareholders of Open Market retain a put for their remaining 20% non-controlling interest that can be exercised (i) at any time after the acquisition date (December 27, 2016) upon the occurrence of certain events and (ii) annually from January through April, after the third anniversary of the acquisition date. In any event, the Company through one of its subsidiaries can call the remaining 20% non-controlling interest annually from January through April, after the fifth anniversary of the acquisition date. Both options would be exercisable at the then fair value of the interest and shall remain indefinitely.

For the 90 days beginning the fifth anniversary of the closing of the purchase of the 89.5% controlling interest of NW Synergy Holdings, LLC (the purchase of NW Synergy, now Envoy Solutions LLC), and for a period of 90 days beginning from the sixth to tenth anniversary of the purchase of NW Synergy, the Company shall have the right to require any non-controlling member or both to sell their entire interest in the partnership at a price equal to the market value, provided that, the Company does not exercise such right during the fifth and sixth anniversary of the closing date of the purchase. Considering that this option can be exercised at fair value at the date of the event, its intrinsic value is not significantly different from zero as of December 31, 2022.

Note 23. Equity

23.1 Equity accounts

The capital stock of FEMSA is comprised of 2,161,177,770 BD units and 1,417,048,500 B units. As of December 31, 2022 and 2021, the common stock of FEMSA was comprised of 17,891,131,350 common shares, without par value and with no foreign ownership restrictions. Fixed capital stock amounts to Ps. 300 (nominal value) and the variable capital may not exceed 10 times the minimum fixed capital stock amount.

The characteristics of the common shares are as follows:

- Series “B” shares, with unlimited voting rights, which at all times must represent a minimum of 51% of total capital stock;
- Series “L” shares, with limited voting rights, which may represent up to 25% of total capital stock; and
- Series “D” shares, with limited voting rights, which individually or jointly with series “L” shares may represent up to 49% of total capital stock.

The Series “D” shares are comprised as follows:

- Subseries “D-L” shares may represent up to 25% of the series “D” shares;
- Subseries “D-B” shares may comprise the remainder of outstanding series “D” shares; and
- The non-cumulative premium dividend to be paid to series “D” shareholders will be 125% of any dividend paid to series “B” shareholders.

The Series “B” and “D” shares are linked together in related units as follows:

- “B units” each of which represents five series “B” shares, and which are traded on the BMV; and
- “BD units” each of which represents one series “B” share, two subseries “D-B” shares and two subseries “D-L” shares, and which are traded both on the BMV and the NYSE.

As of December 31, 2022 and 2021, FEMSA's capital stock is comprised as follows:

	"B" Units	"BD" Units	Total
Units	1,417,048,500	2,161,177,770	3,578,226,270
Shares:			
Series "B"	7,085,242,500	2,161,177,770	9,246,420,270
Series "D"	—	8,644,711,080	8,644,711,080
Subseries "D-B"	—	4,322,355,540	4,322,355,540
Subseries "D-L"	—	4,322,355,540	4,322,355,540
Total shares	7,085,242,500	10,805,888,850	17,891,131,350

The net income of the Company is subject to the legal requirement that 5% thereof be transferred to a legal reserve until such reserve equals 20% of common stock at nominal value. This reserve may not be distributed to shareholders during the existence of the Company, except as a stock dividend. As of December 31, 2022 and 2021, this reserve amounted to Ps. 596.

Retained earnings and other reserves distributed as dividends, as well as the effects derived from capital reductions, are subject to income tax at the rate in effect at the date of distribution, except when capital reductions come from restated shareholder contributions ("CUCA") and when the distributions of dividends come from net taxable income, denominated Cuenta de Utilidad Fiscal Neta ("CUFIN").

Dividends paid more than CUFIN are subject to income tax at a grossed-up rate based on the current statutory rate. Since 2003, this tax may be credited against the income tax of the year in which the dividends are paid, and in the following two years against the income tax and estimated tax payments. A new Income Tax Law ("LISR") went into effect on January 1, 2014; such law no longer includes the tax consolidation regime which allowed calculating the CUFIN on a consolidated basis; therefore, beginning in 2014, distributed dividends must be taken from the individual CUFIN balance of FEMSA, which can be increased with the subsidiary companies' individual CUFINES through the transfers of dividends. The sum of the individual CUFIN balances of FEMSA and its subsidiaries as of December 31, 2022 amounted to Ps. 294,037. Dividends distributed to its stockholders who are individuals and foreign residents must withhold 10% for LISR purposes, which will be paid in Mexico. The foregoing will not be applicable when distributed dividends arise from the accumulated CUFIN balances as of December 31, 2013.

At an ordinary shareholders' meeting of FEMSA held on March 20, 2020, the shareholders approved a dividend of Ps. 10,360 that was paid 50% on August 20, 2020, and the other 50% on November 5, 2020; and a reserve for share repurchase of a maximum of Ps. 17,000. As of December 31, 2020, the Company has not repurchased shares. Treasury shares resulting from share-based payment bonus plan are disclosed in Note 18.

At an ordinary shareholders' meeting of Coca-Cola FEMSA held on March 17, 2020, the shareholders approved a dividend of Ps. 10,210 that was paid 50% on May 5, 2020 and other 50% on November 3, 2020. The corresponding payment to the non-controlling interest was Ps. 5,389.

At an ordinary shareholders' meeting of FEMSA held on March 24, 2021, the shareholders approved a dividend of Ps. 7,687 that was paid 50% on May 6, 2021, and the other 50% on November 5, 2021; and a reserve for share repurchase of a maximum of Ps. 17,000. As of December 31, 2021, the Company has not repurchased shares. Treasury shares resulting from the share-based payment bonus plan are disclosed in Note 18.

At an ordinary shareholders' meeting of Coca-Cola FEMSA held on March 19, 2021, the shareholders approved a dividend of Ps. 10,588 that was paid 50% on May 4, 2021, and the other 50% on November 3, 2021. The corresponding payment to the non-controlling interest was Ps. 5,588.

At an ordinary shareholders' meeting of FEMSA held on April 8, 2022, the shareholders approved a dividend of Ps. 11,358 that was paid 50% on May 5, 2022, and the other 50% on November 7, 2022; and a reserve for share repurchase of a maximum of Ps. 17,000. As of December 31, 2022, the Company has not repurchased shares. Treasury shares resulting from the share-based payment bonus plan are disclosed in Note 18.

At an ordinary shareholders' meeting of Coca-Cola FEMSA held on March 28, 2022, the shareholders approved a dividend of Ps. 11,407 that was paid 50% on May 3, 2022, and the other 50% on November 3, 2022. The corresponding payment to the non-controlling interest was Ps. 6,021.

For the years ended December 31, 2022, 2021 and 2020 the dividends declared and paid by the Company and Coca-Cola FEMSA were as follows:

	2022	2021	2020
FEMSA	Ps. 11,358	Ps. 7,687	Ps. 10,360
Coca-Cola FEMSA (100% of dividend)	11,407	10,588	10,210

For the years ended December 31, 2022, 2021 and 2020 the dividends declared and paid per share by the Company are as follows:

Series of Shares	2022	2021	2020
“B”	Ps. 0.56600	Ps. 0.38333	Ps. 0.51667
“D”	0.70850	0.47917	0.64583

23.2 Capital management

The Company manages its capital to ensure that its subsidiaries will be able to continue as going concerns while maximizing the return to shareholders through the optimization of its debt and equity balance to obtain the lowest cost of capital available. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2022 and 2021.

The Company is not subject to any externally imposed capital requirements, other than the legal reserve (see Note 23.1) and debt covenants (see Note 19).

The Company's Finance, Planning and the Corporate Practices Committees review the capital structure of the Company on a quarterly basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. In conjunction with this objective, the Company seeks to maintain the highest credit rating both national and international, currently rated as of December 31, 2022 AAA and BBB+ respectively, which requires it to have a debt to earnings before interest, taxes, depreciation and amortization (“EBITDA”) ratio lower than 2. As a result, before entering into new business ventures, acquisitions or divestitures, management evaluates the optimal ratio of debt to EBITDA to maintain its credit rating.

Note 24. Earnings per Share

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

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

	2022		2021		2020	
	Per Series "B" Shares	Per Series "D" Shares	Per Series "B" Shares	Per Series "D" Shares	Per Series "B" Shares	Per Series "D" Shares
(in millions of shares)						
Weighted average number of shares for basic earnings per share	9,241.72	8,625.92	9,242.88	8,630.54	9,243.59	8,633.38
Effect of dilution associated with non-vested shares for share based payment plans	4.70	18.79	3.54	14.17	2.83	11.33
Weighted average number of shares adjusted for the effect of dilution (Shares outstanding)	9,246.42	8,644.71	9,246.42	8,644.71	9,246.42	8,644.71
Dividend rights per series (see Note 23.1)	100 %	125 %	100 %	125 %	100 %	125 %
Weighted average number of shares further adjusted to reflect dividend rights	9,246.42	10,805.89	9,246.42	10,805.89	9,246.42	10,805.89
Basic earnings per share	1.19	1.49	1.42	1.78	(0.10)	(0.12)
Diluted earnings per share	1.19	1.49	1.42	1.78	(0.10)	(0.12)
Allocation of earnings, weighted	46.11 %	53.89 %	46.11 %	53.89 %	46.11 %	53.89 %
Net controlling interest income allocated	Ps. 11,025	Ps. 12,884	Ps. 13,139	Ps. 15,356	Ps. (890)	Ps. (1,040)

Note 25. Taxes

25.1 Recoverable taxes

Recoverable taxes are mainly the result of higher provisional payments of value added tax and income tax in Mexico during 2022 in comparison to the current year provision, which will be compensated in future years. The operations in Guatemala, Panama, Nicaragua and Colombia are subject to a minimum tax. In Guatemala and Colombia this tax is recoverable under certain circumstances only. Guatemala's tax basis is determined considering the highest between total assets and net income; in Colombia the tax basis is equity.

25.1.1 Exclusion of the State VAT (ICMS) on the federal sale taxes (PIS / COFINS) calculate basis

On March 15, 2017 the Brazilian Federal Supreme Court (STF) ruled that the inclusion of the VAT (ICMS) on federal sales taxes (PIS and COFINS) taxable basis was unconstitutional. During 2019, our companies in Brazil obtained conclusive favorable motions over this exclusion of VAT (ICMS) over PIS / COFINS calculation. The net favorable effects of each case are to be recorded at the time all formalities and legal procedures are finalized and recovery of the taxes paid becomes virtually certain. During 2022, 2021 and 2020, the administrative formalities for three of the motions and the recoverable taxes were concluded and were recorded in other operating revenues in the income statement.

As of December 31, 2022 and 2021 the amount of recoverable taxes in Brazil including PIS and COFINS is Ps. 1,060 and Ps. 1,243.

25.2 Tax Reforms

Chile

In 2020 Corporate Income Tax rate in Chile remains 27%. The Chilean tax authority included an instant depreciation regime of 50% for the acquisition of new assets acquired between January 1, 2020 and December 31, 2021, with the possibility to apply accelerated depreciation to the 50% residual basis.

Mexico

In accordance with amendments to Mexican tax laws in effect from January 1, 2022, Mexican issuers are joint and severally liable for taxes payable on gains derived from the sale or disposition of its shares or securities representing its shares, such as ADSs, by major shareholders who are non-Mexican residents with no permanent establishment in Mexico for tax purposes, to other non-Mexican residents with no permanent establishment in Mexico for tax purposes, to the extent that such Mexican issuer fails to provide certain information with respect to such sale or disposition to the Mexican tax authorities. For purposes of these regulations, "major shareholders" are shareholders that are identified in

reports submitted by the Mexican issuer to the CNBV on an annual basis as a result of being (i) directors or officers who directly or indirectly own 1.0% or more of the Mexican issuer's capital stock, (ii) shareholders who directly or indirectly own 5.0% or more of the Mexican issuer's capital stock or (iii) within the ten largest shareholders of the Mexican issuer based on direct ownership of shares of capital stock. Although in some instances Mexican tax authorities have indicated that this reporting obligation would only apply to transfers of shares or securities representing shares that result in a change of control, there are no established criteria or general interpretations to that effect issued by the Mexican tax authorities. There is currently no obligation by non-Mexican residents to inform Mexican issuers about their sales or dispositions of shares or securities representing shares, which limits our ability to comply with our reporting obligations to the Mexican tax authorities. Therefore, the amount of a potential tax liability is uncertain and difficult to determine given inherent mechanics and procedures, including the application of any tax treaties available, applicable to the trading of publicly-traded securities.

In April of 2021 a Labor reform with tax implications was approved, in which was established that companies may only contract services from specialized personnel that is not directly associated with their core business or their main activity and impose several compliance requirements to support the tax deduction as well as the ability to credit the value-added tax generated. This reform was enacted on September 1, 2021.

As consequence of the 2021 labor law reform there was an increase in the employee profit sharing to be paid to employees on a yearly basis. The increase is the result of transferring employees as obligated by the labor law from service companies to operating companies, where the profit margins are higher and therefore more profit sharing is expected to be paid. In addition, there is a cap on the payment of profit sharing of up to three months of salary per employee or the average of profit sharing received by each employee in the previous three years, whichever is greater.

In January of 2021 a modification of the Mexican Federal Tax Code to increase the number of events that may trigger the joint and several liabilities of partners, shareholders, directors, managers or any other person responsible for the management of a business, added a new disclosure obligation of certain reportable transactions to tax authorities, and increase the tax authorities' discretion to limit tax benefits or attributes in situations where authorities consider that merely a tax benefit, rather than a business reason or an alternative economic benefit, is the primary factor behind a transaction or legal structure.

On January 1, 2020, a new tax regime in Mexico was effective regarding foreign transparent vehicles and changes were made to the preferential tax regime. As a result of such changes, the dividends from Heineken Group are subject to a 30% income tax in Mexico when received.

Starting January 1, 2020, the excise tax increased from 5.0% to 7.0% to carbonated beverages added with sugar or any caloric sweetener. Drinkable foods based on dairy products, grains or cereals, nectars, fruit juices and vegetables with natural fruit concentrates are exempt from this tax.

In addition to the above, on October 30, 2019, Mexico approved a new Tax Reform, which was effective on January 1, 2020.

The most relevant changes are: (i) Taxpayers have been limited to a net interest deduction equal to 30% of the entity's Adjusted Taxable Income (ATI). ATI is determined similarly to EBITDA (earnings before interest, taxes, depreciation and amortization). A \$20,000,000 pesos (approximately USD 1M) exception applies for deductible interest at a Mexican group level. The non-deductible interests that exceed the limitation could be carried forward for the subsequent 10 tax years; (ii) The reform modifies the excise tax (IEPS) of 1.17 pesos to 1.2616 per liter on the production, sale and import of beverages with added sugar and HFCS (High-fructose corn syrup) for flavored beverages and starting January 1, 2021, this tax is subject to an annual increase based on the inflation of the previous year; (iii) The excise tax of 25% on energized beverages is applicable whenever the beverages include a mixture of caffeine with any other stimulating effects substances; (iv) Federal Fiscal Code (FFC) was modified to attribute joint liability to partners, shareholders, directors, managers or any other responsible of the management of the business; (v) added a disclosure obligation of certain reportable transactions to tax authorities; and (vi) increased the tax authorities' discretion to limit tax benefits or attributes in situations where authorities understand there is a lack of business reason and no economic benefit obtained, other than the tax benefit.

On January 1, 2019, the Mexican government eliminated the right to offset any tax credit against any payable tax (general offset or "compensación universal" in spanish). As of such date, the right to offset any tax credit is against taxes of the same nature and payable by the same person (not being able to offset tax credits against taxes payable by third parties). Additionally, by Executive Decree, certain tax benefits related to the value-added tax and income tax were provided to businesses located on the northern border of Mexico. Due to the territories where we operate, this last provision does not apply to our business.

Colombia

In 2021 a new tax reform in Colombia increased the income tax rate from 30% to 35% for 2022 onwards and limited to 50% the possibility to deduct the municipality sales tax against income tax.

On January 1, 2019, a new tax reform became effective in Colombia. This reform reduced the income tax rate from 33.0% for 2019 to 32.0% for 2020, to 31.0% for 2021 and to 30.0% for 2022. The minimum assumed income tax (renta presuntiva sobre el patrimonio) was also reduced from 3.5% for 2018 to 1.5% for 2019 and 2020, and to 0.0% for 2021. In addition, the thin capitalization ratio was adjusted from 3:1 to 2:1, and was modified to apply only to transactions between related parties. Commencing on January 1, 2019, value-added tax, which was applied only to the first sale in the supply chain before December 31, 2018, began to be applied and transferred throughout the entire supply chain, which in our case results in charging value-added tax on the sales price of our finished goods (applicable to our Colombian subsidiary located in the free trade zone). For companies located in free trade zones, the value-added tax is charged on the cost of imported raw materials of national and foreign origin, which we can credit against the value-added tax on the sales price of our products. The municipality sales tax is 50.0% deductible against payable income tax for 2019 and will be 100.0% deductible in 2020. Finally, the value-added tax paid on acquired fixed assets will be credited against income tax or the minimum assumed income tax. Additionally, this tax reform increased the tax rate on dividends paid to foreign individuals and non-resident entities from 5.0% to 7.5%. The tax reform also imposed a tax rate of 7.5% on dividends paid to Colombian companies. This tax is charged only on the first distribution of dividends from one Colombian corporate entity to another, and a credit resulting from the tax withholding is carried forward until a Colombian company makes a distribution to a shareholder that is an individual residing in Colombia or a non-resident individual or entity.

In October 2019, the Colombian courts declared the tax reform that became effective on January 1, 2019 unconstitutional. On December 27, 2019, the Colombian government enacted a new tax reform, which became effective on January 1, 2020. In general, the reform maintained the provisions introduced on the previous tax reform and included some additional changes, as follows: (i) the minimum assumed income tax rate (renta presuntiva sobre el patrimonio) was reduced from 1.5% to 0.5% for 2020 and reduced to 0.0% for the year 2021 and beyond; (ii) the tax rate on dividends paid to Colombian resident individuals was reduced from 15.0% to 10.0%; (iii) the tax rate on dividends paid to foreign individuals and non-resident entities was increased from 7.5% to 10.0%; (iv) the possibility to deduct 100% of the municipality sales tax against payable income tax was postponed to 2022; and (v) taxpayers were granted more flexibility to credit or recover the value-added tax of imported goods from free trade zones.

Costa Rica

On July 1, 2019, a tax reform became effective in Costa Rica. This reform allowed tax credits on sales taxes to be recorded on goods, administrative services, and general expenses. The value-added tax rate of 13.0% on services provided within Costa Rica now applies to both domestic and foreign service providers. Capital gains taxes are now imposed at a rate of 15.0% on sales of assets located in Costa Rica. New income tax withholding rates are now imposed on salaries and other employee benefits at the rates of 25.0% and 20.0%, depending on the salary bracket. Finally, a new thin capitalization rule provides that interest expenses paid to entities other than members of the Costa Rican financial system that exceed 20.0% of a company's EBITDA are not deductible for income tax purposes.

Panama

Until November 17, 2019, Panama imposed an excise tax of 5.0% on carbonated beverages and imported non-carbonated beverages and a 10.0% selective consumption tax on syrups, powders and concentrate used to produce sugary drinks. On November 18, 2019, Panama replaced such excise tax with an excise tax of 7.0% on carbonated beverages with more than 7.5 grams of sugar or any caloric sweetener per 100 ml, and a 10.0% tax on syrups, powders and concentrate used to produce sugary drinks. As of January 1, 2020, Panama imposes an excise tax of 5.0% on non-carbonated beverages with more than 7.5 grams of sugar or any caloric sweetener per 100 ml, whether imported or produced locally. Beverages derived from dairy products, grains or cereals, nectars, fruit juices and vegetables with natural fruit concentrates are exempt from this tax.

Nicaragua

On March 1, 2019, a tax reform became effective in Nicaragua, increasing the excise tax for all beverages (except for water) from 9.0% to 11.0%; to 13.0% on January 1, 2020; and to 15.0% starting on January 1, 2021. Besides, starting on March 1, 2019, the minimum alternative income tax increased from 1.0% to 3.0%.

Uruguay

On December 29, 2020, the Uruguayan government issued an executive decree to modify the way the excise tax credit of beverages sold in returnable bottles is calculated, which excise tax credit is currently 1.15 Uruguayan pesos (Ps. 0.53 as of December 31, 2020) per liter. Starting on January 1, 2021 and until June 30, 2021, the excise tax credit shall be

calculated based on the ratio of purchases made by any entity in Uruguay of returnable bottles produced in Uruguay in the last three years to the total purchases of returnable bottles made by such entity in and outside Uruguay in the last three years. The Uruguayan government did not issue another executive decree with the rules so since July 1, 2021, this tax credit is no longer applicable.

On December 31, 2021 Uruguayan government issued an executive decree that increased the excise tax from 19% to 22% for energy drinks that should have applied beginning January 2022.

On December 29, 2020, the Uruguayan government issued an executive decree to modify the way the excise tax credit of beverages sold in returnable bottles is calculated, which excise tax credit is currently 1.15 Uruguayan pesos (Ps. 0.53 as of December 31, 2021) per liter. Starting on January 1, 2021 and until June 30, 2021, the excise tax credit was calculated based on the ratio of purchases made by any company in Uruguay selling returnable bottles produced in Uruguay in the last three years to the total purchases of returnable bottles made by such company in and outside Uruguay in the last three years. The Uruguayan government did not issue another executive decree with the rules so since July 1, 2021, this tax credit is no longer applicable.

Brazil

In early 2017, the Supreme Court decided that the value-added tax would not be used as the basis for calculating the federal sales tax, resulting in a reduction of the federal sales tax. The Brazilian tax authorities have appealed the Supreme Court's decision and such appeal was refused on a final decision on May 2021. However, Coca-Cola FEMSA Brazilian subsidiaries commenced legal proceedings to ascertain their ability to calculate federal sales tax without using the value-added tax as a basis by the Supreme Court's first ruling and obtained a final favorable resolution in 2019. In 2021, the federal production and sales taxes together resulted in an average of 16.20% tax over net sales.

In recent years, the excise tax rate on concentrate in Brazil has undergone recurrent temporary fluctuations. The excise tax rate was reduced from 20.0% to 4.0% from September 1, 2018 to December 31, 2018, was increased from 4.0% to 12.0% from January 1, 2019 to June 30, 2019, was reduced to 8.0% from July 1, 2019 to September 30, 2019 and was increased to 10.0% from October 1, 2019 to December 31, 2019. The excise tax rate was reduced to 4.0% from January 1, 2020 to May 31, 2020, was increased to 8.0% from June 1, 2020 to November 30, 2020 and was reduced again to 4.0% on December 1, 2020 till January 31, 2021 and it was increased to 8% from February 1, 2021 onward. The tax credit that Coca-Cola FEMSA may recognize in its Brazilian operations in connection with purchases of concentrate in the Manaus free Trade Zone has been affected accordingly.

Argentina

In 2021, the government issued a new law increasing the income tax rate to 35% for 2021 onwards and consider a tax rate of 7% on dividends paid to nonresidents or individuals.

On January 1, 2018, a tax reform became effective in Argentina. This reform reduced the income tax rate from 35.0% to 30.0% for 2018 and 2019, and then to 25.0% for 2020. In addition, such reform imposed a new tax on dividends paid to nonresident stockholders and resident individuals at a rate of 7.0% for 2018 and 2019, and then to 13.0% for the following years. Also, the tax reform decreased the sales tax rate in the province of Buenos Aires from 1.75% to 1.5% in 2018. However, the reform increased the sales tax rate in the City of Buenos Aires from 1.0% to 2.0% in 2018, and scheduled a reduction to 1.5% in 2019, to 1.0% in 2020, to 0.5% in 2021 and to 0.0% in 2022. Nonetheless, the Argentine government issued several decrees since 2019 to maintain the sales tax rate for both the province of Buenos Aires and the City of Buenos Aires at 1.5% since then.

25.3 Income Tax

The major components of income tax expense for the years ended December 31, 2022, 2021 and 2020 are:

	2022	2021	2020
Current tax expense	Ps. 15,510	Ps. 13,657	Ps. 18,690
Deferred tax expense (benefit):			
Origination and reversal of temporary differences	(624)	2,115	(5,824)
Utilization (recognition) of tax losses, net	(389)	(1,498)	1,994
Change in the statutory rate	(102)	4	(41)
Total deferred tax expense (benefit)	(1,115)	621	(3,871)
Total income taxes	Ps. 14,395	Ps. 14,278	Ps. 14,819

On May 29, 2020, the Company reached an agreement with the Mexican tax authority (the Servicio de Administración Tributaria), to resolve interpretative differences over taxes paid outside of Mexico, without judicial action. Under the agreed terms, the Company recognized the tax position as a liability in the statement of financial position and recognized a provision in the income statement of approximately Ps. 8,754 million during the second quarter of 2020. From this amount Ps. 5,500 million were recorded and presented as current tax expense, and Ps. 3,253 million as penalties, from which Ps. 868 million correspond to inflationary effects. The total liability was fully paid during the second and third quarter of 2020.

Recognized in Consolidated Statement of Other Comprehensive Income (“OCI”)

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

	2022	2021	2020
Unrealized gain (loss) on cash flow hedges	Ps. (1,158)	Ps. 992	Ps. 871
Exchange differences on translation of foreign operations	(3,742)	(1,730)	4,758
Remeasurements of the net defined benefit liability	383	127	(208)
Share of the other comprehensive income of equity method accounted investees ⁽¹⁾	1,129	1,506	(2,597)
Total income tax expense (benefit) recognized in OCI	Ps. (3,388)	Ps. 895	Ps. 2,824

(1) Deferred income taxes related to CTA, MTM of derivative financial instruments and employee benefits for equity method accounted investees which as of December 31, 2022 amounted to Ps. 1,138, Ps. (123), and Ps. 114, respectively.

A reconciliation between tax expense and income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method multiplied by the Mexican domestic tax rate for the years ended December 31, 2022, 2021 and 2020 is as follows:

	2022	2021	2020
Mexican statutory income tax rate	30.0 %	30.0 %	30.0 %
Difference between book and tax inflationary values and translation effects	(5.4) %	(4.8) %	(5.0) %
Annual inflation tax adjustment	7.0 %	7.7 %	3.0 %
Difference between statutory income tax rates	2.8 %	0.2 %	1.0 %
Non-deductible expenses	3.8 %	2.1 %	3.8 %
Taxable (non-taxable) income	1.4 %	2.3 %	2.9 %
Others	0.1 %	0.1 %	(1.9) %
Impairments ⁽¹⁾	— %	— %	4.6 %
Adjustments for previous tax years ⁽²⁾	0.4 %	— %	30.3 %
Income Tax credits ⁽³⁾	— %	(1.5) %	(8.3) %
Tax loss ⁽⁴⁾⁽⁵⁾	(5.5) %	(1.4) %	16.3 %
Consolidated Effective income tax rate ⁽⁶⁾	34.6 %	34.7 %	76.7 %

(1) Includes the impairments of Specialty's and Estrella Azul in 2020 explained in Note 13 and 10, respectively.

(2) Related to an agreement with the Mexican tax authority in 2020, to resolve interpretative differences over foreign (non-Mexican) dividends received before 2020.

(3) Favorable position of Brazilian Courts related to a no taxation on financial effects of recovered tax credits from previously won judicial disputes, which allowed a recognition of a deferred tax credit in Brazil in 2021 and 2020.

(4) During 2022, Coca-Cola FEMSA recognized an amount of Ps.(2,194) as favorable effects on the deferred tax assets of our territories taking into account our expectation that those deferred tax assets will be recovered in the future.

(5) During 2020, Coca-Cola FEMSA recognized an amount of Ps. 2,349 in the deferred tax asset based on the probability of the expected timing of reversal of tax losses in Mexico.

(6) The extraordinary effects in 2020 increased the tax rate by 42.9%.

Deferred Income Tax Related to:

	Consolidated Statement of Financial Position as of		Consolidated Statement of Income		
	December 31, 2022	December 31, 2021	2022	2021	2020
Allowance for doubtful accounts	Ps. (389)	Ps. (35)	Ps. 21	Ps. (3)	Ps. (25)
Inventories	(107)	206	99	(17)	60
Other current assets	99	144	(78)	47	(162)
Property, plant and equipment, net	(7,288)	(6,495)	(1,345)	(1,081)	(708)
Right of use Assets from leases	(1,433)	(1,218)	(151)	(482)	(509)
Investments in equity method accounted investees	(7,330)	(7,533)	(58)	(22)	(15)
Other assets	(283)	192	36	(2)	(729)
Finite useful lived intangible assets	3	297	(139)	498	129
Indefinite lived intangible assets	3,693	3,038	402	36	(261)
Post-employment and other long-term employee benefits	(736)	(1,746)	(71)	(258)	(175)
Derivative financial instruments	420	1,622	(111)	738	111
Temporary non-deductible provision	(3,971)	(3,443)	43	1,280	(1,751)
Employee profit sharing payable	(871)	(759)	(304)	(393)	64
Tax loss carryforwards	(10,177)	(9,047)	(389)	(1,498)	1,994
Tax credits to recover (1)	(1,065)	(1,394)	255	1,200	(1,629)
Cumulative other comprehensive income	(218)	—	(417)	—	—
Exchange differences on translation of foreign operations in OCI	4,603	8,170	—	—	—
Other liabilities	(752)	(2,668)	797	(4)	(440)
Finance leases	(382)	(220)	(272)	53	(23)
Liabilities of amortization of goodwill of business acquisition	6,117	6,198	—	86	—
Deferred tax income			Ps. (1,682)	Ps. 178	Ps. (4,069)
Deferred tax income net recorded in share of the profit of equity method accounted investees			567	443	198
Deferred tax income, net			Ps. (1,115)	Ps. 621	Ps. (3,871)
Deferred income taxes, net	(20,067)	(14,691)			
Deferred tax asset	(26,890)	(20,733)			
Deferred tax liability	Ps. 6,823	Ps. 6,042			

(1) Corresponds to income tax credits arising from dividends received from foreign subsidiaries to be recovered within the next ten years accordingly to the Mexican Income Tax law.

Income tax related to Accumulated Other Comprehensive Income (“AOCI”)

Income tax related to items charged or recognized directly in AOCI as of the year:	2022		2021	
Unrealized gain on derivative financial instruments	Ps.	688	Ps.	1,796
Remeasurements of the net defined benefit liability		(251)		(637)
Exchange differences on translation of foreign operations		3,778		7,520
Gain on hedge of net investments in foreign operations		2,216		181
Share of other comprehensive income of associated companies and joint ventures		(3,108)		(4,237)
Total deferred tax loss related to AOCI	Ps.	3,323	Ps.	4,623

The changes in the balance of the net deferred income tax asset are as follows:

	2022		2021		2020	
Balance at the beginning of the period	Ps.	(14,691)	Ps.	(16,010)	Ps.	(13,575)
Deferred tax provision for the period		(1,115)		622		(3,871)
Deferred tax income net recorded in share of the profit of equity method accounted investees		(694)		277		(404)
Acquisition of subsidiaries		—		—		1
Effects in equity:						
Unrealized (gain) on cash flow hedges		(1,281)		1,006		865
Exchange differences on translation of foreign operations		(2,604)		(491)		2,215
Remeasurements of the net defined benefit liability		497		380		(256)
Retained earnings of equity method accounted investees		(334)		32		(33)
Restatement effect of the period and beginning balances associated with hyperinflationary economies		155		(507)		(953)
Balance at the end of the period	Ps.	(20,067)	Ps.	(14,691)	Ps.	(16,010)

The Company offsets tax assets and liabilities only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes are levied by the same tax authority.

Tax Loss Carryforwards

The subsidiaries in Mexico, Colombia, Uruguay, Argentina and Brazil have tax loss carryforwards. Unused tax loss carryforwards, for which a deferred income tax asset has been recognized, may be recovered provided certain requirements are fulfilled. The tax losses carryforwards for which a deferred tax asset has been recorded and their corresponding years of expiration are as follows:

Year	Tax Loss Carryforwards
2023	Ps. 318
2024	436
2025	254
2026	218
2027	159
2028	953
2029	3,674
2030	3,885
2031	1,239
2032 and thereafter	3,615
No expiration (Brazil and Colombia)	16,572
	Ps. 31,323

Considering all available evidence, including forecasts, business plans and strategic measures, as of December 31, 2022 and 2021 the Company has decided not to recognize a deferred income tax asset related to temporary differences not recognized in previous tax years. The amount of deferred income tax assets not recognized in previous tax years and adjusted as of December 31, 2022 and 2021 were Ps. 1,816 and Ps 3,769, respectively.

The Company recorded certain goodwill balances due to acquisitions that are deductible for Brazilian income tax reporting purposes. The deduction of such goodwill amortization has resulted in the creation of NOLs in Brazil which have no expiration, but their usage is limited to 30% of Brazilian taxable income in any given year. As of December 31, 2022, the Company believes that it is more likely than not that it will ultimately recover such NOLs through the reversal of temporary differences and future taxable income. Accordingly, the related deferred tax assets have been fully recognized.

Our business in the United States known as Envoy Solutions, performed several acquisitions within years 2022 and 2021, most acquisitions from a tax perspective were performed as acquisition of assets, therefore a relevant tax basis has been triggered. The purchase price allocated to intangibles will be amortized over a fifteen-year period, straight-line for tax.

The changes in the balance of tax loss carryforwards are as follows:

	2022	2021
Balance at beginning of the period	Ps. 30,041	Ps. 26,617
Derecognized	(13,348)	33
Additions	14,639	8,306
Usage of tax losses	(460)	(5,600)
Translation effect of beginning balances	451	685
Balance at end of the period	Ps. 31,323	Ps. 30,041

There were no withholding taxes associated with the payment of dividends in 2022, 2021 or 2020 by the Company to its shareholders.

The Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. As of December 31, 2022, 2021 and 2020, 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. 40,217, Ps. 44,830 and Ps. 41,280, respectively.

Note 26. Other Liabilities, Provisions, Contingencies and Commitments

26.1 Other current financial liabilities

	December 31, 2022	December 31, 2021
Sundry creditors	Ps. 16,869	Ps. 12,873
Derivative financial instruments (see Note 21)	470	138
Other	136	186
Total	Ps. 17,475	Ps. 13,197

26.2 Provisions and other non-current liabilities

	December 31, 2022	December 31, 2021
Contingencies	Ps. 4,685	Ps. 5,589
Payable taxes	1,045	662
Other	3,251	2,409
Total	Ps. 8,981	Ps. 8,660

26.3 Other non-current financial liabilities

	December 31, 2022		December 31, 2021	
Derivative financial instruments (see Note 21)	Ps.	5,651	Ps.	1,635
Security deposits		967		729
Total	Ps.	6,618	Ps.	2,364

26.4 Provisions recorded in the consolidated statement of financial position

The Company has various loss contingencies and has recorded reserves as other liabilities for those legal proceedings for which it believes an unfavorable resolution is probable. Most of these contingencies are the result of the Company's business acquisitions. The following table presents the nature and amount of the contingencies recorded as of December 31, 2022 and 2021:

	December 31, 2022		December 31, 2021	
Indirect taxes	Ps.	1,976	Ps.	2,845
Labor		1,703		1,807
Legal		1,006		937
Total ⁽¹⁾	Ps.	4,685	Ps.	5,589

(1) As it is customary in Brazil, the Company is required to guarantee tax, legal and labor contingencies by guarantee deposits. See Note 14.

26.5 Changes in the balance of provisions recorded

26.5.1 Indirect taxes

	December 31, 2022		December 31, 2021		December 31, 2020	
Balance at beginning of the period	Ps.	2,845	Ps.	3,153	Ps.	5,062
Penalties and other charges		109		77		—
New contingencies		249		314		489
Cancellation and expiration		(738)		(77)		(153)
Payments		(473)		(237)		(218)
Reversal of indemnifiable items ⁽¹⁾		—		—		(1,177)
Effects of changes in foreign exchange rates		(16)		(385)		(850)
Balance at end of the period	Ps.	1,976	Ps.	2,845	Ps.	3,153

(1) This amount for 2020 includes Ps. 899 of certain tax contingencies that expired and are payable to the former shareholders of Spaipa (acquired in 2013).

26.5.2 Labor

	December 31, 2022	December 31, 2021	December 31, 2020
Balance at beginning of the period	Ps. 1,807	Ps. 1,857	Ps. 2,455
Penalties and other charges	81	309	233
New contingencies	571	526	249
Contingencies added in the business combination	67	—	—
Cancellation and expiration	(443)	(445)	(61)
Payments	(320)	(360)	(592)
Effects of changes in foreign exchange rates	(60)	(80)	(427)
Balance at end of the period	Ps. 1,703	Ps. 1,807	Ps. 1,857

26.5.3 Legal

	December 31, 2022	December 31, 2021	December 31, 2020
Balance at beginning of the period	Ps. 937	Ps. 1,293	Ps. 1,337
Penalties and other charges	63	68	8
New contingencies	141	35	362
Contingencies added in the business combination	158	—	—
Cancellation and expiration	(146)	(364)	(141)
Payments	(110)	(97)	(111)
Effects of changes in foreign exchange rates	(37)	2	(162)
Balance at end of the period	Ps. 1,006	Ps. 937	Ps. 1,293

While provision for all claims has already been made, the actual outcome of the disputes and the timing of the resolution cannot be estimated by the Company at this time.

26.6 Unsettled lawsuits

The Company has entered into several proceedings with its labor unions, tax authorities, and other parties that primarily involve Coca-Cola FEMSA and its subsidiaries. These proceedings have resulted in the ordinary course of business and are common to the industry in which the Company operates. The aggregate amount being claimed against the Company resulting from such proceedings as of December 31, 2022 is Ps. 119,728. Such contingencies were classified by internal legal counsel as less than probable but more than remote of being settled against the Company. However, the Company believes that the ultimate resolution of such several proceedings will not have a material effect on its consolidated financial position or result of operations.

Included in this amount Coca-Cola FEMSA has tax contingencies, most of which are related to its Brazilian operations, with loss expectations assessed by management and supported by the analysis of legal counsel considered as “possible”. The main “possible” contingencies of Brazilian operations amount to approximately Ps. 65,338. This refers to various tax disputes related primarily to: (i) Ps. 9,695 of credits for ICMS (“VAT”); (ii) Ps. 37,539 related to tax credits of “IPI” over raw materials acquired from Free Trade Zone Manaus; (iii) claims of Ps. 5,214 related to compensation of federal taxes not approved by the IRS (Tax authorities); (iv) Ps. 9,601 related to the amortization of goodwill generated in acquisition operations; (v) Ps. 2,714 relating to liability over the operations of a third party, former distributor, in the period from 2001 to 2003 and (vi) Ps. 575 related to the exclusion of ICMS (VAT) from the PIS/COFINS taxable basis. Coca-Cola FEMSA is defending its position in these matters and final decision is pending in court.

After conducting a thorough analysis, during 2021 Coca-Cola FEMSA decided to reverse its temporary decision to suspend tax credits on concentrate purchased from the Manaus Free Trade Zone in Brazil. As a result, Coca-Cola FEMSA has recognized an extraordinary benefit of Ps. 1,083 million in the cost of goods sold equivalent to the accumulated credit suspended since 2019 and until the first quarter of 2021. This decision was supported by recent developments and opinions from external advisors.

In recent years in its Mexican and Brazilian territories, Coca-Cola FEMSA has been requested to present certain information regarding possible monopolistic practices. These requests are commonly generated in the ordinary course of business in the soft drink industry where the subsidiaries operate. The Company does not expect any material liability to arise from these contingencies.

26.7 Collateralized contingencies

As is customary in Brazil, Coca-Cola FEMSA has been required by the tax authorities there to collateralize tax contingencies currently in litigation amounting to Ps. 13,728, Ps. 10,721 and Ps.7,342 as of December 31, 2022, 2021 and 2020, respectively, by pledging fixed assets and entering into available lines of credit covering the contingencies, see Note 14. Also, as disclosed in Note 9.2, there is some restricted cash in Brazil related to current deposits to fulfill the collateral requirements for accounts payable.

26.8 Commitments

The Company has signed commitments for the purchase of property, plant and equipment of Ps. 2,588, Ps. 726 and Ps. 432 as of December 31, 2022, 2021, and 2020 respectively.

Note 27. Information by Segment

The information by segment is presented considering the Company's business units (as defined in Note 1) based on its products and services, which is consistent with the internal reporting presented to the Chief Operating Decision Maker. A segment is a component of the Company that engages in business activities from which it earns revenues, and incurs the related costs and expenses, including revenues, costs and expenses that relate to transactions with any of the Company's other components. All segments' operating results are reviewed regularly by the Chief Operating Decision Maker, who makes decisions about the resources that would be allocated to the segment and to assess its performance, and for which financial information is available.

Starting 2021, FEMSA opted to report voluntarily a new reportable segment named "Logistics and Distribution", which includes integral logistics services as well as product sales in the Jan-San, packaging and specialized distribution industry. For 2022, this reportable segment became mandatory according with IFRS 8. Also, starting in 2021, the Company reallocated a not significant fuel business, which was previously included in "Other" to "Fuel Division." The financial information by operating segment reported below for the year ended December 31, 2020 has been restated in order to give effect to business units' reorganization described above. Starting 2022, the Company opted to report voluntarily a new reportable segment named "Proximity Division - Europe", which includes Valora's sales through its portfolio of brands. Additionally, the segment previously called "Proximity Division" was renamed to "Proximity Division - Americas".

Inter-segment transfers or transactions are entered into and presented under accounting policies of each segment, which are the same as those applied by the Company. Intercompany operations are eliminated and presented within the consolidation adjustment column included in the tables below.

a) By Business Unit:

2022	Coca-Cola FEMSA		Proximity Americas		Proximity Europe		Health Division		Fuel Division		Heineken Investment		Logistics and Distribution		Other (1)		Consolidation Adjustments		Consolidated	
	Ps.	226,740	Ps.	233,958	Ps.	9,809	Ps.	74,800	Ps.	51,813	Ps.	—	Ps.	72,539	Ps.	25,677	Ps.	(22,134)	Ps.	673,202
Total revenues																				
Intercompany revenue		6,489		74		—		—		311		—		6,754		8,506		(22,134)		—
Gross profit		100,300		97,586		4,599		21,983		6,560		—		16,165		7,920		(3,445)		251,668
Administrative expenses		—		—		—		—		—		—		—		—		—		34,486
Selling expenses		—		—		—		—		—		—		—		—		—		157,340
Other income		—		—		—		—		—		—		—		—		—		1,088
Other expenses		—		—		—		—		—		—		—		—		—		2,870
Interest expense		6,500		6,851		145		1,468		1,125		1		1,205		4,732		(5,713)		16,314
Interest income		2,411		298		6		86		338		79		172		5,482		(5,029)		3,842
Other net finance loss (3)		—		—		—		—		—		—		—		—		—		(3,908)
Income before income taxes and share of the profit of equity method accounted investees		25,787		5,661		218		1,659		1,543		66		1,895		4,456		395		41,680
Income taxes		6,547		2,793		302		600		406		11		1,077		2,659		—		14,395
Share of the profit of equity method accounted investees, net of tax		386		(276)		—		—		—		7,359		4		(15)		—		7,458
Consolidated net income		—		—		—		—		—		—		—		—		—		34,743
Depreciation and amortization (2)		10,425		11,518		826		3,291		1,062		—		3,115		811		(521)		30,527
Non-cash items other than depreciation and amortization		1,738		511		5		394		59		—		27		133		—		2,869
Investments in equity method accounted investees		8,452		2,650		—		1		19		92,282		12		253		—		103,669
Total assets		277,995		143,877		38,759		60,960		24,102		98,162		81,115		162,788		(88,943)		798,815
Total liabilities		146,119		119,991		36,647		47,798		19,574		1,863		43,231		134,742		(88,951)		461,014
Investments in fixed assets (4)		19,665		9,931		544		2,868		157		—		1,140		1,073		(968)		34,410

(1) Includes other companies and corporate (see Note 1).

(2) Includes bottle breakage.

(3) Includes foreign exchange loss, net; gain on monetary position for subsidiaries in hyperinflationary economies; and market value loss on financial instruments.

(4) Includes acquisitions and disposals of property, plant and equipment, intangible assets, and other long-lived assets.

2021 (Revised)	Coca-Cola FEMSA	Proximity Division	Health Division	Fuel Division	Heineken Investment	Logistics and Distribution	Other (1)	Consolidation Adjustments	Consolidated
	Ps.	Ps.	Ps.	Ps.	Ps.	Ps.	Ps.	Ps.	Ps.
Total revenues	194,804	198,586	73,027	39,922	—	48,412	21,754	(20,244)	556,261
Intercompany revenue	5,428	520	—	57	—	5,809	8,430	(20,244)	—
Gross profit	88,598	84,196	21,736	5,269	—	10,569	8,479	(5,134)	213,713
Administrative expenses	—	—	—	—	—	—	—	—	27,219
Selling expenses	—	—	—	—	—	—	—	—	134,079
Other income	—	—	—	—	—	—	—	—	5,887
Other expenses	—	—	—	—	—	—	—	—	3,727
Interest expense	6,192	6,076	1,465	1,119	—	430	5,269	(3,613)	16,938
Interest income	932	440	30	154	74	1	3,446	(3,613)	1,464
Other net finance loss ⁽³⁾	—	—	—	—	—	—	—	—	2,090
Income before income taxes and share of the profit of equity method accounted investees	22,852	12,580	1,068	455	59	1,854	2,477	(154)	41,191
Income taxes	6,609	996	1,219	103	15	982	4,354	—	14,278
Share of the profit of equity method accounted investees, net of tax	88	(120)	—	—	10,775	8	14	—	10,765
Consolidated net income	—	—	—	—	—	—	—	—	37,678
Depreciation and amortization ⁽²⁾	9,834	10,869	3,355	972	—	2,684	402	(129)	27,987
Non-cash items other than depreciation and amortization	1,613	448	111	14	—	145	110	—	2,441
Investments in equity method accounted investees	7,494	2,899	—	19	96,349	—	538	—	107,299
Total assets	271,567	129,821	57,463	19,878	101,706	64,168	166,984	(74,087)	737,500
Total liabilities	143,995	110,765	44,037	16,503	4,383	28,245	128,568	(74,113)	402,383
Investments in fixed assets ⁽⁴⁾	13,865	7,179	2,049	243	—	557	474	(312)	24,055

(1) Includes other companies and corporate (see Note 1).

(2) Includes bottle breakage.

(3) Includes foreign exchange loss, net; gain on monetary position for subsidiaries in hyperinflationary economies; and market value loss on financial instruments.

(4) Includes acquisitions and disposals of property, plant and equipment, intangible assets, and other long-lived assets.

2020 (Revised)	Coca-Cola FEMSA	Proximity Division	Health Division	Fuel Division	Heineken Investment	Logistics and Distribution	Other (1)	Consolidation Adjustments	Consolidated
	Ps.	Ps.	Ps.	Ps.	Ps.	Ps.	Ps.	Ps.	Ps.
Total revenues	183,615	181,277	65,172	34,322	—	31,568	17,311	(20,299)	492,966
Intercompany revenue	5,016	451	—	9	—	5,508	9,315	(20,299)	—
Gross profit	82,811	74,296	19,575	4,829	—	5,191	8,103	(5,152)	189,653
Administrative expenses	—	—	—	—	—	—	—	—	22,988
Selling expenses	—	—	—	—	—	—	—	—	123,405
Other income	—	—	—	—	—	—	—	—	3,343
Other expenses	—	—	—	—	—	—	—	—	12,381
Interest expense	7,894	5,932	1,540	1,099	—	397	4,376	(3,722)	17,516
Interest income	1,048	388	162	155	61	56	3,952	(3,722)	2,100
Other net finance loss ⁽³⁾	—	—	—	—	—	—	—	—	505
Income before income taxes and share of the profit of equity method accounted investees	16,077	6,409	753	330	48	776	(5,567)	485	19,311
Income taxes	5,428	(280)	243	126	12	446	8,844	—	14,819
Share of the profit of equity method accounted investees, net of tax	(281)	(18)	—	—	(434)	—	(3)	—	(736)
Consolidated net income	—	—	—	—	—	—	—	—	3,756
Depreciation and amortization ⁽²⁾	10,608	10,574	3,543	865	—	2,062	500	(103)	28,049
Non-cash items other than depreciation and amortization	1,494	739	28	21	—	(25)	164	—	2,421
Investments in equity method accounted investees	7,623	3,102	—	19	87,291	—	235	—	98,270
Total assets	263,066	121,200	60,107	19,572	92,444	52,057	135,456	(59,054)	684,848
Total liabilities	140,609	104,141	46,038	16,466	4,011	15,163	110,054	(58,821)	377,661
Investments in fixed assets ⁽⁴⁾	10,354	6,907	1,694	549	—	481	1,052	(144)	20,893

(1) Includes other companies and corporate (see Note 1).

(2) Includes bottle breakage.

(3) Includes foreign exchange gain, net; gain on monetary position for subsidiaries in hyperinflationary economies; and market value loss on financial instruments.

(4) Includes acquisitions and disposals of property, plant and equipment, intangible assets, and other long-lived assets.

b) By Geographic Area:

The Company aggregates geographic areas into the following for the purposes of its consolidated financial statements: (i) Mexico and Central America division (comprising the following countries: Mexico, Guatemala, Nicaragua, Costa Rica and Panama), (ii) the United States, (iii) the South America division (comprising the following countries: Brazil, Argentina, Colombia, Chile, Ecuador, Peru and Uruguay) and (iv) Europe (comprised of the Company's equity method investment in Heineken Group and Valora). For further information related to aggregates, geographic areas see Note 28.2 Disaggregation of revenue.

Geographic disclosure for the Company's non-current assets is as follow:

	2022	2021
Mexico and Central America ⁽¹⁾	Ps. 245,222	Ps. 234,719
United States ⁽²⁾	61,164	53,447
South America ⁽³⁾	121,398	117,278
Europe ⁽⁴⁾	144,582	101,338
Consolidated	Ps. 572,366	Ps. 506,782

(1) Domestic (Mexico only) non-current assets were Ps. 237,832 and Ps. 220,843, as of December 31, 2022 and December 31, 2021, respectively.

(2) On May 15, 2020, the Company completed the acquisition of the specialized distribution business of cleaning products and consumables in the United States, through the controlling interest of NW Synergy, which includes WAXIE Sanitary Supply ("WAXIE") and North American Corporation ("North American"). Additionally, on December 31, 2020, the Company completed the acquisition of Southeastern Paper Group ("SEPG"). During 2022 and 2021 the Company acquired other companies increasing its specialized distribution footprint in the United States. See Note 4.

(3) South America non-current assets includes Brazil, Argentina, Colombia, Chile, Uruguay and Ecuador. Brazilian non-current assets were Ps. 67,848 and Ps. 65,512, as of December 31, 2022 and December 31, 2021, respectively. Colombia's non-current assets were Ps. 17,092 and Ps. 14,433, as of December 31, 2022 and December 31, 2021, respectively. Argentina's non-current assets were Ps. 4,895 and Ps. 4,486, as of December 31, 2022 and December 31, 2021, respectively. Chile's non-current assets were Ps. 30,272 and Ps. 29,621, as of December 31, 2022 and December 31, 2021, respectively. Uruguay's non-current assets were Ps. 3,403 and Ps. 2,473, as of December 31, 2022 and December 31, 2021, respectively. Ecuador's non-current assets were Ps. 3,737 and Ps. 3,590, as of December 31, 2022 and December 31, 2021, respectively.

(4) On October 7, 2022, the Company completed the acquisition of Valora Holding AG.

Note 28. Revenues**28.1 Nature of goods sold and services**

The information sets below described the core activities of the business units from which the Company generates its revenues. According to the standard, the performance obligation for the Company's business units is satisfied at a point

when the control of goods and services is transferred to the customers. For detailed information about business segments, see Note 27.

Segment	Product or Service	Nature, timing to fulfill the performance obligation and significant payment terms
Coca-Cola FEMSA	Beverages sales	Includes the delivery of beverages to customers and wholesalers. The transaction prices are assigned to each product on sale based on its own sale price separately, net of promotions and discounts. The performance obligation is satisfied at the point in time the product on sale is delivered to the customer.
	Services revenues	Includes the rendering of manufacturing services, logistic and administrative services. The transaction prices are assigned to each product on sale based on its own sale price if sold separately. The performance obligation is satisfied at the point in time the service is delivered to the customer.
Proximity Division - Americas	Products sales	Operates the largest chain of small-format stores in Mexico and Latin America including as some of its principal products as beers, cigarettes, sodas, other beverages and snacks. The performance obligation is satisfied at the time of the sale or at the moment the control of the product is transferred and the payment is made by the customer.
	Commercial revenues	Includes mainly the commercialization of spaces into within stores, and revenues related to promotions and financial services. The performance obligation is satisfied at the point in time the service is rendered to the customer.
Proximity Division - Europe	Products sales	Operates a chain of small-box retail and foodvenience in Switzerland, Germany, Austria, Luxembourg and the Netherlands including as some of its principal products as tobacco, lottery products, snacks, press, food, fresh products, pretzels and drinks. The performance obligation is satisfied at the time of the sale or at the moment the control of the product is transferred and the payment is made by the customer.
	Services revenues	Includes mainly the revenues related to financial services. The performance obligation is satisfied at the point in time the service is rendered to the customer.
Health Division	Product sales	The core products include patent and generic formulas of medicines, beauty products, medical supplements, housing and personnel care products. The performance obligation is satisfied at the point in time of the sale or at the moment the control of the product is transferred to the customer.
	Services revenues	Rendering of services adding value as financial institutions, medical consultation and some financial services. The performance obligation is satisfied at the point in time of the rendering or the control is transferred to the customer.
Fuel Division	Product sales	The core products are sold in the retail service stations as fuels, diesel, motor oils and other car care products. The performance obligation is satisfied at the point in time on sale and/or the control is transferred to the customer.
Logistics and distribution	Integral logistic services	Rendering a wide range of logistic services and maintenance of vehicles to subsidiaries and customers. The operations are on a daily, monthly or based upon the customer's request. The revenue is recognized progressively during the time the service is rendered in a period no greater than a month.
	Product sales in the Jan-San, packaging and specialized distribution industry.	The revenues in this business are integrated from the sale of consumables in the janitorial, sanitary supply, and packaging industry in the United States. The performance obligation is satisfied at the point in time on sale and/or when the control is transferred to the customer.
Others	Production and sale of commercial refrigeration, plastic solutions, sale of equipment for food processing	Involves the production, commercialization of refrigerators including its delivery and installation and offering of integral maintenance services at the point of sale. Also includes the design, manufacturing, and recycling of plastic products. In addition, it includes the sale of equipment for food processing, storage and weighing. The revenue recognition is performed at the time in which the corresponding installation is concluded. The recognition of revenue in other business lines is performed at the point of sale or in time the control of the product is transferred to the customer.

28.2 Disaggregation of revenue

The information sets below describe the disaggregation of revenue by geographic area, business unit and products and services categories in which the Company operates. The timing in which the revenues are recognized by the business units in the Company, is mainly at the point in the time in which control of goods and services is transferred in its entirety to the customer.

	Coca-Cola FEMSA			Proximity Division - Americas			Proximity Division - Europe			Health Division			Fuel Division			Logistics and Distribution			Other Segments			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020 (Revised)	2022	2021	2020 (Revised)	2022	2021	2020 (Revised)	2022	2021	2020
By geographic areas:																								
Mexico and Central America ⁽¹⁾	Ps. 131,002	Ps. 115,794	Ps. 106,763	Ps. 229,331	Ps. 195,990	Ps. 179,218	Ps. —	Ps. —	Ps. —	Ps. 21,212	Ps. 10,814	Ps. 9,716	Ps. 51,813	Ps. 39,922	Ps. 34,322	Ps. 13,163	Ps. 11,789	Ps. 11,349	Ps. 22,238	Ps. 19,260	Ps. 15,519	Ps. 488,789	Ps. 390,569	Ps. 356,907
United States ⁽²⁾	—	—	—	17	11	15	—	—	—	—	—	—	—	—	—	49,351	27,787	11,563	316	279	687	49,704	28,077	12,263
South America ⁽³⁾	95,738	79,010	76,832	4,610	2,585	2,044	—	—	—	53,588	62,213	55,456	—	—	—	18,025	8,836	8,656	3,183	2,215	1,105	167,064	154,859	144,093
Europe	—	—	—	—	—	—	9,809	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total revenues	226,740	194,804	183,615	233,958	198,566	181,277	9,809	—	—	74,800	73,027	65,172	51,813	39,922	34,322	72,539	48,412	31,568	25,677	21,754	17,311	695,336	576,505	513,263
Consolidation adjustments	6,489	5,428	5,016	74	520	451	—	—	—	—	—	—	311	57	9	6,754	5,809	5,308	8,506	8,430	9,315	22,134	20,244	20,299
Consolidated revenues	233,229	200,232	188,631	234,032	199,086	181,728	9,809	—	—	74,800	73,027	65,172	52,124	40,000	34,331	79,293	54,221	36,876	34,183	30,184	26,626	717,470	596,749	533,562
By products and/or services																								
Products sold in the point-of-sale	Ps. 226,740	Ps. 194,804	Ps. 183,615	Ps. 233,958	Ps. 198,566	Ps. 181,277	Ps. 9,809	Ps. —	Ps. —	Ps. 74,800	Ps. 73,027	Ps. 65,172	Ps. 51,813	Ps. 39,922	Ps. 34,322	Ps. 49,534	Ps. 27,623	Ps. 11,276	Ps. 20,166	Ps. 14,814	Ps. 11,443	Ps. 666,703	Ps. 548,439	Ps. 487,105
Services revenues	—	—	—	—	—	—	—	—	—	—	—	—	116	337	—	21,005	20,789	20,292	5,511	6,940	5,868	28,633	28,066	26,160
Consolidation adjustments	6,489	5,428	5,016	74	520	451	—	—	—	—	—	—	311	57	9	6,754	5,809	5,308	8,506	8,430	9,315	22,134	20,244	20,299
Consolidated revenues	233,229	200,232	188,631	234,032	199,086	181,728	9,809	—	—	74,800	73,027	65,172	52,124	40,000	34,331	79,293	54,221	36,876	34,183	30,184	26,626	717,470	596,749	533,562

- (1) Central America includes Guatemala, Nicaragua, Costa Rica and Panama. Domestic (Mexico only) revenues were Ps. 418,807, Ps. 355,920 and Ps. 320,694 during the years ended December 31, 2022, 2021 and 2020, respectively.
- (2) On May 15, 2020, the Company completed the acquisition of the specialized distribution business of cleaning products and consumables in the United States, through the controlling interest of NW Synergy, which includes WAXIE Sanitary Supply ("WAXIE") and North American Corporation ("North American"). Additionally, on December 31, 2020, the Company completed the acquisition of Southeastern Paper Group ("SEPG"). During 2022 and 2021 the Company acquired other companies increasing its specialized distribution footprint in the United States. See Note 4.
- (3) South America includes Brazil, Argentina, Colombia, Chile, Uruguay and Ecuador. South America revenues include Brazilian revenues of Ps. 70,737, Ps. 59,973 and Ps. 62,758 during the years ended December 31, 2022, 2021 and 2020, respectively. South America revenues include Colombia's revenues of Ps. 45,733, Ps. 17,548 and Ps. 14,800 during the years ended December 31, 2022, 2021 and 2020, respectively. South America revenues include Argentina's revenues of Ps. 11,034, Ps. 8,546 and Ps. 5,531 during the years ended December 31, 2022, 2021 and 2020, respectively. South America revenues include Chile's revenues of Ps. 35,423, Ps. 54,709 and Ps. 47,208 during the years ended December 31, 2022, 2021 and 2020, respectively. South America revenues include Uruguay's revenues of Ps. 3,886, Ps. 3,371 and Ps. 3,124 during the years ended December 31, 2022, 2021 and 2020, respectively. South America revenues include Ecuador's revenue of Ps. 9,791, Ps. 9,079 and Ps. 9,467 during the year ended in December 31, 2022, 2021 and 2020, respectively.

28.3 Contract balances

As of December 31, 2022 and 2021, no significant cost was incurred to obtain or perform on a contract that might be capitalized as assets. No significant contracts have been entered into for which the Company has not performed all the obligations as well as additional costs associate with them.

28.4 Transaction price assigned to remaining performance obligations

No performance obligations were identified in customer contracts that are not included in the transaction price, as a result of identified variable considerations per each business unit are part of the transaction price through be consider highly probable that not occurs a significant reversion of the revenue amount.

Note 29. Future Impact of Recently Issued Accounting Standards not yet in Effect

The Company has not applied the following standards, amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable when they become effective.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

What is meant by a right to defer settlement

That a right to defer must exist at the end of the reporting period

That classification is unaffected by the likelihood that an entity will exercise its deferral right

That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. An earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023, with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The amendments are not expected to have a material impact on the Company.

Income Taxes Amendments to IAS 12

On May 7, 2021, the IASB issued amendments to IAS 12 “Income Tax”. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments modify paragraphs 15, 22 and 24 of IAS 12, which state that the initial recognition exemption does not apply to operations that at the time of initial recognition give rise to equal taxable and deductible temporary differences.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

Lease Liability in a Sale and Leaseback - Amendments to IFRS 16

The amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right-of-use it retains. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024. Early application is permitted.

The Company is currently assessing the impact the amendments will have on current practice.

Note 30. Subsequent Events

On February 16th, 2023, the Company, sold a portion of its Heineken Investment in the total amount of EUR 3,200 million in an all cash transaction. Following the completion of the sale, FEMSA's economic interest decrease from 14.76% to 8.13%. As a result, FEMSA-appointed directors resigned from the Heineken Boards, and the Company lost its significance influence over this investment.

On February 24th, 2023, the Company issued debt on the Frankfurt Stock Exchange (FWB) in the amount of EUR 500 million which was made up of senior unsecured Exchangeable Bonds (EB) due 2026; with a fixed interest rate of 2.625% per annum payable annually. The aggregate principal amount of the EB will be repayable with Heineken Holding N.V. shares or cash, considering an initial exchange price of EUR 95.625, being a premium of 27.5%, to EUR 75.00, being the clearing price of each share. As of the issuance date, the initial exchange option shall be comprised of 5,228,758 shares.

On March 20, 2023, the Company completed a tender offer to purchase for cash its 3.500% Senior Notes due 2050 and 4.375% Senior Notes due 2043 denominated in US dollars, and its 0.500% Senior Notes due 2028 and 1.000% Senior Notes due 2023 denominated in Euros. As a result of this offer, the Company acquired Euro and U.S.-dollar denominated bonds totaling approximately €666 million Euros and US\$ 1,090 million. The purpose of the tender offer was to reduce its indebtedness.

In November, 2022, the Company reached an agreement to acquire the remaining 85.18% shares of Net Pay, S.A.P.I. de C.V., a payment solutions company. The transaction was subject to antitrust approvals in Mexico and closed on March 31, 2023. The closing of the transaction results in 100% ownership of the company.

On 9 March 2023, HEINEKEN obtained the final regulatory approval of its offer to acquire control of Distell Group Holdings Limited (Distell). These approvals pave the way for HEINEKEN to acquire control of Distell and Namibia Breweries Limited (“NBL”), which were to be combined with HEINEKEN South Africa (“HSA”) into a new HEINEKEN majority-owned business (Newco). HEINEKEN’s total investment in Newco will be approximately €2.4 billion, in return for a 65% shareholding. The investment comprises a cash-pay-out and the contribution of its currently owned assets.

On the same day, HEINEKEN placed €2 billion of Notes and the proceeds from the Notes issuance will be used for general corporate purposes, including the financing of acquisitions.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders, the Supervisory Board, and the Executive Board of Heineken N.V.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Heineken N.V. and subsidiaries (the "Company") as of December 31, 2022 and 2021, the related consolidated income statement, other comprehensive income, cash flows, and changes in equity for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Impairment of intangible assets, property, plant and equipment and assets or disposal groups held for sale — Refer to Notes 8.1 and 8.2 and 10.2 to the financial statements

Critical Audit Matter Description

Intangible assets (including goodwill) and property, plant and equipment amounted to EUR 35,031 million at December 31, 2022 and represented 67 percent of the consolidated total assets. Following Russia's military actions and the ongoing war in the Ukraine, HEINEKEN decided to leave Russia and transfer its business to a new owner. Pending completion of the envisaged transfer, non-current assets of EUR 255 million related to HEINEKEN's business in Russia have been recognised as held for sale. This resulted in a total amount of assets and disposal groups held for sale of EUR 315 million.

For purposes of impairment testing, goodwill is allocated and monitored on a (groups of) Cash Generating Unit ("CGU") level. Other intangibles and property, plant and equipment, are grouped to CGUs. For goodwill, management is required to assess the recoverable amount of the respective CGUs (or groups of CGUs). Recoverable amounts of other non-current assets are assessed upon the existence of a triggering event. For assets or disposal groups held for sale, an impairment loss is recognised should the carrying amount exceed the fair value less cost to sell.

In view of the inherent uncertainties, including those related to the current macro-economic environment and geopolitical climate related to Russia, the projection of sales volumes, revenue, margins and discount rates in management's impairment tests, involved an increased level of judgement. As a result of the impairment testing for the current year, management concluded on impairment losses of EUR 126 million and a reversal of EUR 258 million. Further details on the accounting and disclosures under IAS 36 Impairment of Assets are included in notes 8.1 and 8.2 to the financial statements. Further details on the accounting and disclosure under IFRS 5 Non-current Assets Held for Sale are included in note 10.2 to the financial statements.

Given the increased level of judgement made by management to estimate the recoverable amounts used in management's impairment tests of intangible assets (including goodwill) and property, plant and equipment and the fair value less cost to sell for HEINEKEN's business in Russia, procedures to evaluate the reasonableness of projected sales volumes, revenue and discount rates required a high degree of auditor judgement and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the projection of sales volumes, revenue, margins and discount rates used by management included the following, amongst others:

- We obtained an understanding of management's process over the impairment trigger tests and the resulting impairment tests.
- We evaluated management's ability to accurately forecast by comparing actual results to management's historical forecasts.
- We evaluated sensitivities in management's projections, including those potentially related to climate risk factors, that could cause a substantial change to the impairments recorded, and or cause headroom to change in an impairment.
- We evaluated sensitivities in management's estimate of the fair value less cost to sell including the impact of current and expected uncertainties around Russia.
- We evaluated projected cash flows by:
 - Comparing the projections to historical forecasts, historical growth rates, including assessing the effects of the current macro-economic and geopolitical climate, and information included in HEINEKEN's internal communications to the management and the Executive Board.
 - Challenging management's ability to price adjust for expected inflation rates and comparing projected sales volumes, revenue and margins to, for example, external economic outlook data, analyst reports and external market data on the beer market.
- We evaluated the fair value less cost to sell of the Russia disposal group by challenging management's assumptions related to HEINEKEN'S plan to leave Russia and transfer its business to a new owner.

- With the assistance of our valuation specialists, we evaluated the reasonableness of discount rates, including testing the source information underlying the determination of the discount rates, testing the mathematical accuracy of the calculation, and developing a range of independent estimates and comparing those to the discount rates selected by management.

Management judgement related to the provisions for uncertain tax positions and the recoverability of deferred tax assets — Refer to Notes 9.2 and 12 to the financial statements

Critical Audit Matter Description

HEINEKEN operates across several tax jurisdictions and is subject to periodic challenges by local tax authorities during the normal course of business. In those cases where the amount of tax payable is uncertain, management establishes provisions based on its judgement of the probable amount of the related tax liability. Deferred tax assets are only recognized to the extent that it is probable that future taxable income will be available, against which unused tax losses can be utilized. This assessment is performed annually and based on budgets and business plans for the coming years, including planned commercial initiatives and the impact of macro-economic uncertainties. HEINEKEN recorded uncertain tax positions and deferred tax assets for an amount of EUR 371 million and EUR 618 million, respectively, as of December 31, 2022.

The accounting for uncertain tax positions and deferred tax assets, as detailed in Notes 9.2 and 12 to the financial statements, inherently requires management to apply judgement in quantifying appropriate provisions (including assessing probable outcomes) for uncertain tax positions, and in determining the recoverability of deferred tax assets.

Given the significant judgement applied by management, performing procedures to evaluate the reasonableness of probable outcomes for uncertain tax positions and the recoverability of deferred tax assets based on budgets and business plans, required a higher degree of auditor judgement, an increased extent of effort and a need to involve our in-country tax specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures to address management's judgements related to the provisions for uncertain tax positions and recoverability of deferred tax assets included the following, amongst others:

- We obtained an understanding of management's tax process related to the assessment of uncertain tax positions and the recoverability of deferred tax assets.
- We involved our in-country tax specialists to assess tax risks, tax carry forward facilities, legislative developments and the status of ongoing local tax authority audits.
- We challenged, with the help of our tax specialists, management's judgement applied in quantifying provisions for tax uncertainties and assessing probable outcomes based on correspondence with tax authorities, case law and opinions from management's tax experts.
- We evaluated management's ability to forecast taxable income accurately by comparing prior forecasts on future taxable income with the actual income for the year.
- We evaluated management's recoverability assessment, including the likelihood of generating sufficient future taxable income based on budgets, business plans, and tax losses carry forward facilities in the various tax jurisdictions (including expiry dates).

/s/ Deloitte Accountants B.V.

Amsterdam, the Netherlands
February 14, 2023

We have served as the Company's auditor since 2015.

Consolidated Income Statement

For the year ended 31 December

In millions of €

	Note	2022	2021	2020
Revenue	6.1	34,676	26,583	23,770
Excise tax expense	6.1	(5,957)	(4,642)	(4,055)
Other income	6.2	147	1,521	56
Raw materials, consumables and services	6.3	(18,618)	(13,535)	(12,450)
Personnel expenses	6.4	(4,079)	(3,485)	(3,669)
Amortisation, depreciation and impairments	6.6	(1,886)	(1,959)	(2,874)
Operating profit		4,283	4,483	778
Interest income	11.1	74	49	50
Interest expenses	11.1	(458)	(462)	(497)
Other net finance income/(expenses)	11.1	48	14	(143)
Net finance expenses		(336)	(399)	(590)
Share of profit of associates and joint ventures	10.3	223	250	(31)
Profit before income tax		4,170	4,334	157
Income tax expense	12.1	(1,131)	(799)	(245)
Profit		3,039	3,535	(88)
Attributable to:				
Shareholders of the Company (net profit)		2,682	3,324	(204)
Non-controlling interests		357	211	116
Profit		3,039	3,535	(88)
Weighted average number of shares – basic	6.7	575,563,505	575,740,269	575,625,598
Weighted average number of shares – diluted	6.7	576,026,120	575,969,395	575,625,598
Basic earnings per share (€)	6.7	4.66	5.77	(0.36)
Diluted earnings per share (€)	6.7	4.65	5.77	(0.36)

Consolidated Statement of Other Comprehensive Income

For the year ended 31 December

In millions of €

	Note	2022	2021	2020
Profit		3,039	3,535	(88)
Other comprehensive income, net of tax:				
Items that will not be reclassified to profit or loss:				
Remeasurement of post-retirement obligations	12.3	63	210	62
Net change in fair value through OCI investments	12.3	15	9	(98)
Items that may be subsequently reclassified to profit or loss:				
Currency translation differences	5(b)/12.3	437	1,033	(2,114)
Change in fair value of net investment hedges	12.3	(62)	(54)	76
Change in fair value of cash flow hedges	12.3	(142)	97	45
Cash flow hedges reclassified to profit or loss	12.3	38	(3)	4
Cost of hedging	11.6/12.3	(1)	(6)	(6)
Share of other comprehensive income of associates/joint ventures	10.3/12.3	(46)	54	16
Other comprehensive income, net of tax	12.3	302	1,340	(2,016)
Total comprehensive income		3,341	4,875	(2,104)
Attributable to:				
Shareholders of the Company		3,039	4,562	(2,127)
Non-controlling interests		302	313	23
Total comprehensive income		3,341	4,875	(2,104)

Consolidated Statement of Financial Position

As at 31 December

In millions of €	Note	2022	2021
Intangible assets	8.1	21,408	20,762
Property, plant and equipment	8.2	13,623	12,401
Investments in associates and joint ventures	10.3	4,296	4,148
Loans and advances to customers	8.3	216	209
Deferred tax assets	12.2	618	682
Other non-current assets	8.4	1,230	1,070
Total non-current assets		41,391	39,272
Inventories	7.1	3,250	2,438
Trade and other receivables	7.2	4,531	3,662
Current tax assets		84	97
Derivative assets	11.6	70	96
Cash and cash equivalents	11.2	2,765	3,248
Assets classified as held for sale	10.2	315	37
Total current assets		11,015	9,578
Total assets		52,406	48,850
Shareholders' equity	11.4	19,551	17,356
Non-controlling interests	11.4	2,369	2,344
Total equity		21,920	19,700
Borrowings	11.3	12,893	13,640
Post-retirement obligations	9.1	568	668
Provisions	9.2	572	636
Deferred tax liabilities	12.2	2,138	1,971
Other non-current liabilities	11.6	125	141
Total non-current liabilities		16,296	17,056
Borrowings	11.2/11.3	3,484	3,233
Trade and other payables	7.3	9,283	7,750
Returnable packaging deposits	7.4	545	476
Provisions	9.2	226	301
Current tax liabilities		352	268
Derivative liabilities	11.6	119	46
Liabilities associated with assets classified as held for sale	10.2	181	20
Total current liabilities		14,190	12,094
Total equity and liabilities		52,406	48,850

Consolidated Statement of Cash Flows

For the year ended 31 December

In millions of €	Note	2022	2021	2020
Operating activities				
Profit		3,039	3,535	(88)
Adjustments for:				
Amortisation, depreciation and impairments	6.6	1,886	1,959	2,874
Net interest expenses	11.1	384	413	447
Other income	6.2	(147)	(1,326)	(56)
Share of profit of associates and joint ventures and dividend income on fair value through OCI investments		(230)	(256)	21
Income tax expenses	12.1	1,131	799	245
Other non-cash items		284	30	231
Cash flow from operations before changes in working capital and provisions		6,347	5,154	3,674
Change in inventories		(793)	(308)	(18)
Change in trade and other receivables		(668)	(697)	1,124
Change in trade and other payables and returnable packaging deposits		981	1,268	(759)
Total change in working capital		(480)	263	347
Change in provisions and post-retirement obligations		(207)	(290)	211
Cash flow from operations		5,660	5,127	4,232
Interest paid		(439)	(456)	(481)
Interest received		46	43	45
Dividends received		177	184	89
Income taxes paid		(948)	(717)	(749)
Cash flow related to interest, dividend and income tax		(1,164)	(946)	(1,096)
Cash flow from operating activities		4,496	4,181	3,136
Investing activities				
Proceeds from sale of property, plant and equipment and intangible assets		112	86	150
Purchase of property, plant and equipment		(1,791)	(1,324)	(1,501)
Purchase of intangible assets		(220)	(273)	(139)
Loans issued to customers and other investments		(219)	(196)	(177)
Repayment on loans to customers and other investments		31	40	44
Acquisition of subsidiaries, net of cash acquired		(171)	54	(26)
Acquisition of/additions to associates, joint ventures and other investments		(45)	(678)	(9)
Disposal of subsidiaries, net of cash disposed of		9	3	(29)
Disposal of associates, joint ventures and other investments		8	11	249
Cash flow used in investing activities		(2,286)	(2,277)	(1,438)
Financing activities				
Proceeds from borrowings		644	1,571	6,037
Repayment of borrowings		(1,934)	(3,362)	(3,714)
Payment of lease commitments		(304)	(298)	(281)
Dividends paid		(1,099)	(796)	(811)
Purchase own shares and shares issued		(43)	12	11
Acquisition of non-controlling interests		(391)	(10)	(4)
Cash flow used in financing activities		(3,127)	(2,883)	1,238
Cash and cash equivalents as at 1 January		2,556	3,519	687
Effect of movements in exchange rates		(21)	16	(104)
Cash and cash equivalents as at 31 December	11.2	1,618	2,556	3,519

Consolidated Statement of Changes in Equity

In millions of €	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Cost of hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Shareholders of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2020		922	2,701	(2,998)	(19)	4	313	1,115	(63)	14,172	16,147	1,164	17,311
Profit/(Loss)		—	—	—	—	—	—	86	—	(290)	(204)	116	(88)
Other comprehensive income/(loss)	12.3	—	—	(1,929)	49	(6)	(99)	—	—	62	(1,923)	(93)	(2,016)
Total comprehensive income/(loss)		—	—	(1,929)	49	(6)	(99)	86	—	(228)	(2,127)	23	(2,104)
Realised hedge results from non-financial assets	12.3	—	—	—	(2)	—	—	—	—	—	(2)	—	(2)
Transfer to retained earnings		—	—	(13)	—	—	(160)	(30)	—	203	—	—	—
Dividends to shareholders		—	—	—	—	—	—	—	—	(597)	(597)	(228)	(825)
Purchase own shares or contributions received from NCI shareholders	11.4	—	—	—	—	—	—	—	(5)	—	(5)	20	15
Own shares delivered		—	—	—	—	—	—	—	43	(43)	—	—	—
Share-based payments		—	—	—	—	—	—	—	—	(25)	(25)	—	(25)
Acquisition of non-controlling interests		—	—	—	—	—	—	—	—	—	—	—	—
Changes in consolidation		—	—	—	—	—	—	—	—	1	1	21	22
Balance as at 31 December 2020		922	2,701	(4,940)	28	(2)	54	1,171	(25)	13,483	13,392	1,000	14,392

In millions of €	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Cost of hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Shareholders of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2021		922	2,701	(4,940)	28	(2)	54	1,171	(25)	13,483	13,392	1,000	14,392
Profit		—	—	—	—	—	—	242	—	3,082	3,324	211	3,535
Other comprehensive income/(loss)	12.3	—	—	935	93	(6)	9	—	—	207	1,238	102	1,340
Total comprehensive income/(loss)		—	—	935	93	(6)	9	242	—	3,289	4,562	313	4,875
Realised hedge results from non-financial assets	12.3	—	—	—	(65)	—	—	—	—	—	(65)	—	(65)
Transfer to retained earnings		—	—	2	—	—	(7)	(285)	—	290	—	—	—
Dividends to shareholders		—	—	—	—	—	—	—	—	(564)	(564)	(238)	(802)
Purchase own shares or contributions received from NCI shareholders	11.4	—	—	—	—	—	—	—	(14)	—	(14)	28	14
Own shares delivered		—	—	—	—	—	—	—	2	(2)	—	—	—
Share-based payments		—	—	—	—	—	—	—	—	55	55	—	55
Acquisition of non-controlling interests		—	—	—	—	—	—	—	—	(10)	(10)	—	(10)
Changes in consolidation		—	—	—	—	—	—	—	—	—	—	1,241	1,241
Balance as at 31 December 2021		922	2,701	(4,003)	56	(8)	56	1,128	(37)	16,541	17,356	2,344	19,700

Consolidated Statement of Changes in Equity

In millions of €	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Cost of hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Shareholders of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2022		922	2,701	(4,003)	56	(8)	56	1,128	(37)	16,541	17,356	2,344	19,700
Hyperinflation reinstatement to 1 January 2022	5(c)	—	—	—	—	—	—	—	—	245	245	—	245
Balance as at 1 January 2022 after restatement		922	2,701	(4,003)	56	(8)	56	1,128	(37)	16,786	17,601	2,344	19,945
Profit		—	—	—	—	—	—	208	—	2,474	2,682	357	3,039
Other comprehensive income/(loss)	12.3	—	—	384	(103)	(1)	14	—	—	63	357	(55)	302
Total comprehensive income/(loss)		—	—	384	(103)	(1)	14	208	—	2,537	3,039	302	3,341
Realised hedge results from non-financial assets	12.3	—	—	—	—	—	—	—	—	—	—	—	—
Transfer to retained earnings		—	—	—	—	—	—	(94)	—	94	—	—	—
Dividends to shareholders		—	—	—	—	—	—	—	—	(840)	(840)	(263)	(1,103)
Purchase own shares or contributions received from NCI shareholders	11.4	—	—	—	—	—	—	—	(43)	—	(43)	—	(43)
Own shares delivered		—	—	—	—	—	—	—	20	(20)	—	—	—
Share-based payments		—	—	—	—	—	—	—	—	49	49	—	49
Acquisition of non-controlling interests		—	—	—	—	—	—	—	—	(373)	(373)	(18)	(391)
Hyperinflation impact		—	—	—	—	—	—	—	—	116	116	—	116
Changes in consolidation	10.1	—	—	—	—	—	—	—	—	2	2	4	6
Balance as at 31 December 2022		922	2,701	(3,619)	(47)	(9)	70	1,242	(60)	18,351	19,551	2,369	21,920

Notes to the Consolidated Financial Statements

1. Reporting entity

Heineken N.V. (the 'Company') is a public company domiciled in the Netherlands, with its head office in Amsterdam. The address of the Company's registered office is Tweede Weteringplantsoen 21, 1017 ZD, Amsterdam. The consolidated financial statements of the Company as at 31 December 2022 comprise the Company, its subsidiaries (together referred to as 'HEINEKEN') and HEINEKEN's interests in joint ventures and associates. The Company is registered in the Trade Register of Amsterdam No. 33011433. HEINEKEN is primarily involved in the brewing and selling of beer and cider. Led by the Heineken® brand, HEINEKEN has a range of more than 300 international, regional, local and speciality beers and ciders.

2. Basis of preparation

The consolidated financial statements are:

- Prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. All standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) effective year-end 2022 have been adopted by the EU. Consequently, the accounting policies applied by the Company also fully comply with IFRS as issued by the IASB
- Prepared by the Executive Board of the Company and authorised for issue on 14 February 2023
- Prepared on the historical cost basis unless otherwise indicated
- Prepared on a going concern basis
- Presented in Euro, which is the Company's functional currency
- Rounded to the nearest million unless stated otherwise

3. Significant events in the period and accounting estimates and judgements

(a) Significant events in the current reporting period

Trading conditions remained challenging throughout 2022 and were marked by increased input cost inflation and supply chain disruptions. Despite continued volatility and challenges across many markets, HEINEKEN reported a net profit of €2,682 million for the year ended 31 December 2022 (2021: €3,324 million, net profit; 2020: €204 million, net loss).

On 28 March 2022, HEINEKEN announced its decision to leave Russia. The Russian business is classified as a disposal group held for sale as at 31 December 2022. An impairment loss of €88 million was recognised in relation to the write down of the Russia disposal group classified as held for sale. For more information refer to note 10.2 'Assets or disposal groups classified as held for sale'.

HEINEKEN applied hyperinflation accounting for its operations in Ethiopia. In 2022, the three-year cumulative inflation in Ethiopia exceeded 100% and as a result, hyperinflation accounting was applied for the year ended 31 December 2022. For more information refer to note 5(c) 'Hyperinflation economies'.

During its financial reporting process, HEINEKEN has assessed the impact of its main risks including increased exposure on risks related to supply chain continuity, commodity prices and macro-economic environment on its estimates and judgements. The impact on financial estimates and judgements is mainly reflected in impairment of financial and non-financial assets, and other financial instrument disclosures (including credit management). All significant estimates and judgements are disclosed in the notes to the consolidated financial statements (if applicable). Notes containing the most significant estimates and judgements are referred to in note 3(c).

(b) Climate change

In preparing the consolidated financial statements, HEINEKEN has considered climate change, including climate change scenarios and the Brew a Better World (BaBW) goals, on the estimates and judgements used in preparing the consolidated financial statements.

The following impacts were assessed in the consolidated financial statements:

- The impact of climate change on the residual values and useful lives of assets were considered in determining the carrying value of non-current assets (refer to note 8.1 and 8.2).
- The impact of climate change was considered in relation to the recognition and measurement of provisions and contingencies (refer to note 9.2 and 9.3).
- The impact of climate change was considered in relation to indications of impairment and the forecast of cash flows used in the impairment assessments of non-current assets including goodwill (refer to note 8.1 and 8.2).

For the year ended 31 December 2022, no material impact on financial reporting judgement and estimates arising from climate change were identified, as a result the valuations of assets or liabilities have not been significantly impacted by climate change risks.

(c) Significant accounting estimates and judgement

In preparing these consolidated financial statements, management is required to make estimates and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

The application of accounting policies requires judgements that impact the amounts recognised. Additionally, amounts recognised are based on factors that are by default associated with uncertainty. Actual results may therefore differ from estimates. Where applicable, the estimates and judgements are described per note within the consolidated financial statements.

The following notes contain the most significant estimates and judgements:

Particular area involving significant estimates and judgements	Note
Significant judgement	
Judgement on acting as principal versus agent with respect to excise tax expense	6.1 Operating segments
Assessment of the recoverability of past tax losses	12.2 Deferred tax assets and liabilities
Significant estimates	
Assumptions used in impairment testing	8.1 Intangible assets and 8.2 Property, plant and equipment
Assumptions for discount rates, future pension increases and life expectancy to calculate the defined benefit obligation	9.1 Post-retirement obligations
Estimating the likelihood and timing of potential cash flows relating to claims and litigations	9.2 Provisions and 9.3 Contingencies

4. Changes in accounting policies

(a) Changed accounting policies in 2021

No new standards or amendments to existing standards, effective in 2021, had a significant impact on HEINEKEN's consolidated financial statements.

(b) Changed accounting policies in 2022

No new standards or amendments to existing standards, effective in 2022, had a significant impact on HEINEKEN's consolidated financial statements.

(c) Upcoming changes in accounting policies for 2023

No new standards or amendments to existing standards, effective in 2023, will have a significant impact on HEINEKEN 's consolidated financial statements.

5. General accounting policies

General

The accounting policies described in these consolidated financial statements have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

The consolidated financial statements are prepared as a consolidation of the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by HEINEKEN. HEINEKEN controls an entity when it has power over the investee, is exposed or has the right to variable returns from its involvement with that entity and can affect those returns through its power over the entity. Control is generally obtained by ownership of more than 50% of the voting rights.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by HEINEKEN.

On consolidation, intra-HEINEKEN balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-HEINEKEN transactions, are eliminated. Unrealised gains arising from transactions with associates and joint ventures (refer to note 10.3) are eliminated against the investment to the extent of HEINEKEN's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of HEINEKEN entities using the exchange rates at the transaction date, except for HEINEKEN entities in hyperinflationary economies, refer to note 5(c). Receivables, payables and other monetary assets and liabilities denominated in foreign currencies are re-translated to the functional currency using the exchange rates at the balance sheet date. The resulting foreign currency differences are recognised in the income statement, except for foreign currency differences arising on re-translation of Fair Value through Other Comprehensive Income (FVOCI) investments and financial liabilities designated as a hedge of a net investment, which is recognised in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured at cost are translated into the functional currency at the exchange rate at the transaction date.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, and of intercompany loans with a permanent nature (quasi-equity) are translated to Euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to Euro at the exchange rates that approximates the exchange rates ruling at the dates of the transactions, except for foreign operations in hyperinflationary economies.

Foreign currency differences are recognised in other comprehensive income and are presented within equity in the translation reserve. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. The cumulative amount in the translation reserve is (either fully or partly) reclassified to the income statement upon disposal (either fully or partly) or liquidation.

Exchange rates of key currencies

The following exchange rates, for the most important countries in which HEINEKEN has operations, were used while preparing these consolidated financial statements:

In €	Year-end 2022	Year-end 2021	%	Average 2022	Average 2021	%
Brazilian Real (BRL)	0.1774	0.1585	11.9	0.1846	0.1569	17.7
Great Britain Pound (GBP)	1.1275	1.1901	(5.3)	1.1735	1.1631	0.9
Mexican Peso (MXN)	0.0485	0.0428	13.3	0.0472	0.0417	13.2
Nigerian Naira (NGN)	0.0020	0.0021	(4.8)	0.0022	0.0021	4.8
Polish Zloty (PLN)	0.2132	0.2174	(1.9)	0.2129	0.2190	(2.8)
Russian Ruble (RUB)	0.0126	0.0117	7.7	0.0139	0.0115	20.9
Singapore Dollar (SGD)	0.6993	0.6545	6.8	0.6897	0.6293	9.6
United States Dollar (USD)	0.9376	0.8829	6.2	0.9518	0.8455	12.6
Indian Rupee (INR)	0.0113	0.0119	(5.0)	0.0121	0.0114	6.1
Vietnamese Dong in 1,000 (VND)	0.0396	0.0386	2.6	0.0407	0.0369	10.3

In €	Year-end 2021	Year-end 2020	%	Average 2021	Average 2020	%
Brazilian Real (BRL)	0.1585	0.1569	1.0	0.1569	0.1698	(7.6)
Great Britain Pound (GBP)	1.1901	1.1123	7.0	1.1631	1.1244	3.4
Mexican Peso (MXN)	0.0428	0.0410	4.4	0.0417	0.0408	2.2
Nigerian Naira (NGN)	0.0021	0.0020	5.0	0.0021	0.0023	(8.7)
Polish Zloty (PLN)	0.2174	0.2167	0.3	0.2190	0.2250	(2.7)
Russian Ruble (RUB)	0.0117	0.0109	7.3	0.0115	0.0121	(5.0)
Singapore Dollar (SGD)	0.6545	0.6166	6.1	0.6293	0.6354	(1.0)
United States Dollar (USD)	0.8829	0.8149	8.3	0.8455	0.8758	(3.5)
Indian Rupee (INR)	0.0119	0.0112	6.3	0.0114	0.0118	(3.4)
Vietnamese Dong in 1,000 (VND)	0.0386	0.0351	10.0	0.0369	0.0377	(2.1)

(c) Hyperinflation economies

To determine the existence of hyperinflation, HEINEKEN assesses the qualitative and quantitative characteristics of the economic environment of the country, such as the cumulative inflation rate over the previous three years.

The Ethiopian economy was designated as hyperinflationary for the period ending 31 December 2022. As a result, application of IAS 29 'Financial Reporting in Hyperinflationary Economies' has been applied to Heineken Ethiopia, whose functional currency is the Ethiopian Birr. On the application of IAS 29 a cumulative inflation factor was applied using the consumer price index (CPI) in Ethiopia, published by the Central Statistics Agency of Ethiopia. The movement in the CPI for the year ended 31 December 2022 was 34% (2021: 35%).

The application of IAS 29 includes the following:

- Adjustment of historical cost non-monetary assets and liabilities for the change in purchasing power caused by inflation from the date of initial recognition to the balance sheet date
- Adjustment of the income statement for inflation during the reporting period
- The income statement is translated at the period-end foreign exchange rate instead of an average rate
- A net monetary gain/(loss) adjustment, recognised in the income statement, to reflect the impact of inflation and exchange rate movement on holding monetary assets and liabilities in local currency

(d) Cash flow statement

The cash flow statement is prepared using the indirect method. Assets and liabilities acquired as part of a business combination are included in investing activities (net of cash acquired). Dividends paid to shareholders are included in financing activities. Dividends received are classified as operating activities, as well as interest paid.

(e) Offsetting financial instruments

If HEINEKEN has a legal right to offset financial assets with financial liabilities and if HEINEKEN intends to either to settle on a net basis or to realise the asset and settle the liability simultaneously, financial assets and liabilities are presented in the statement of financial position as a net amount.

6. Operating activities

6.1 Operating segments

HEINEKEN distinguishes five reportable segments: Europe; Americas; Africa, Middle East & Eastern Europe; Asia Pacific and Head Office & Other/Eliminations. Information about these reportable segments are provided in the table below:

In millions of €	Note	Europe			Americas			Africa, Middle East & Eastern Europe			Asia Pacific			Head Office & Other/Eliminations			Consolidated		
		2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Net revenue (beia)		11,362	9,494	8,631	9,421	7,226	6,319	4,005	3,159	2,782	4,652	2,764	2,707	(746)	(744)	(716)	28,694	21,901	19,724
Third party revenue ²		13,461	11,444	10,462	9,608	7,372	6,452	4,868	3,828	3,400	6,706	3,926	3,443	33	13	13	34,676	26,583	23,770
Interregional revenue		761	724	697	18	28	27	—	—	—	—	5	5	(779)	(757)	(729)	—	—	—
Revenue		14,222	12,168	11,159	9,626	7,400	6,479	4,868	3,828	3,400	6,706	3,931	3,448	(746)	(744)	(716)	34,676	26,583	23,770
Excise tax expense ³		(2,860)	(2,638)	(2,528)	(205)	(174)	(160)	(838)	(664)	(626)	(2,054)	(1,166)	(741)	—	—	—	(5,957)	(4,642)	(4,055)
Other income	6.2	117	31	47	9	207	5	20	12	3	—	1,271	1	1	—	—	147	1,521	56
Operating profit		1,154	1,156	(7)	1,359	1,217	540	391	414	119	1,293	1,850	425	86	(154)	(299)	4,283	4,483	778
Net finance expenses	11.1																(336)	(399)	(590)
Share of profit of associates and joint ventures	10.3	19	10	(4)	61	87	31	36	36	17	107	115	(51)	—	2	(24)	223	250	(31)
Income tax expense	12.1																(1,131)	(799)	(245)
Profit																	3,039	3,535	(88)
Attributable to:																			
Shareholders of the Company (net profit)																	2,682	3,324	(204)
Non-controlling interests																	357	211	116
Operating profit reconciliation																			
Operating profit		1,154	1,156	(7)	1,359	1,217	540	391	414	119	1,293	1,850	425	86	(154)	(299)	4,283	4,483	778
Eia ¹		67	4	454	32	(2)	505	163	28	145	(58)	(1,097)	442	15	(1)	97	219	(1,069)	1,643
Operating profit (beia)¹		1,221	1,160	447	1,391	1,215	1,045	554	442	264	1,235	753	867	101	(155)	(202)	4,502	3,414	2,421

1 Due to rounding, this balance will not always cast.

2 Includes other revenue of €342 million (2021: €274 million; 2020: €261 million).

3 Next to the €5,957 million of excise tax expense included in revenue (2021: €4,642 million; 2020: €4,055 million), €2,333 million of excise tax expense is collected on behalf of third parties and excluded from revenue (2021: €1,606 million; 2020: €1,613 million).

In millions of €	Note	Europe			Americas			Africa, Middle East & Eastern Europe			Asia Pacific			Head Office & Other/Eliminations			Consolidated		
		2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Current segment assets		3,259	2,606	2,291	2,837	2,367	1,766	1,842	1,255	1,155	2,091	1,542	1,215	848	1,661	2,370	10,877	9,431	8,797
Non-current segment assets		12,311	12,015	11,815	8,887	7,748	7,243	2,615	2,203	2,162	11,566	11,513	6,312	1,025	937	848	36,404	34,416	28,380
Investments in associates and joint ventures		181	258	282	861	790	838	266	260	221	2,988	2,839	3,095	—	1	1	4,296	4,148	4,437
Total segment assets		15,751	14,879	14,388	12,585	10,905	9,847	4,723	3,718	3,538	16,645	15,894	10,622	1,873	2,599	3,219	51,577	47,995	41,614
Unallocated assets																	829	855	1,018
Total assets																	52,406	48,850	42,632
Segment liabilities		4,475	3,860	3,792	3,211	2,547	2,176	1,791	1,566	1,366	1,534	1,330	951	2,424	1,892	2,333	13,435	11,195	10,618
Unallocated liabilities																	17,051	17,955	17,622
Total equity																	21,920	19,700	14,392
Total equity and liabilities																	52,406	48,850	42,632
Purchase of owned property, plant and equipment	8.2	653	441	498	748	523	334	516	338	298	184	180	100	18	14	20	2,119	1,496	1,250
Acquisition of goodwill	8.1	106	12	9	—	—	—	—	—	—	3	632	2	—	—	—	109	644	11
Purchases of intangible assets	8.1	75	57	70	33	34	23	4	7	12	11	30	9	97	145	25	220	273	139
Depreciation of owned property, plant and equipment	8.2	(514)	(515)	(557)	(349)	(296)	(296)	(269)	(234)	(235)	(165)	(140)	(137)	(13)	(10)	(13)	(1,310)	(1,195)	(1,238)
Impairment (net of reversal) of owned property, plant and equipment and assets classified as held for sale	8.2, 10.2	(7)	(1)	(195)	(1)	(15)	(135)	(89)	—	(68)	36	—	(65)	—	—	—	(61)	(16)	(463)
Amortisation of intangible assets	8.1	(89)	(82)	(77)	(102)	(88)	(99)	(9)	(8)	(8)	(205)	(168)	(153)	(40)	(43)	(52)	(445)	(389)	(389)
Impairment (net of reversal) of intangible assets	8.1	(1)	(2)	(1)	—	(70)	(225)	—	—	(26)	190	—	(200)	—	—	(14)	189	(72)	(466)

Reconciliation of segment profit or loss

The table below presents the reconciliation of operating profit before exceptional items and amortisation of acquisition-related intangibles (operating profit beia) to profit before income tax.

In millions of €	2022	2021	2020
Operating profit (beia)	4,502	3,414	2,421
Amortisation of acquisition-related intangible assets included in operating profit	(333)	(286)	(273)
Exceptional items included in operating profit	114	1,355	(1,370)
Share of profit of associates and joint ventures	223	250	(31)
Net finance expenses	(336)	(399)	(590)
Profit before income tax	4,170	4,334	157

The 2022 exceptional items and amortisation of acquisition-related intangibles in operating profit amount to €219 million, net exceptional expense (2021: €1,069 million, net exceptional benefit; 2020: €1,643 million, net exceptional expense). This amount consists of:

- €333 million (2021: €286 million; 2020: €273 million) of amortisation of acquisition-related intangibles recorded in operating profit.
- €114 million net benefit (2021: €1,355 million net benefit; 2020: €1,370 net expense) of exceptional items recorded in operating profit. This includes:
 - a net reversal of impairments of €132 million, including an impairment reversal of €234 million for Papua New Guinea and an impairment of €88 million for Russia (total net impairments in 2021: €108 million; total impairments in 2020: €963 million)
 - net restructuring expenses of €70 million (2021: €32 million; 2020: €331 million)
 - €44 million exceptional net benefit recorded as reduction in marketing expense related to tax credits in Brazil (2021: €187 million exceptional net benefit recorded in other income related to tax credits in Brazil; 2020: nil)
 - €44 million exceptional expense recorded relating to hyperinflation accounting adjustment in Ethiopia (2021: nil; 2020: nil)
 - €52 million of other net exceptional benefit (2021: €1,308 million other exceptional net benefit, including €1,270 million gain on previously-held equity interest in UBL; 2020: €76 million, net expenses)

Accounting estimates and judgements

Due to the complexity and variety in tax legislation, significant judgement is applied in the assessment of whether excise tax expenses are borne by HEINEKEN or collected on behalf of third parties.

HEINEKEN makes estimates when determining discount accruals in revenue at year-end, specifically for conditional discounts. Refer to note 7.3 for more explanation on how discount accruals are estimated.

Accounting policies

Segment reporting

Operating segments are reported consistently with the internal reporting provided to the Executive Board, which is considered to be HEINEKEN's chief operating decision-maker. An operating segment is a component of HEINEKEN that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of HEINEKEN's other components. All operating segments' operating results are reviewed regularly by the Executive Board to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The first four reportable segments as presented in the segmentation tables are HEINEKEN's business regions. These business regions are each managed separately by a Regional President, who reports to the Executive Board, and is directly accountable for the functioning of the segment's results, assets and liabilities. The Head Office operating segment falls directly under the responsibility of the Executive Board. The Executive Board reviews the performance of the segments based on internal management reports monthly.

Segment results, assets and liabilities that are reported to the Executive Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated result items comprise net finance expenses and income tax expenses. Unallocated assets mainly comprise deferred tax assets.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

Performance is measured based on operating profit (beia), as included in the internal management reports that are reviewed by the Executive Board. Beia stands for 'before exceptional items and amortisation of acquisition-related intangibles'. Exceptional items are defined as items of income and expense of such size, nature or incidence, that in the view of management their disclosure is relevant to explain the performance of HEINEKEN for the period. Exceptional items include, among others, impairments of goodwill and fixed assets (and reversal of impairments), gains and losses from acquisitions and disposals, redundancy costs following a restructuring, past service costs and curtailments, hyperinflation accounting adjustments, the tax impact on exceptional items and tax rate changes (the one-off impact on deferred tax positions).

Operating profit (beia) and net revenue (beia) are used to measure performance as management believes that these measurements are the most relevant in evaluating the results of the segments. The presentation of these financial measures may not be comparable to similarly titled measures reported by other companies due to differences in the ways the measures are calculated.

HEINEKEN has multiple distribution models to deliver goods to end customers. There is no reliance on major clients. Deliveries to end consumers are country dependent and include deliveries via own wholesalers and pubs, direct to customers and via third-party distribution. As such, distribution models are country-specific and diverse across HEINEKEN. In addition, these various distribution models are not centrally managed or monitored. Consequently, the Executive Board does not allocate resources or assess performance based on business type information. Accordingly, no segment information on business type is provided.

Inter-segment transfers or transactions are determined on an arm's length basis. As net finance expenses and income tax expenses are monitored on a consolidated level (and not on an individual regional basis) and Regional Presidents are not accountable for that, net finance expenses and income tax expenses are not provided for the reportable segments.

Revenue

The majority of HEINEKEN's revenue is generated by the sale and delivery of products to customers. The product range of HEINEKEN mainly consists of beer, soft drinks and cider. Products are mostly own-produced finished goods from HEINEKEN's brewing activities, but also contain purchased goods for resale from HEINEKEN's wholesale activities. HEINEKEN's customer group can be split between on-trade customers like cafés, bars and restaurants and off-trade customers like retailers and wholesalers. Due to HEINEKEN's global footprint, its revenue is exposed to strategic and financial risks that differ per region.

Revenue is recognised when control over products has been transferred and HEINEKEN fulfilled its performance obligation to the customer. For the majority of the sales, control is transferred either at delivery of the products or upon pickup by the customer from HEINEKEN's premises.

Revenue is recognised based on the price specified in the contract, net of returns, discounts, sales taxes and excise taxes collected on behalf of third parties.

Other revenues include rental income from pubs and bars, royalties, income from wholesale activities, pub management services and technical services to third parties. Royalties are sales-based and recognised in profit or loss (consolidated income statement) on an accrual basis in accordance with the relevant agreement. Rental income, income from wholesale activities, pub management services and technical services are recognised in profit or loss when the services have been delivered.

Discounts

HEINEKEN uses different types of discounts depending on the nature of the customer. Some discounts are unconditional, like cash discounts, early payment discounts and temporary promotional discounts. Unconditional discounts are recognised at the same moment of the related sales transaction.

HEINEKEN also provides conditional discounts to customers. These contractually agreed conditions include volume and promotional rebates. Conditional discounts are recognised based on estimated target realisation. The estimation is based on accumulated experience supported by historical and current sales information. A discount accrual is recognised at each reporting date for discounts payable to customers based on their expected or actual volume up to that date.

Other discounts include listing and shelving visibility fees charged by the customer whereby the payments to customers are closely related to the volumes sold. HEINEKEN assesses the substance of contracts with customers to determine the classification of payments to customers as either discounts or marketing expenses.

Discounts are accounted for as a reduction of revenue. Only when these payments to customers relate to a distinct service, the amount is classified as operating expense.

Excise tax expense

Local tax authorities impose multiple taxes, duties and fees. These include excise on the sale or production of alcoholic beverages, environmental taxes on the use of certain raw materials or packaging materials, or the energy consumption in the production process. Excise duties are common in the beverage industry but levied differently amongst the countries HEINEKEN operates in. HEINEKEN performs a country by country analysis to assess whether the excise duty is sales-related or effectively a production tax. In most countries, excise duties are effectively a production tax as excise duties become payable when goods are moved from bonded warehouses and are not based on the sales value. In these countries, increases in excise duties are not always (fully) passed on to customers and HEINEKEN cannot, or can only partly, reclaim the excise duty in the case products are eventually not sold to customers. Excise tax is borne by HEINEKEN for these countries and shown as expenses. Only for those countries where excise is levied at the moment of the sales transaction and excise is based on the sales value, the excise duties are collected on behalf of a tax authority and consequently deducted from revenue. Due to the complexity and variety in tax legislation, significant judgement is applied in the assessment of whether taxes are borne by HEINEKEN or collected on behalf of a third party.

To provide transparency on the impact of the accounting for excise, HEINEKEN presents the excise tax expense on a separate line below revenue in the consolidated income statement, which relates to excise tax expense for those countries where the excise is borne by HEINEKEN.

'Net revenue (beia)' is included in note 6.1 Operating segment. This 'Net revenue (beia)' subtotal is 'revenue (beia)' minus the excise tax expense (beia) for those countries where the excise is borne by HEINEKEN.

6.2 Other income

Other income includes the gain on sale from transactions that do not arise from contracts with customers and are therefore presented separately from revenue.

In millions of €	2022	2021	2020
Gain on sale of property, plant and equipment	46	41	35
Gain on sale of intangible assets	10	9	20
Gain on sale of subsidiaries, joint ventures and associates	15	5	1
Gain on previously held equity-interests	76	1,270	—
Tax credits	—	196	—
	147	1,521	56

In 2021, other income mainly related to the gain on previously held equity-interest in United Breweries Limited (UBL) in India (€1,270 million) after obtaining control of UBL on 29 July 2021 and tax credits recognised in Brazil (€196 million) related to unduly paid PIS/COFINS¹ for the period 2001 until 2021.

Accounting policies

Other income is recognised in profit or loss when control over the sold asset is transferred to the buyer. The amount recognised as other income equals the proceeds obtained from the buyer minus the carrying value of the sold asset.

As part of a step acquisition, any previously held equity interest in the acquiree is remeasured to fair value on the date of the acquisition. The difference between the carrying value and the fair value of the previously held equity interest is recognised in other income.

6.3 Raw materials, consumables and services

In millions of €	2022	2021	2020
Raw materials	2,843	1,925	1,811
Non-returnable packaging	5,624	4,031	3,691
Goods for resale	1,766	1,217	920
Inventory movements	5	96	17
Marketing and selling expenses	2,692	2,091	2,044
Transport expenses	1,922	1,222	1,080
Energy and water	834	529	476
Repair and maintenance	585	503	474
Other expenses	2,347	1,921	1,937
	18,618	13,535	12,450

The increase in raw materials, consumables and services is mainly driven by inflation in commodity prices and energy related to raw materials and non-returnable packaging.

Other expenses in raw materials, consumables and services mainly include consulting expenses of €321 million (2021: €242 million; 2020: €187 million), telecom and office automation of €300 million (2021: €277 million; 2020: €271 million), warehousing expenses of €245 million (2021: €189 million; 2020: €179 million), travel expenses of : € 113 million (2021: € 54 million; 2020: €63 million), other taxes of €124 million (2021: €118 million; 2020: €109 million), short-term lease expenses of €86 million (2021: €61 million; 2020: €58 million) and low-value lease expenses of €32 million (2021: €30 million; 2020: €33 million).

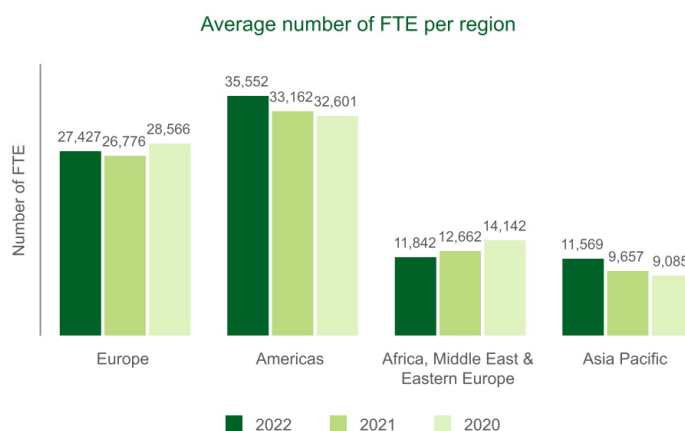
Accounting policies

Expenses are recognised based on accrual accounting. This means that expenses are recognised when the product is received or the service is provided regardless of when cash outflow takes place. Costs related to power purchase agreements are included as part of 'Energy and water'.

¹ PIS/COFINS: PIS (Program of Social Integration) and COFINS (Contribution for the Financing of Social Security) are federal sales taxes based on turnover of companies

6.4 Personnel expenses

The average number of full-time equivalent (FTE) employees, excluding contractors, in 2022 was 86,390 (2021: 82,257; 2020: 84,394), is divided per region as follow:



The increase in Asia Pacific is mainly attributable to the acquisition of UBL in India in the prior year, whilst the increase in the Americas is mainly due the expansion of the route-to-consumer.

A total of 4,089 FTEs are based in the Netherlands (2021: 3,925 FTE; 2020: 4,218 FTE).

HEINEKEN's employees receive compensations such as salaries and wages, pensions (refer to note 9.1) and share-based payments (refer to note 6.5). Other personnel expenses include expenses for contractors of €153 million (2021: €114 million; 2020: €128 million) and a reversal of restructuring provision of €53 million (2021: €4 million, expense; 2020: €343 million, expense). Refer to note 9.2 for the restructuring provisions.

In millions of €	Note	2022	2021	2020
Wages and salaries		2,757	2,382	2,228
Compulsory social security contributions		412	365	367
Contributions to defined contribution plans		57	53	51
Expenses related to defined benefit plans	9.1	115	102	104
Expenses related to other long-term employee benefits		5	3	7
Equity-settled share-based payment plan	6.5	57	51	(1)
Other personnel expenses		676	529	913
		4,079	3,485	3,669

Accounting policies

Personnel expenses

Personnel expenses are recognised when the related service is provided. For more details on accounting policies related to post-retirements obligations and share-based payments refer to notes 9.1 and 6.5 respectively.

6.5 Share-based payments

HEINEKEN has the following share-based compensation plans: long-term incentive plan, extraordinary share plan and matching share plan (as part of the Short-term incentive plan of the Executive Board).

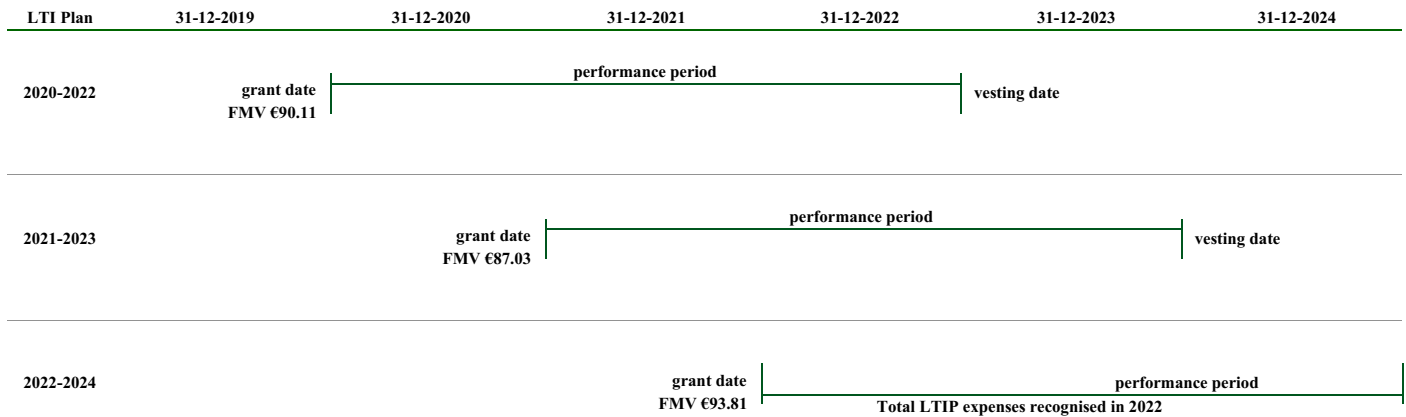
Long-term incentive plan (LTIP)

HEINEKEN has a performance-based LTIP for the Executive Board and senior management. Under this LTIP, share rights are conditionally awarded to participants on an annual basis. The vesting of these rights is subject to the performance of Heineken N.V. on specific internal performance conditions and continued service over a three-calendar year period by the employee. The share rights are not dividend-bearing during the performance period.

During 2022, a combined ESG-related performance measures, with equal weighting, were included in the LTIP. The performance conditions for LTIP 2022-2024 are organic net revenue growth, earnings per share beia growth, free operating cash flow and combined ESG-related measures. The performance conditions for LTIP 2020-2022 and 2021-2023, are organic net revenue (revenue less excise tax for those countries where the excise is borne by HEINEKEN) growth, organic operating profit beia growth, earnings per share beia growth and free operating cash flow. The performance conditions are equally weighted.

At target performance, 100% of the awarded share rights vest. At threshold performance, 50% of the awarded share rights vest and at maximum performance, 200% of the awarded share rights vest.

The grant date, fair market value (FMV) at the grant date, service period and vesting date for the LTIP are visualised below:



The number of outstanding share rights and the movement over the year under the LTIP of the Executive Board and senior management is as follows:

	Number of share rights 2022	Number of share rights 2021
Outstanding as at 1 January	1,821,369	851,689
Granted during the year	431,038	444,541
Forfeited during the year	(115,887)	(113,363)
Cancelled during the year	87	(60,145)
Vested previous year	(284,183)	—
Performance adjustment	311,194	698,647
Outstanding as at 31 December	2,163,618	1,821,369
Share price as at 31 December	87.88	98.86

At vesting, HEINEKEN deducts a number of shares to cover payroll taxes and mandatory withholdings on behalf of the individual employees. Therefore, the number of Heineken N.V. shares to be received by LTIP participants is a net (after-tax) number. Ownership of the vested LTIP 2020-2022 shares will transfer to the Executive Board members shortly after the publication of the annual results of 2022 and to senior management on 1 April 2023.

Other share-based compensation plans

In 2022, under the Extraordinary share plans for senior management, 500 shares were granted (2021: 58,566) and 32,505 (gross) shares vested (2021: 17,878). These extraordinary grants only have a service condition and vest between one and five years. The expenses relating to these additional grants are recognised in profit or loss during the vesting period. In 2022, expenses amounted to €2 million (2021: €4 million; 2020: €1 million).

Matching shares granted to the Executive Board are disclosed in note 13.3.

Personnel expenses

The total share-based compensation expense that is recognised in 2022 amounts to €57 million (2021: €51 million share-based compensation expense; 2020: €1 million share-based compensation income).

In millions of €	Note	2022	2021	2020
Share rights granted in 2018		—	—	(21)
Share rights granted in 2019		—	7	4
Share rights granted in 2020		19	21	16
Share rights granted in 2021		18	23	—
Share rights granted in 2022		20	—	—
Total expense recognised in personnel expenses	6.4	57	51	(1)

Accounting estimates

The grant date fair value is calculated by adjusting the share price at the grant date for estimated foregone dividends during the performance period, as the participants are not entitled to receive dividends during that period. The foregone dividends are estimated by applying HEINEKEN's dividend policy on the latest forecasts of net profit (beia).

At each balance sheet date, HEINEKEN uses its latest forecasts to calculate the expected realisation on the performance targets per plan. The number of shares is adjusted to the new target realisation and HEINEKEN increases/decreases the total plan cost. The cumulative effect is recorded in the profit or loss, with a corresponding adjustment to equity.

Expenses related to employees that voluntarily leave HEINEKEN are reversed as they will not receive any shares from the LTIP. The expense calculation includes the estimated future forfeiture. HEINEKEN uses historical information to estimate this forfeiture rate.

Accounting policies

HEINEKEN's share-based compensation plans are equity-settled share rights granted to the Executive Board and senior management.

The grant date fair value is calculated by deducting expected foregone dividends from the grant date during the performance period share price. The costs of the share plans are adjusted for expected performance and forfeiture and spread evenly over the service period.

Share-based compensation expenses are recorded in the profit or loss, with a corresponding adjustment to equity.

6.6 Amortisation, depreciation and impairments

In millions of €	Note	2022	2021	2020
Property, plant and equipment	8.2	1,537	1,487	1,981
Intangible assets	8.1	256	461	855
Assets classified as held for sale	10.2	88	—	—
Other		5	11	38
		1,886	1,959	2,874

Property, plant and equipment include depreciation and impairment of ROU assets of €254 million (2021: €276 million; 2020: €280 million).

Assets classified as held for sale relate to an impairment loss related to Russia disposal group classified as held for sale, refer to note 10.2.

For more information on impairment losses, refer to note 8.2.

Accounting policies

Refer to note 8.1 for the accounting policy on impairments and amortisation, and to note 8.2 for the policy on depreciation.

6.7 Earnings per share

The calculation of earnings per share (EPS) for the period ended 31 December 2022 is based on the profit attributable to the shareholders of the Company (net profit) and the weighted average number of shares outstanding (basic and diluted) during the year ended 31 December 2022.

In € per share (basic or diluted) for the period ended 31 December	2022	2021	2020
Basic earnings per share	4.66	5.77	(0.36)
Diluted earnings per share	4.65	5.77	(0.36)

Refer to the table below for the information used in the calculation of the basic and diluted earnings per share.

Weighted average number of shares – basic and diluted

	2022	2021	2020
Total number of shares issued	576,002,613	576,002,613	576,002,613
Effect of own shares held	(439,108)	(262,344)	(377,015)
Weighted average number of basic shares outstanding for the year	575,563,505	575,740,269	575,625,598
Dilutive effect of share-based payment plan obligations	462,616	229,127	—
Weighted average number of diluted shares outstanding for the year	576,026,120	575,969,395	575,625,598

In 2020, the shares related to the employee incentive programme (196,007 shares) were excluded in the calculation of the weighted average number of diluted shares outstanding, as these had an anti-dilutive impact due to the reported net loss.

Accounting policies

HEINEKEN presents basic and diluted earnings per share (EPS) data for its shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year, adjusted for the weighted average number of own shares held in the year. Diluted EPS is determined by dividing the profit or loss attributable to shareholders by the weighted average number of shares outstanding, adjusted for the weighted average number of own shares held in the year and for the effects of all dilutive potential shares which comprise share rights granted to employees and the Executive Board. The effects of anti-dilutive potential ordinary shares are ignored in calculating diluted EPS.

7. Working capital

7.1 Inventories

Inventories include raw and packaging materials, work in progress, spare parts, goods for resale and finished products.

In millions of €	2022	2021
Raw materials	619	445
Work in progress	364	324
Finished products	598	499
Goods for resale	530	396
Non-returnable packaging	548	338
Other inventories and spare parts	591	436
	3,250	2,438

In 2022, the change in inventories written off to net realisable value was €9 million, release (2021: €11 million, write off; 2020: €20 million, write off).

Accounting policies

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a weighted average cost and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of inventories are generally updated on annual basis except if a structural change is identified during the period such as the impact of inflationary pressure on input costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

7.2 Trade and other receivables

Trade and other receivables arise during ordinary activities, for example from the sale of inventory, from proceeds for contract brewing or from royalty fees.

In millions of €	2022	2021
Trade receivables	3,104	2,376
Other receivables	926	865
Trade receivables due from associates and joint ventures	16	13
Prepayments	485	408
	4,531	3,662

Trade and other receivables contain a net impairment loss of €38 million (2021: €28 million; 2020: €141 million) from contracts with customers, which is included in expenses for raw materials, consumables and services.

The ageing of trade and other receivables (excluding prepayments) as at 31 December 2022 is as follows:

In millions of €	2022		Past due			
	Total	Not past due	0-30 days	31-120 days	> 120 days	
Gross	4,534	3,378	442	259	455	
Allowance	(488)	(100)	(24)	(49)	(315)	
	4,046	3,278	418	210	140	

In millions of €	2021		Past due			
	Total	Not past due	0-30 days	31-120 days	> 120 days	
Gross	3,708	2,788	322	196	402	
Allowance	(454)	(72)	(34)	(45)	(303)	
	3,254	2,716	288	151	99	

The movement in allowance for credit losses for trade and other receivables during the year is as follows:

In millions of €	2022	2021
Balance as at 1 January	454	504
Changes in consolidation	44	2
Addition to allowance	50	46
Allowance used	(47)	(77)
Allowance released	(12)	(18)
Other	(5)	(6)
Effect of movements in exchange rates	4	3
Balance as at 31 December	488	454

Accounting estimates

HEINEKEN determines on each reporting date the impairment of trade and other receivables using a model (e.g. flow rate method) which estimates the lifetime expected credit losses that will be incurred on these receivables. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Due the macro-economic environment and uncertainties including increasing inflationary pressure on HEINEKEN's customers, more judgement is required in the calculation of expected credit losses compared to the prior year. As part of these assessments, HEINEKEN has incorporated all reasonable and supportable information available such as whether there has been a breach of payment terms or deterioration of payment against payment terms, a request for extended payment terms or a request for waived payment terms. For more information on HEINEKEN's credit risk exposure refer to note 11.5.

Accounting policies

Trade and other receivables are held by HEINEKEN to collect the related cash flows. These receivables are measured at fair value and subsequently at amortised cost minus any impairment losses. Trade and other receivables are derecognised by HEINEKEN when substantially all risks and rewards are transferred or if HEINEKEN does not retain control over the receivables.

7.3 Trade and other payables

In the ordinary course of business, payable positions arise towards suppliers of goods and services, as well as to other parties. Refer to the table below for the different types of trade and other payables.

In millions of €	2022	2021
Trade payables	5,852	4,631
Accruals	1,802	1,615
Taxation and social security contributions	1,103	999
Interest	172	177
Dividends	25	23
Other payables	329	305
	9,283	7,750

In 2022, the increase in trade payables is mainly due to inflation in commodity prices related to raw materials and increased prices for transport

Accounting estimates

HEINEKEN makes estimates in the determination of discount accruals. When discounts are provided to customers, these reduce the transaction price and consequently the revenue. The conditional discounts in revenue (refer to note 6.1) are estimated based on accumulated experience supported by historical and current sales information. Expected sales volumes are determined taking into account (historical) sales patterns and other relevant information. A discount accrual is recognised for expected volume and discounts due to customers in relation to sales made until the end of the reporting period.

Accounting policies

Trade and other payables are initially measured at fair value and subsequently at amortised cost. Trade payables are derecognised when the contractual obligation is either discharged, cancelled or expired.

7.4 Returnable packaging materials

HEINEKEN uses returnable packaging materials such as glass bottles, crates and kegs in selling the finished products to the customer.

Returnable packaging materials

The majority of returnable packaging materials are classified as property, plant and equipment. The category 'Other fixed assets' in property, plant and equipment (refer to note 8.2) includes €1,018 million (2021: €830 million) of returnable packaging materials.

Returnable packaging deposit liability

In certain markets, HEINEKEN has the legal or constructive obligation to take back the materials from the market. A deposit value is generally charged upon the sale of the finished product, which is reimbursed when the empty returnable packaging material is returned.

In millions of €	2022	2021
Returnable packaging deposits	545	476

Accounting estimates

The main accounting estimate relating to returnable packaging materials is determining the returnable packaging materials in the market and the expected return thereof. This is based on circulation times and losses of returnable packaging materials in the market.

Accounting policies*Returnable packaging materials*

Returnable packaging materials may be classified as property, plant and equipment or inventory. The classification mainly depends on whether ownership is transferred and if HEINEKEN has the legal or constructive obligation to buy back the materials.

Refer to note 8.2 for the general accounting policy on property, plant and equipment. Specifically for returnable packaging materials, the estimated useful life depends on the loss of the materials in the market as well as on HEINEKEN's sites.

Returnable packaging deposit liability

HEINEKEN recognises a deposit liability when a legal or constructive obligation exists to reimburse the customer for returnable packaging materials that are returned. The returnable packaging deposit liability is based on the estimated returnable packaging materials in the market, the expected return thereof and the deposit value.

In light of increasing inflationary pressures and HEINEKEN's BaBW ambitions, the deposit value for a number of returnable packaging materials were increased. In the event the deposit value is increased, the relating liability is remeasured through profit and loss taking into account the returnable packaging materials which are already in the market.

8. Non-current assets

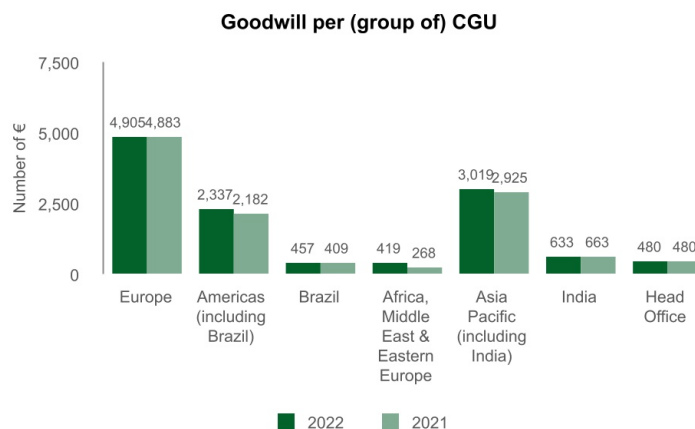
8.1 Intangible assets

Intangible assets within HEINEKEN are mainly goodwill, brands and customer-related intangibles such as customer lists. The majority of intangible assets have been recognised by HEINEKEN as part of acquisitions. Refer to the table below for the historical cost per asset class and the movements during the year including amortisation.

In millions of €	Note	2022						2021					
		Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total
Cost													
Balance as at 1 January		12,278	8,712	2,172	1,033	1,185	25,380	11,149	4,552	2,051	946	1,081	19,779
Hyperinflation restatement to 1 January 2022		108	7	—	—	1	116	—	—	—	—	—	—
Changes in consolidation	10.1	109	229	10	—	(3)	345	644	3,644	—	(4)	(3)	4,281
Purchased/internally developed		—	—	5	7	208	220	—	112	1	36	124	273
Transfer (to)/from assets classified as held for sale	10.2	—	(17)	—	—	(21)	(38)	—	(2)	—	—	(1)	(3)
Disposals		—	(2)	—	(1)	(22)	(25)	—	(1)	—	—	(31)	(32)
Hyperinflation adjustment		49	3	—	—	1	53	—	—	—	—	—	—
Effect of movements in exchange rates		174	10	115	29	15	343	485	407	120	55	15	1,082
Balance as at 31 December		12,718	8,942	2,302	1,068	1,364	26,394	12,278	8,712	2,172	1,033	1,185	25,380
Amortisation and impairment losses													
Balance as at 1 January		(468)	(1,708)	(1,352)	(385)	(705)	(4,618)	(471)	(1,409)	(1,182)	(332)	(618)	(4,012)
Hyperinflation restatement to 1 January 2022		—	(3)	—	—	—	(3)	—	—	—	—	—	—
Changes in consolidation		—	—	—	—	—	—	—	—	—	—	—	(3)
Amortisation charge for the year	6.6	—	(201)	(118)	(12)	(114)	(445)	—	(149)	(108)	(28)	(104)	(389)
Impairment losses	6.6	—	—	—	(1)	—	(1)	—	(134)	—	—	—	(134)
Reversals of impairments	6.6	—	173	16	—	1	190	—	53	9	—	—	62
Transfer to/(from) assets classified as held for sale	10.2	—	18	—	—	13	31	—	2	—	—	1	3
Disposals		—	2	—	1	15	18	—	1	—	—	25	26
Hyperinflation adjustment		—	(2)	—	—	(1)	(3)	—	—	—	—	—	—
Effect of movements in exchange rates		—	(61)	(82)	(3)	(9)	(155)	3	(72)	(71)	(25)	(6)	(171)
Balance as at 31 December		(468)	(1,782)	(1,536)	(400)	(800)	(4,986)	(468)	(1,708)	(1,352)	(385)	(705)	(4,618)
Carrying amount													
As at 1 January		11,810	7,004	820	648	480	20,762	10,678	3,143	869	614	463	15,767
As at 31 December		12,250	7,160	766	668	564	21,408	11,810	7,004	820	648	480	20,762

Goodwill impairment testing

For impairment testing, goodwill in respect of Europe, Americas (excluding Brazil) and Asia Pacific (excluding India) is allocated and monitored on a regional basis. For Brazil, India, subsidiaries within Africa, Middle East & Eastern Europe and Head Office, goodwill is allocated and monitored on an individual country basis. The total amount of goodwill of €12,250 million (2021: €11,810 million) is allocated to each (group of) Cash Generating Unit (CGU) as follows:



The increase in goodwill of €440 million compared to 2021, mainly relates to application of hyperinflation accounting in Ethiopia of €157 million and the movement in exchange rates of €174 million.

The carrying amount of a CGU is compared to the recoverable amount of the CGU. The recoverable amounts of the (group of) CGUs are based on the higher of the fair value less costs of disposal (FVLCD) and value in use (VIU) calculations. CGUs for which the recoverable amount is based on a VIU model represent 94% of goodwill. VIU is determined by discounting the future cash flows generated from the continuing use of the CGU using a pre-tax discount rate.

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

- Cash flows are projected based on actual operating results and the approved business plan. Cash flows thereafter are extrapolated up to a 10-year period (Europe 5-year) using an expected annual volume growth rate per country, which is based on external sources. The extrapolated cash flows are therefore projected using steady or progressively declining net cash flow growth rates. Based on past experience, management considers this period to reflect the long-term development of the local beer business.

- The beer price growth per year, after the forecast period, is assumed to be the expected country-specific annual long-term inflation, which is based on external sources.
- Cash flows after the first 10-year period (Europe 5-year) are extrapolated using a perpetual growth rate equal to the expected 30-year average inflation to calculate the terminal recoverable amount. For Europe, a return on inflation-linked bond rates is used to extrapolate cash flows.
- A CGU-specific pre-tax weighted average cost of capital (WACC) was applied per CGU in determining the recoverable amount of the units.

The values assigned to the key assumptions used for the VIU calculations are as follows:

In %	Pre-tax WACC	Expected annual long-term inflation applied for years 2026-2032	Expected volume growth rates applied for years 2026-2032
Europe	10.2	2.1	1.3
Americas (excluding Brazil)	12.3	2.9	1.6
Brazil	15.8	3.1	3.7
Africa, Middle East & Eastern Europe	16.6 - 30.1	4.9 - 8.6	1.5 - 4.4
Asia Pacific (excluding India)	13.6	3.3	1.4
Head Office	13.5	3.3	1.7

In 2022, there has been a general increase in the WACC applied across most CGUs, due to increased interest rates.

Impairment losses

The annual goodwill impairment test did not result in an impairment loss for the current year (2021: nil; 2020: nil). The impairment test required as a result of the identification of impairment indicators resulted in an impairment reversal of €189 million on intangible assets other than goodwill (2021: €72 million on intangible assets other than goodwill, net impairment: 2020: €39 million on goodwill and €427 million on intangible assets other than goodwill), which was charged to profit and loss (refer to note 8.2).

Sensitivity to changes in assumptions

The outcome of a sensitivity analysis of a 200 basis points adverse change in key assumptions (i.e. lower growth rates or higher discount rates respectively) did not result in a materially different outcome for the impairment test.

Brands, customer-related and contract-based intangibles

The main brands capitalised are the brands acquired in various acquisitions. The main customer-related and contract-based intangibles relate to customer relationships (constituted either by way of a contractual agreement or by way of non-contractual relations) and re-acquired rights.

Accounting estimates and judgements

The cash flow projections used in the value in use calculations for goodwill impairment testing contain various judgements and estimations as described in the key assumptions for the VIU calculations. Such judgements and estimates are subject to change because of changing economic conditions and climate impact and actual cash flows may differ from forecasts. The below additional considerations have been applied by HEINEKEN regarding the potential financial impact of the macro-economic environment and uncertainties including increasing inflationary pressures worldwide:

- Changes in the interest rate environment are taken into consideration when determining the discount rates
- Terminal growth rates do not exceed the long-term annual inflation rate of the country or region, thus excluding any increased inflation growth experiences in the short-term
- Sensitivity scenarios are applied to those markets or regions where the inflation and/or the exchange devaluation is considered significant based on management's judgement

The impact of climate change risk on future cash flows have also been considered at an CGU and asset level, including committed capex and operational expenditure. No material financial impacts to the current year impairment assessment were identified.

In addition, HEINEKEN have considered the sensitivity of the assumptions used in the impairment testing and the carrying amount of these assets are not considered to be sensitive to the impact of risks arising from climate change.

For intangible assets, other than goodwill, estimates are required to determine the (remaining) useful lives. Useful lives are determined based on the market position (for brands), estimated remaining useful life of the customer relationships or the period of the contractual arrangements, or estimates on technological and commercial developments (for software/development expenditure).

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful life. HEINEKEN believes that straight-line depreciation most accurately reflects the expected pattern of consumption of the future economic benefits embodied in the intangible asset.

Accounting policies

Goodwill

Goodwill represents the difference between the fair value of the net assets acquired and the transaction price of the acquisition. Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of the associates and joint ventures.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to individual or groups of CGUs for impairment testing and is tested annually for impairment. Negative goodwill is recognised directly in profit or loss as other income. An impairment loss in respect of goodwill cannot be reversed.

Brands, customer-related and contract-based intangibles

Brands, customer-related and contract-based intangibles acquired as part of a business combination are recognised at fair value. Otherwise, these acquired intangibles are recognised at cost and amortised over the estimated useful life of the individual brand, respectively over the remaining useful life of the customer relationships or the period of the contractual arrangements.

Strategic brands are well-known international/local brands with a strong market position and an established brand name.

Software, research and development and other intangible assets

Purchased software is measured at cost less accumulated amortisation. Expenditure on internally developed software is capitalised when the expenditure qualifies as development activities, otherwise, it is recognised in profit or loss when incurred.

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge, is recognised in profit or loss when incurred.

Amortisation

Amortisation is calculated over the cost of the asset less its residual value. Intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives from the date they are available for use. The estimated useful lives are as follows:

- | | |
|---|---------------|
| • Strategic brands | 40 – 50 years |
| • Other brands | 5 – 25 years |
| • Customer-related and contract-based intangibles | 5 – 25 years |
| • Re-acquired rights | 3 – 12 years |
| • Software | 3 – 7 years |
| • Capitalised development costs | 3 years |

The amortisation method, useful lives and residual values are reassessed annually. Changes in useful lives or residual value are recognised prospectively.

De-recognition of intangible assets

Intangible assets are derecognised when disposed of or sold. Gains on sale of intangible assets are presented in profit or loss as other income (refer to note 6.2); losses on sale are included in amortisation. Goodwill is derecognised when the related CGU is sold.

Impairment of non-financial assets

At each reporting date, HEINEKEN reviews the carrying amounts of its non-financial assets (except for inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. The existence of any immediate or short-term physical threats due to climate change were also considered in assessing for any indication of impairment. Furthermore, HEINEKEN assesses goodwill and other intangible assets with an indefinite useful life annually for impairment.

For impairment testing, assets are grouped into the smallest group of assets that generate cash inflows from continuing use. The CGU for other non-financial assets is often the operating company on a country level. The recoverable amount of an asset or CGU is the higher of an asset's FVLCD and VIU. In assessing the VIU, 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 risks specific to the asset or CGU.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are first allocated to goodwill and intangible assets with an indefinite useful life. A remaining impairment loss is then allocated to the other assets in the unit on a pro-rata basis. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation if no impairment loss had been recognised.

8.2 Property, plant and equipment

Property, plant and equipment (P,P&E) are fixed assets that are owned by HEINEKEN, as well as right of use (ROU) assets under a lease agreement. Owned and ROU assets are held for use in HEINEKEN's operating activities. Refer to the table below for the split between owned assets and ROU assets as per balance sheet date:

In millions of €	2022	2021
Property, plant and equipment - owned assets	12,610	11,518
Right of use assets	1,013	883
	13,623	12,401

Owned assets

The table below details the historical cost per asset class and the movements during the year for owned assets.

In millions of €	Note	2022				2021					
		Land and buildings	Plant and equipment	Other fixed assets	Under construction	Total	Land and buildings	Plant and equipment	Other fixed assets	Under construction	Total
Cost											
Balance as at 1 January		7,534	10,099	5,934	1,068	24,635	7,042	9,455	5,699	669	22,865
Hyperinflation reinstatement to 1 January 2022		72	161	102	1	336	—	—	—	—	—
Changes in consolidation and other transfers	10.1	63	36	2	(2)	99	187	171	13	13	384
Purchases		27	37	409	1,646	2,119	20	55	251	1,170	1,496
Transfer of completed projects under construction		237	646	462	(1,345)	—	119	393	279	(791)	—
Transfer (to)/from assets classified as held for sale		(163)	(269)	(84)	(4)	(520)	(21)	(29)	(9)	—	(59)
Disposals		(49)	(150)	(289)	(5)	(493)	(40)	(112)	(384)	(6)	(542)
Hyperinflation adjustment		47	100	65	1	213	—	—	—	—	—
Effect of movements in exchange rates		(3)	110	81	27	215	227	166	85	13	491
Balance as at 31 December		7,765	10,770	6,682	1,387	26,604	7,534	10,099	5,934	1,068	24,635
Depreciation and impairment losses											
Balance as at 1 January		(2,759)	(6,048)	(4,247)	(63)	(13,117)	(2,586)	(5,605)	(3,999)	(69)	(12,259)
Hyperinflation reinstatement to 1 January 2022		(14)	(57)	(85)	—	(156)	—	—	—	—	—
Changes in consolidation and other transfers		4	—	1	—	5	—	(4)	4	—	—
Depreciation charge for the year	6.6	(172)	(513)	(625)	—	(1,310)	(156)	(460)	(579)	—	(1,195)
Impairment losses	6.6	(68)	(18)	(3)	(1)	(90)	(6)	(43)	(1)	(2)	(52)
Reversals of impairments	6.6	75	30	7	5	117	4	19	10	3	36
Transfer to/(from) assets classified as held for sale		80	177	63	—	320	13	26	9	—	48
Disposals		33	146	271	—	450	34	110	374	—	518
Hyperinflation adjustment		(14)	(20)	(65)	—	(99)	—	—	—	—	—
Effect of movements in exchange rates		(15)	(49)	(49)	(1)	(114)	(62)	(91)	(65)	5	(213)
Balance as at 31 December		(2,850)	(6,352)	(4,732)	(60)	(13,994)	(2,759)	(6,048)	(4,247)	(63)	(13,117)
Carrying amount											
As at 1 January		4,775	4,051	1,687	1,005	11,518	4,456	3,850	1,700	600	10,606
As at 31 December		4,915	4,418	1,950	1,327	12,610	4,775	4,051	1,687	1,005	11,518

Land and buildings include the breweries and offices of HEINEKEN as well as stores, pubs and bars. The plant and machinery asset class contains all the assets needed in HEINEKEN's brewing, packaging and filling activities. Other fixed assets mainly consist of returnable packaging materials, commercial fixed assets and furniture, fixtures and fittings. Refer to note 7.4 for further information on returnable packaging materials that are included in this category.

Impairment losses

A net impairment reversal of €27 million on owned P.P&E (2021: €16 million, net impairment; 2020: €463 million, net impairment), €4 million impairment reversal on ROU assets (2021: €20 million, net impairment; 2020: €34 million, net impairment) and €189 million impairment reversal on intangible assets with finite useful life (2021: €72 million,

net impairment; 2020: €427 million, net impairment) were recorded for the year ended 31 December 2022. The net impairment reversal mainly relates to impairment reversal in the CGU Papua New Guinea (€234 million) which is included in the Asia Pacific operating segment. The reversal is primarily driven by an improved performance and stronger recovery from COVID-19 in a more favourable macro-economic environment, since the recognition of the impairment in 2020.

The determination of the recoverable amount of Papua New Guinea is based on a VIU valuation, which is based on a discounted 10-year cash flow forecast. The key assumptions used to determine the cash flows are based on market expectations and management's best estimate. Cash flows thereafter are extrapolated using a perpetual growth rate equal to the expected 30-year compounded average inflation, in order to calculate the terminal recoverable amount.

Impairments (reversals) are recorded on the line 'amortisation, depreciation and impairments' in the Income Statement. For a split per asset class, refer to the movement schedules in notes 8.1 and 8.2.

See the table below for the key assumptions:

In %	2022	
	Papua New Guinea	
	2023 - 2025	2026-2032
Pre-tax WACC (in local currency)	20.5	20.5
Expected annual long-term inflation	4.1	4.1
Expected volume growth	8.1	1.7

Right of use (ROU) assets

HEINEKEN leases stores, pubs, offices, warehouses, cars, (forklift) trucks and other equipment in the ordinary course of business. HEINEKEN has around 36,000 leases with a wide range of different terms and conditions, depending on local regulations and practices. Many leases contain extension and termination options, which are included in the lease term if HEINEKEN is reasonably certain to exercise the option. Refer to the table below for the carrying amount of ROU assets per asset class per balance sheet date:

In millions of €	2022	2021
Land and buildings	830	692
Equipment	183	191
Carrying amount ROU assets as at 31 December	1,013	883

In 2022, €218 million was added to the ROU assets as a result of entering into new lease contracts and the remeasurement of existing leases (2021: €223 million). The depreciation and impairments of ROU assets for the financial year ending 31 December is as follows:

In millions of €	2022	2021
Land and buildings	174	180
Equipment	80	96
Depreciation and impairments for ROU assets	254	276

Accounting estimates and judgements

Estimates are required to determine the (remaining) useful lives of fixed assets. Useful lives are determined based on an asset's age, the frequency of its use, repair and maintenance policy, technology changes in production, redundancies or changes due to climate risks and expected restructuring.

HEINEKEN estimates the expected residual value per asset item. The residual value is the higher of the expected sales price (based on recent market transactions of similar sold items) and its material scrap value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of items of P,P&E. HEINEKEN believes that straight-line depreciation most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Judgement is required to determine the lease term. The assessment of whether HEINEKEN is reasonably certain to exercise such options impacts the lease term, which as a result could affect the amount of lease liabilities and ROU assets recognised.

Accounting policies

Owned assets

A fixed asset is recognised when it is probable that future economic benefits associated with the P,P&E item will flow to HEINEKEN and when the cost of the P,P&E can be reliably measured. The majority of the P,P&E of HEINEKEN are owned assets, rather than leased assets.

P,P&E are recognised at historical cost less accumulated depreciation and impairment losses. Historical cost includes all costs directly attributable to the purchase of an asset. The cost of self-constructed assets includes all directly attributable costs to make the asset ready for its intended use. Spare parts that meet the definition of P,P&E are capitalised and accounted for accordingly. If spare parts do not meet the recognition criteria of P,P&E, they are either carried in inventory or consumed and recorded in profit or loss.

Subsequent costs are capitalised only when it is probable that the expenses will lead to future economic benefits and can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

For the contractual commitments on ordered P,P&E refer to note 13.2.

Depreciation and impairments

Depreciation is calculated using the straight-line method, based on the estimated useful life of the asset class. The estimated useful lives of the main asset classes are as follows:

- Buildings 15 – 40 years
- Plant and equipment 5 – 30 years
- Other fixed assets 3 – 10 years

Land and assets under construction are not depreciated. When assets under construction are ready for their intended use, they are transferred to the relevant category and depreciation starts. All other P,P&E items are depreciated over their estimated useful life to the asset's residual value.

The depreciation method, residual value and useful lives are reassessed annually. Changes in useful lives or residual value are recognised prospectively.

HEINEKEN reviews whether indicators for impairment exist on a CGU level. When an indicator of impairment exists, assets are tested for impairment. Impairment losses on assets, other than goodwill, recognised in prior periods are assessed at each reporting date for any indication of a reversal, due to observable indications that the asset's value has increased significantly or other significant changes with favourable effects.

Derecognition of Property, plant and equipment

P,P&E is derecognised when it is scrapped or sold. Gains on sale of P,P&E are presented in profit or loss as other income (refer to note 6.2); losses on sale are included in depreciation.

Right of use (ROU) assets

Definition of a lease

A contract contains a lease if it provides the right to control the use of an identified asset for a period of time in exchange for an amount payable to the lessor. The right to control the use of the identified asset exists when having the right to obtain substantially all of the economic benefits from the use of that asset and when having the right to direct the use of that asset.

HEINEKEN as a lessee

At the start date of the lease, HEINEKEN (lessee) recognises a ROU asset and a lease liability on the balance sheet. The ROU asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. For measurement of the lease liability, refer to note 11.3.

HEINEKEN applies the following practical expedients for the recognition of leases:

- The short-term lease exemption means that leases with a duration of less than a year are expensed in the income statement on a straight-line basis.

- The low-value lease exemption, meaning that leased assets with an individual value of €5,000 or less if bought new, are expensed in the income statement on a straight-line basis.

HEINEKEN as a lessor

A lease is classified as a finance lease when it transfers substantially all the risks and rewards relating to ownership of the underlying asset to the lessee. For contracts where HEINEKEN acts as an intermediate lessor, the subleases are classified with reference to the ROU asset.

Lease related notes

For lease liabilities, refer to note 11.3 Borrowings. For short-term and low-value leases, refer to other expenses in note 6.3 Raw materials, consumables and services. For the lease receivables, refer to other receivables in note 8.4 Other non-current assets and other receivables in note 7.2 Trade and other receivables. For the contractual maturities of lease liabilities, refer to note 11.5 Credit, liquidity and market risk.

8.3 Loans and advances to customers

Loans and advances to customers are inherent to HEINEKEN's business model. Loans to customers are repaid in cash on fixed dates while the settlement of advances to customers is linked to the sales volume of the customer. Loans and advances to customers are usually backed by collateral such as properties.

In millions of €	2022	2021
Loans to customers	61	56
Advances to customers	155	153
Loans and advances to customers	216	209

The movement in allowance for impairment losses for loans and advances to customers during the year is as follows:

In millions of €	2022	2021
Balance as at 1 January	69	90
Transfers	1	(2)
Addition to allowance	9	5
Allowance used	(8)	(14)
Allowance released	(5)	(12)
Effect of movements in exchange rates	3	2
Balance as at 31 December	69	69

Accounting estimates

HEINEKEN determines at each reporting date the impairment of loans and advances to customers using an expected credit loss model, which estimates the credit losses over 12 months. If a significant increase in credit risk occurs (e.g. more than 30 days overdue, change in credit rating, payment delays in other receivables from the customer), credit losses over the lifetime of the asset are incurred. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Due to the macro-economic environment and uncertainties including increasing inflationary pressure on HEINEKEN's customers, more judgement is required for the calculation of expected credit losses compared to the prior years. For more information on HEINEKEN's credit risk exposure refer to note 11.5.

Accounting policies

Loans and advances to customers are initially measured at fair value and subsequently at amortised cost minus any impairment losses.

8.4 Other non-current assets

Other non-current assets mainly consist of Fair Value through other comprehensive income (FVOCI) investments, long-term prepayments and other receivables with a duration longer than 12 months.

In millions of €	Note	2022	2021
Fair value through OCI investments		154	135
Non-current derivatives	11.6	56	6
Loans to joint ventures and associates		15	28
Long-term prepayments		461	392
Other receivables		544	509
Other non-current assets		1,230	1,070

The FVOCI investments primarily consist of equity securities. HEINEKEN designates these investments as FVOCI as these are not held for trading purposes.

Other receivables include lease receivables of €137 million (2021: €148 million). The average outstanding term of the lease receivables, including the short-term portion of lease receivables, is 2.9 years (2021: 3.0 years). It further includes tax credits of €137 million (2021: €161 million) recognised in Brazil (refer to note 6.2). The remainder of other receivables mainly originate from the acquisition of the beer operations of FEMSA and represent a receivable on the Brazilian authorities on which interest is calculated in accordance with Brazilian legislation. The collection of this receivable is expected to be beyond a period of five years. A part of the aforementioned qualifies for indemnification towards FEMSA and is provided for.

Sensitivity analysis – equity securities

An increase or decrease of 1% in the share price of the equity securities at the reporting date would not have a material impact.

Accounting estimates

HEINEKEN determines on each reporting date the impairment of other receivables using an expected credit loss model, which estimates the credit losses over 12 months. Only in case of a significant increase in credit risk occurs (e.g. more than 30 days overdue, change in credit rating, payment delays in other receivables from the customer) the credit losses over the lifetime of the asset are incurred. Individually significant other receivables are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. For more information on HEINEKEN's credit risk exposure refer to note 11.5.

Accounting policies

Fair value through OCI investments

HEINEKEN's investments in equity securities are classified as FVOCI. These investments are interests in entities where HEINEKEN has less than significant influence. This is generally the case by ownership of less than 20% of the voting rights. Upon the sale of these equity securities the accumulated fair value and currency translation changes are transferred to retained earnings.

FVOCI investments are measured at fair value (refer to note 13.1). The fair value changes are recognised in OCI and presented within equity in the fair value reserve. Dividend income is recognised in profit or loss.

Non-current derivatives

Refer to the accounting policies on derivative financial instruments in note 11.6.

Other

The remaining non-current assets as presented in the previous table are initially measured at fair value and subsequently at amortised cost minus any impairment losses.

9. Provisions and contingent liabilities

9.1 Post-retirement obligations

HEINEKEN makes contributions to pension plans that provide pension benefits to (former) employees upon retirement, both via defined benefit as well as defined contribution plans. Other long-term employee benefits include long-term bonus plans, termination benefits, medical plans and jubilee benefits. Refer to note 6.4 for the contribution to defined contribution plans. This note relates to HEINEKEN's defined benefit pension plans. Refer to the table below for the present value of the defined benefit plans as at 31 December.

In millions of €	2022	2021
Present value of unfunded defined benefit obligations	177	169
Present value of funded defined benefit obligations	7,745	10,013
Total present value of defined benefit obligations	7,922	10,182
Fair value of defined benefit plan assets	(7,569)	(9,680)
Present value of net obligations	353	502
Asset ceiling items	129	101
Defined benefit plans included under non-current assets	28	6
Recognised liability for defined benefit obligations	510	609
Other long-term employee benefits	58	59
	568	668

The vast majority of benefit payments are from pension funds that are held in trusts (or equivalent), however, there is a small portion where HEINEKEN fulfils the benefit payment obligation as it falls due. Plan assets held in trusts are governed by Trustee Boards composed of HEINEKEN representatives and independent and/or member representation, in accordance with local regulations and practice in each country. The relationship and division of responsibility between HEINEKEN and the Trustee Board (or equivalent) including investment decisions and contribution schedules are carried out in accordance with the plan's regulations.

The defined benefit pension plans in the Netherlands (NL) and the United Kingdom (UK) represent the majority of the total defined benefit plan assets and the present value of the defined benefit obligations.

Refer to the table below for the split of these plans in the total present value of the net obligations of HEINEKEN.

In millions of €	2022 UK	2021 UK	2022 NL	2021 NL	2022 Other	2021 Other	2022 Total	2021 Total
Total present value of defined benefit obligations	2,641	4,288	4,120	4,562	1,161	1,332	7,922	10,182
Fair value of defined benefit plan assets	(2,557)	(4,137)	(4,055)	(4,523)	(957)	(1,020)	(7,569)	(9,680)
Present value of net obligations	84	151	65	39	204	312	353	502

Defined benefit plan in the Netherlands

HEINEKEN provides employees in the Netherlands with an average pay pension plan based on earnings up to the legal tax limit. Indexation of accrued benefits is conditional on the funded status of the pension fund. HEINEKEN pays contributions to the fund up to a maximum level agreed with the Board of the pension fund and has no obligation to make additional contributions in case of a funding deficit.

During 2022, the coverage ratio of the Dutch pension fund improved significantly. Rising interest rates lowered the fund's net defined benefit obligations given its relatively low interest hedging policy. The fund's financial position allowed for pension indexation in 2022. In July 2022, the Board of the pension fund decided to provide an annual discretionary indexation of accrued benefits of 3.42% to all its members. In December 2022, the Board of the pension fund decided to provide an annual discretionary indexation of accrued benefits at 1 January 2023 of 14.33%.

In 2022, the decrease in the fair value of defined benefit plan assets is mainly due to a decrease in the value of bonds, interest rate swaps, mortgages and equity instruments. The lower defined benefit obligation is mainly due to a higher discount rate assumption, partially offset by a higher indexation assumption. HEINEKEN's cash contribution to the Dutch pension plan was at the maximum level. The same level will apply in 2023.

Defined benefit plan in the United Kingdom

HEINEKEN's UK plan (Scottish & Newcastle pension plan 'SNPP') was closed to future accrual in 2011 and the liabilities thus relate to past service before plan closure. Based on the triennial review finalised in early 2019, HEINEKEN has renewed the funding plan (until 31 May 2023) including an annual deficit reduction contribution of GBP39.2 million in 2018, thereafter increasing with GBP1.7 million per year. At the end of 2018, an agreement (the 'Funding Agreement') was reached with the UK pension fund Trustees on a more conservative longer-term funding and investment approach towards 2030. This agreement has been formalised during 2019 and signed in early 2020, which leads to a gradual decrease in investment risk. The current schedule of deficit recovery payments until May

2023 will remain in place. As of June 2023, deficit recovery payments will stop. Going forward recovery payments will be conditional on the funding position of the pension fund and capped on the current contribution level.

In 2022, the decrease in the fair value of defined benefit plan assets is mainly due to the lower value of debt investments, as a result of an increase in interest rates. The increase in interest rates lowered not only the plan assets, but also the plan liabilities. As the fund is closed to future accrual, the strategic asset allocation is more conservative with high interest and inflation hedging levels..

Defined benefit plans in other countries

In a few other countries, HEINEKEN offers defined benefit plans, which are individually not significant to HEINEKEN. The majority of these plans are closed for new participants.

Movement in net defined benefit obligation

The movement in the net defined benefit obligation during the year is as follows:

In millions of €	Note	Present value of defined benefit obligations		Fair value of defined benefit plan assets		Present value of net obligations	
		2022	2021	2022	2021	2022	2021
Balance as at 1 January		10,182	9,590	(9,680)	(8,757)	502	833
Included in profit or loss							
Current service cost		112	106	—	—	112	106
Past service cost/(credit)		(2)	(9)	—	—	(2)	(9)
Administration expense		—	—	5	5	5	5
Expense recognised in personnel expenses	6.4	110	97	5	5	115	102
Interest expense/(income)	11.1	212	107	(198)	(93)	14	14
		322	204	(193)	(88)	129	116
Included in OCI							
Remeasurement loss/(gain):							
Actuarial loss/(gain) arising from	12.3						
Demographic assumptions		47	67	—	—	47	67
Financial assumptions		(2,714)	346	—	—	(2,714)	346
Experience adjustments		550	13	—	—	550	13
Return on plan assets excluding interest income ¹		—	—	2,011	(726)	2,011	(726)
Effect of movements in exchange rates		(114)	309	112	(288)	(2)	21
		(2,231)	735	2,123	(1,014)	(108)	(279)
Other							
Changes in consolidation and reclassification	10.1	1	12	(7)	(10)	(6)	2
Contributions paid:							
By the employer		—	—	(164)	(165)	(164)	(165)
By the plan participants		25	24	(25)	(24)	—	—
Benefits paid		(377)	(378)	377	378	—	—
Settlements		—	(5)	—	—	—	(5)
		(351)	(347)	181	179	(170)	(168)
Balance as at 31 December		7,922	10,182	(7,569)	(9,680)	353	502

¹ The total OCI impact for the current year also included movement resulting from asset ceiling increase between 2021 and 2022.

Defined benefit plan assets

In millions of €	2022			2021		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity instruments:						
Europe	316	—	316	462	—	462
Northern America	847	—	847	1,218	—	1,218
Japan	118	—	118	135	—	135
Asia other	160	—	160	254	—	254
Other	92	145	237	89	156	245
	1,533	145	1,678	2,158	156	2,314
Debt instruments:						
Bonds – investment grade	3,744	1,125	4,869	5,631	817	6,448
Bonds – non-investment grade	228	361	589	526	294	820
	3,972	1,486	5,458	6,157	1,111	7,268
Derivatives	41	(1,296)	(1,255)	38	(1,474)	(1,436)
Properties and real estate	249	659	908	326	615	941
Cash and cash equivalents	362	34	396	179	78	257
Investment funds	25	351	376	12	264	276
Other plan assets	94	(86)	8	114	(54)	60
	771	(338)	433	669	(571)	98
Balance as at 31 December	6,276	1,293	7,569	8,984	696	9,680

The HEINEKEN pension funds monitor the mix of debt and equity securities in their investment portfolios based on market expectations. Material investments within the portfolio are managed on an individual basis. Through its defined benefit pension plans, HEINEKEN is exposed to several risks, the most significant are detailed below.

Risks associated with defined benefit plans

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to AA corporate bond yields. If the return on the plan assets is less than the return on the liabilities implied by this assumption, this will create a deficit. The plan in the Netherlands holds a significant proportion of equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term.

In the Netherlands, an Asset-Liability Matching (ALM) study is performed at least on a triennial basis, the last ALM study was performed in 2021. The ALM study is the basis for the strategic investment policies and the (long-term) strategic investment mix. As at 31 December 2022, the strategic asset mix comprises 33.5% of plan assets in equity securities, 25% in bonds and swaps, 18% in alternative investments, 11% in mortgage and 12.5% in real estate.

In the UK, an actuarial valuation is performed at least on a triennial basis. The valuation is the basis for the funding plan, strategic investment policies and the (long-term) strategic investment mix. The valuation was performed in 2021. As at 31 December 2022, the strategic mix of assets comprises 30% of plan assets in liability-driven investments, 26.5% in corporate bonds, 15% in higher-yielding credit, 15% in private markets, 7.5% in long lease property and 6% in equities. As part of the Funding Agreement, the strategic asset mix will evolve between now and 2030 to provide greater certainty of return, lower volatility and higher cash generation.

Interest rate risk

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' fixed-rate instruments holdings.

In the Netherlands, interest rate risk is managed through fixed-income investments and interest rate swap instruments. These investments and instruments match the liabilities by 38% as at 31 December 2022 (2021: 24%). In the UK, interest rate risk is managed through the use of a mixture of fixed income investments and interest rate

swap instruments. These investments and instruments match 96% of the interest rate sensitivity of the total liabilities as measured on a Gilts +1% liability basis (2021: 96% as measured on the same basis).

Inflation risk

Some of the pension obligations are linked to inflation. Higher inflation will lead to higher liabilities, although in most cases caps on the level of inflationary increases are in place to protect the plan against extreme inflation. The majority of the plan assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will increase the deficit.

HEINEKEN provides employees in the Netherlands with an average pay pension plan, whereby indexation of accrued benefits is conditional on the funded status of the pension fund. In the UK, inflation risk is partly managed through the use of a mixture of inflation-linked derivative instruments. These instruments match 96% of the inflation-linked liabilities as measured on a Gilts +1% liability basis (2021: 96% as measured on the same basis).

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will increase the plans' liabilities. This is particularly significant in the UK plan, where inflation-linked increases result in higher sensitivity to changes in life expectancy. In 2015, the Trustee of HEINEKEN UK's pension plan implemented a longevity hedge to remove the risk of a higher increase in life expectancy than anticipated for the 2015 population of pensioners.

Principal actuarial assumptions as at the balance sheet date

Based on the significance of the Dutch and UK pension plans compared with the other plans, the table below refers to the major actuarial assumptions for those two plans as at 31 December:

In %	The Netherlands		UK ¹	
	2022	2021	2022	2021
Discount rate as at 31 December	3.8	1.1	5.0	1.8
Future salary increases	2.0	2.0	—	—
Future pension increases	2.9	1.3	3.1	3.4

¹ The UK plan is closed for future accrual, leading to certain assumptions being equal to zero.

For the other defined benefit plans, the following actuarial assumptions apply as at 31 December:

In %	Europe		Americas	
	2022	2021	2022	2021
Discount rate as at 31 December	2.3-3.9	0.3-1.1	9.4-13.0	8.0-8.2
Future salary increases	0.0-3.4	0.0-3.1	0.0-4.5	0.0-4.5
Future pension increases	0.0-2.3	0.0-2.0	0.0-3.5	0.0-3.5
Medical cost trend rate	—	—	5.1-7.5	5.1-7.0

Assumptions regarding future mortality rates are based on published statistics and mortality tables. For the Netherlands, the rates are obtained from the 'AG-Prognosetafel 2022', fully generational. For the UK, the future mortality rates are obtained by applying the Continuous Mortality Investigation 2021 projection model.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 16 years (2021: 18 years).

Except for the reduction in recovery contributions for the UK pension fund, HEINEKEN expects the contributions to be paid for the defined benefit plans for 2023 to be in line with 2022.

Sensitivity analysis

As at 31 December, changes to one of the relevant actuarial assumptions that are considered reasonably possible, holding other assumptions constant, would have affected the defined benefit obligation by the following amounts:

Effect in millions of €	2022		2021	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate (0.5% movement)	(551)	629	(876)	989
Future salary growth (0.25% movement)	8	(8)	33	(31)
Future pension growth (0.25% movement)	253	(245)	403	(407)
Medical cost trend rate (0.5% movement)	3	(3)	4	(3)
Life expectancy (1 year)	318	(317)	484	(479)

Accounting estimates

To make the actuarial calculations for the defined benefit plans, HEINEKEN needs to make use of assumptions for discount rates, future pension increases and life expectancy as described in this note. The actuarial calculations are made by external actuaries based on inputs from observable market data, such as corporate bond returns and yield curves to determine the discount rates used, mortality tables to determine life expectancy and inflation numbers to determine future salary and pension growth assumptions.

Accounting policies

Defined contribution plans

A defined-contribution plan is a post-retirement plan for which HEINEKEN pays fixed contributions to a separate entity. HEINEKEN has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay out employees.

Defined benefit plans

A defined benefit plan is a post-retirement plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

HEINEKEN's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; those benefits are discounted to determine its present value. The fair value of any defined benefit plan assets is deducted. The discount rate is the yield at balance sheet date on high quality credit-rated bonds that have maturity dates approximating to the terms of HEINEKEN's obligations and are denominated in the same currency in which the benefits are expected to be paid.

The calculations are performed annually by qualified actuaries using the projected unit credit method. When the calculation results in a benefit to HEINEKEN, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in HEINEKEN. An economic benefit is available to HEINEKEN if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are changed, the expense or benefit is recognised immediately in profit or loss.

HEINEKEN recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses and other net finance income and expenses in profit or loss.

For changes to a defined benefit plan, which result in a plan amendment or a curtailment or settlement, HEINEKEN determines the amount of any past service cost, or gain or loss on settlement, by remeasuring the net defined benefit liability before and after the amendment, using current assumptions and the fair value of plan assets at the time of the amendment. In case the net defined benefit liability is remeasured to determine the impact of the changes, current service cost and net interest for the remainder of the year are remeasured using the same assumptions and the same fair value of plan assets.

9.2 Provisions

Provisions within HEINEKEN mainly relate to restructuring, and claims and litigation that arise in the ordinary course of business. The outcome depends on future events, which are by nature uncertain.

In millions of €	Note	Claims and litigation	Taxes	Restructuring	Onerous contracts	Other	Total
Balance as at 1 January 2022		196	344	234	25	138	937
Transfers		10	(10)	—	—	—	—
Provisions made during the year		62	12	91	3	54	222
Provisions used during the year		(64)	(20)	(77)	(6)	(10)	(177)
Provisions reversed during the year		(75)	(61)	(38)	(3)	(47)	(224)
Effect of movements in exchange rates		12	12	—	(1)	2	25
Unwinding of discounts		9	6	—	—	—	15
Balance as at 31 December 2022		150	283	210	18	137	798
Non-current		131	256	88	6	91	572
Current		19	27	122	12	46	226

Claims and litigation

The provisions for claims and litigation of €150 million (2021: €196 million) mainly relate to civil and labour claims in Brazil.

Taxes

The provisions for taxes of €283 million (2021: €344 million) relate to indirect taxes not within the scope of IAS 12 and mainly relate to Brazil. Tax legislation in Brazil is highly complex and subject to interpretation, therefore the timing of the cash outflows for these provisions is uncertain.

Other provisions

Included are, among others, provisions for credit risk on surety and guarantees issued of €50 million (2021: €53 million).

Accounting estimates

In determining the likelihood and timing of potential cash outflows, HEINEKEN needs to make estimates. For claims, litigation and tax provisions, HEINEKEN bases its assessment on internal and external legal assistance and established precedents. For a large restructuring, management assesses the timing of the costs to be incurred, which influences the classification as current or non-current liabilities.

Accounting policies

A provision is a liability of uncertain timing or amount. A provision is recognised when HEINEKEN has a present legal or constructive obligation as a result of past events that can be estimated reliably, and it is probable (>50%) that an outflow of economic benefits will be required to settle the obligation. In the case of accounting for business combinations, provisions are also recognised when the likelihood is less than probable but more than remote (>5%).

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as part of net finance expenses.

The impact of climate change is also considered in identifying whether HEINEKEN has a present legal or constructive obligation related to fines or penalties.

Restructuring

A provision for restructuring is recognised when HEINEKEN has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating losses are not provided for. The provision includes the benefit commitments in connection with early retirement and redundancy schemes.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be received by HEINEKEN are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract, and the expected net cost of continuing with the contract. Before a provision is established, HEINEKEN recognises any impairment loss on the assets associated with that contract.

Other provisions

A provision for guarantees is recognised at the time the guarantee is issued (refer to note 9.3 for the total guarantees outstanding). The provision is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the expected credit loss model and the amount initially recognised.

9.3 Contingencies

HEINEKEN's contingencies are mainly in the area of tax, civil cases and guarantees.

Tax

The tax contingencies mainly relate to tax positions in Latin America and include a large number of cases with a risk assessment lower than probable but possible. Assessing the amount of tax contingencies is highly judgemental, and the timing of possible outflows is uncertain. The best estimate of tax-related contingent liabilities is €1,489 million (2021: €1,139 million), out of which €73 million (2021: €77 million) qualifies for indemnification. For several tax contingencies that were part of acquisitions, an amount of €173 million (2021: €175 million) has been recognised as provisions and other non-current liabilities in the balance sheet (refer to notes 9.2 and 11.6).

Other contingencies

Brazil civil cases

Part of other contingencies relates to civil cases in Brazil. Management's best estimate of the potential financial impact for these cases is €57 million (2021: €47 million).

Other

Part of other contingencies relate to two follow-on damage cases for a total amount claimed of €478 million, which arose as a result of the fine imposed by the Greek Competition Commission in 2014 against our subsidiary Athenian Brewery for alleged abuse of its dominant position. It is not possible to estimate the outcome of these claims with any degree of certainty for a number of reasons, including but not limited to the fact that (i) Athenian Brewery's appeal against the fine imposed by the Greek Competition Commission is pending before the Greek Council of State, (ii) the question whether the Dutch courts can assume (international) jurisdiction over these claims, insofar they are made against Athenian Brewery, is pending before the Dutch Supreme Court, and (iii) Athenian Brewery and HEINEKEN have raised defences against these claims, both on procedural grounds and on the merits. The amount of these potential liabilities (if any) can therefore not be measured with sufficient reliability. There are no reimbursements applicable for these cases.

As at 31 December 2022, €37 million (2021: €37 million) of other contingencies related to acquisitions is included in provisions (refer to note 9.2).

Guarantees

In millions of €	Total 2022	Less than 1 year	1-5 years	More than 5 years	Total 2021
Guarantees to banks for loans (to third parties)	345	50	292	3	349
Other guarantees	2,093	1,361	596	136	2,025
Guarantees	2,438	1,411	888	139	2,374

Guarantees to banks for loans relate to loans and advances to customers, which are given to external parties in the ordinary course of business of HEINEKEN. HEINEKEN provides guarantees to the banks to cover the credit risk related to these loans (refer to note 9.2 for the provision for credit risk on these guarantees).

Other guarantees include a €1.1 billion (2021: €1.1 billion) guarantee issued concerning the offer to acquire Distell Group Holdings Limited (refer to note 13.2).

Accounting estimates and judgements

HEINEKEN operates in a high number of jurisdictions and is subject to a wide variety of taxes per jurisdiction. Tax legislation can be highly complex and subject to interpretation. As a result, HEINEKEN is required to exercise significant judgement in the recognition of taxes payable and determination of tax contingencies.

Also for the other contingencies including climate change, HEINEKEN is required to exercise judgement to determine whether the risk of loss is possible but not probable. Contingencies involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions.

Accounting policies

A contingent liability is a liability of uncertain timing and amount. Contingencies are not recognised in the balance sheet because the existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of HEINEKEN or because the risk of loss is estimated to be possible (>5%) but not probable (<50%) or because the amount cannot be measured reliably.

10. Acquisitions, disposals and investments

10.1 Acquisitions and disposals of subsidiaries and non-controlling interests

Acquisition and disposals of subsidiaries in 2022

During 2022, there were no significant acquisitions or disposals.

Acquisition of non-controlling interests

In 2022, transactions with non-controlling interests mainly consists of a transaction where HEINEKEN purchased 3,409,660 shares and 95,798 shares of Grupa Żywiec S.A. from Harbin B.V. and other minority shareholders, respectively. This increased HEINEKEN's shareholding from 65.16% to 99.28%. The consideration paid for the acquisition of non-controlling interest in 2022 and the related equity impact are disclosed in the table below:

In millions of €	Consideration paid	Value on non-controlling interest	Equity Impact
Grupa Żywiec S.A.	350	14	336
Other	41	4	37
Total	391	18	373

Accounting policies

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from

transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

10.2 Assets or disposal groups classified as held for sale

The assets and liabilities below are classified as held for sale for the year ended 31 December 2022:

In millions of €	2022			2021
	Russia disposal group	Other	Total	Total
Current assets	104	28	132	10
Property, plant and equipment	129	32	161	27
Intangible assets	5	—	5	—
Other non-current assets	17	—	17	—
Assets of disposal group held for sale	255	60	315	37
Current liabilities	(150)	(23)	(173)	(19)
Non-current liabilities	(8)	—	(8)	(1)
Liabilities associated with assets classified as held for sale	(158)	(23)	(181)	(20)

Russia disposal group classified as held for sale

On 28 March 2022, HEINEKEN announced its decision to leave Russia. Efforts to sell the disposal group are continuing and HEINEKEN expects to reach an agreement in the first half-year of 2023. The disposal group is included in the reportable segment Africa, Middle East & Eastern Europe (refer to note 6.1).

An impairment loss of €88 million was recognised in relation to the write down of the Russia disposal group classified as held for sale for the year ended 31 December 2022. The determination of the fair value less cost of disposal amount involves judgement considering the general uncertainties around Russia.

Accounting estimates and judgements

HEINEKEN classifies assets or disposal groups as held for sale when they are available for immediate sale in their present condition, are expected to be sold within 1 year and the sale is highly probable. HEINEKEN should be committed to the sale and it should be unlikely that the plan to sell will be withdrawn. This might be difficult to demonstrate in practice and involves judgement.

Accounting policies

Assets or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

Intangible assets and P,P&E once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

10.3 Investments in associates and joint ventures

HEINEKEN has interests in several joint ventures and associates. The total carrying amount of these associates and joint ventures was €4,296 million as at 31 December 2022 (2021: €4,148 million) and the total share of profit and other comprehensive income was a profit of €177 million in 2022 (2021: €304 million; 2020: €15 million, loss). The share of profit of associates and joint ventures includes an impairment loss of €4 million (2021: €10 million, impairment reversal; 2020: €139 million, impairment).

The associate CRH (Beer) Limited ('CBL') is considered to be individually material. HEINEKEN holds a shareholding of 40% in CBL as of 29 April 2019. CBL holds a controlling interest of 51.67% in China Resources Beer (Holdings) Co. Ltd. ('CR Beer'), a company incorporated in Hong Kong and listed on the Main Board of The Stock Exchange of Hong Kong Limited, operating in the beer business in China. Consequently, HEINEKEN has an effective 20.67% economic interest in CR Beer. Based on the closing share price of HKD54.55 as at 31 December 2022 (2021: HKD63.85), the fair value of this economic interest in CR Beer amounts to €4,398 million (2021:

€4,847 million. The carrying amount of CBL as at 31 December 2022 amounts to €2,908 million (2021:€2,752 million).

Set out below is the summarised financial information of CR Beer, not adjusted for the percentage of ownership held by HEINEKEN. The financial information has been amended to reflect adjustments made by HEINEKEN when using the equity method (such as fair value adjustments). Due to a difference in reporting timelines, the financial information is included with a two-month delay. This means that the financial information included relates to the period November 2021-October 2022. The reconciliation of the summarised financial information to the carrying amount of the effective interest in CR Beer is also presented.

In millions of €	31 October 2022	31 October 2021
Summarised balance sheet (100%)		
Non-current assets	8,639	8,671
Current assets	2,291	1,822
Non-current liabilities	(1,809)	(1,774)
Current liabilities	(2,777)	(2,673)
Net assets	6,344	6,046
Reconciliation to carrying amount		
Opening net assets	6,046	5,384
Profit for the period	471	301
Other comprehensive income	88	532
Dividends paid	(256)	(171)
Other	(7)	—
Closing net assets	6,342	6,046
Company's share in %	20.67 %	20.67 %
Company's share	1,311	1,250
Goodwill	1,597	1,502
Carrying amount	2,908	2,752

In millions of €	November 2021 to October 2022	November 2020 to October 2021	November 2019 to October 2020
Summarised income statement (100%)			
Revenue	5,198	4,360	3,996
Profit	471	301	47
Other comprehensive income	88	532	(395)
Total comprehensive income	559	833	(348)
Dividends received	52	36	14

Summarised financial information for equity-accounted joint ventures and associates

The following table includes, in aggregate, the carrying amount and HEINEKEN's share of profit and OCI of joint ventures and associates (net of income tax):

In millions of €	Joint ventures			Associates ¹		
	2022	2021	2020	2022	2021	2020
Carrying amount of interests	953	984	1,574	3,343	3,164	2,863
Share of:						
Profit from continuing operations	64	113	(34)	159	137	3
Other comprehensive income	17	30	(2)	(63)	24	18
	81	143	(36)	96	161	21

¹ Includes the investment in CR Beer, which is considered to be individually material. The other joint ventures and associates are considered to be individually immaterial.

Accounting policies

Associates are entities in which HEINEKEN has significant influence, but not control or joint control. Significant influence is generally obtained by ownership of more than 20% but less than 50% of the voting rights. Joint ventures (JVs) are the arrangements in which HEINEKEN has joint control.

HEINEKEN's investments in associates and JVs are accounted for using the equity method of accounting, meaning they are initially recognised at cost. The consolidated financial statements include HEINEKEN's share of the net profit or loss of the associates and JVs whereby the result is determined using the accounting policies of HEINEKEN.

When HEINEKEN's share of losses exceeds the carrying amount of the associate or joint venture, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that HEINEKEN has an obligation or has made a payment on behalf of the associate or JV.

11. Financing and capital structure**11.1 Net finance income and expense**

Interest expenses are mainly related to interest charges over the outstanding bonds, commercial paper and bank loans (refer to note 11.3). Other net finance income and expenses comprise dividend income, fair value changes of financial assets and liabilities measured at fair value, transactional foreign exchange gains and losses (on a net basis),

monetary gain resulting from hyperinflation accounting, unwinding of discount on provisions and interest on the net defined benefit obligation.

In millions of €	Note	2022	2021	2020
Interest income		74	49	50
Interest expenses		(458)	(462)	(497)
Dividend income from fair value through OCI investments		7	6	10
Net change in fair value of derivatives		67	(10)	13
Net foreign exchange gain/(loss) ¹		(121)	(78)	(133)
Net monetary gain arising from hyperinflationary economies		94	—	—
Unwinding discount on provisions	9.2	(15)	(13)	(11)
Interest on the net defined benefit obligation	9.1	(14)	(14)	(23)
Other		30	123	1
Other net finance income/(expenses)		48	14	(143)
Net finance income/(expenses)		(336)	(399)	(590)

¹ Transactional foreign exchange effects of working capital and foreign currency-denominated loans, the latter being partially offset by the net change in fair value of derivatives.

Interest expenses include the interest component of lease liabilities of €49 million (2021: €58 million; 2020: €60 million). The line other in 2021 mainly includes €96 million of finance income due to the recognition of tax credits in Brazil, refer to note 6.2.

In 2022, a net monetary gain was recognised related to applying hyperinflation accounting in Ethiopia, refer to note 5(c).

Accounting policies

Interest income and expenses are recognised as they accrue, using the effective interest method.

Dividend income is recognised in the income statement on the date that HEINEKEN's right to receive payment is established, which is the ex-dividend date in the case of quoted securities.

11.2 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. In general bank overdrafts form an integral part of HEINEKEN's cash management and are included as a component of cash and cash equivalents in the statement of cash flows.

In millions of €	Note	2022	2021
Cash and cash equivalents		2,765	3,248
Bank overdrafts	11.3	(1,147)	(692)
Cash and cash equivalents in the statement of cash flows		1,618	2,556

For more information on HEINEKEN's liquidity risk exposure refer to note 11.5.

The following table presents recognised 'Cash and cash equivalents' and 'Bank overdrafts', and the impact of the netting of gross amounts. The 'Net amount' below refers to the impact on HEINEKEN's balance sheet if all amounts subject to legal offset rights are netted.

In millions of €	2022			
	Gross amounts	Net amounts presented in the statement of financial position	Amounts subject to legal offset rights	Net amount
Assets				
Cash and cash equivalents	2,765	2,765	(792)	1,973
Liabilities				
Bank overdrafts	(1,147)	(1,147)	792	(355)
	2021			
Assets				
Cash and cash equivalents	3,248	3,248	(412)	2,836
Liabilities				
Bank overdrafts	(692)	(692)	412	(280)

HEINEKEN operates in several territories where there is limited availability of foreign currency resulting in restrictions on remittances. Mainly as a result of these restrictions, €418 million (2021: €401 million) of cash included in cash and cash equivalents is restricted for use by the Company, yet available for use in the relevant subsidiary's day-to-day operations.

Accounting policies

Cash and cash equivalents are initially recognised at fair value and subsequently at amortised cost.

HEINEKEN has cash pooling arrangements with legally enforceable rights to offset cash and overdraft balances. Where there is an intention to settle on a net basis, cash and overdraft balances relating to the cash pooling arrangements are reported on a net basis in the statement of financial position.

11.3 Borrowings

HEINEKEN mainly uses bonds, commercial paper and bank loans to ensure sufficient financing to support its operations. Net interest-bearing debt is the key metric for HEINEKEN to measure its indebtedness.

In millions of €	Note	2022			2021		
		Non-current	Current	Total	Non-current	Current	Total
Unsecured bond issues		11,691	1,075	12,766	12,600	935	13,535
Lease liabilities		905	336	1,241	850	256	1,106
Bank loans		197	114	311	130	637	767
Other interest-bearing liabilities		100	255	355	60	151	211
Deposits from third parties ¹		—	557	557	—	562	562
Bank overdrafts		—	1,147	1,147	—	692	692
Total borrowings		12,893	3,484	16,377	13,640	3,233	16,873
Market value of cross-currency interest rate swaps	11.5			(17)			33
Other investments				(64)			—
Cash and cash equivalents	11.2			(2,765)			(3,248)
Net interest-bearing debt position				13,531			13,658

¹ Mainly employee deposits.

As at 31 December 2022, €82 million of the €311 million of bank loans is secured (2021: €66 million).

In millions of €	Unsecured bond issues	Lease liabilities	Bank loans	Other interest- bearing liabilities	Deposits from third parties	Derivatives used for financing activities	Assets and liabilities used for financing activities
Balance as at 1 January 2022	13,535	1,106	767	211	562	33	16,214
Consolidation changes ¹	—	27	17	41	(60)	—	25
Effect of movements in exchange rates	208	35	(7)	(31)	4	(50)	159
Addition of leases	—	428	—	—	—	—	428
Proceeds	—	—	332	258	54	—	644
(Re)payments	(987)	(305)	(882)	(45)	(3)	—	(2,222)
Interest paid over lease liability	—	(49)	—	—	—	—	(49)
Other	10	(1)	84	(79)	—	—	14
Balance as at 31 December 2022	12,766	1,241	311	355	557	(17)	15,213

¹ Refer to note 10.1.

In millions of €	Unsecured bond issues	Lease liabilities	Bank loans	Other interest- bearing liabilities	Deposits from third parties	Derivatives used for financing activities	Assets and liabilities used for financing activities
Balance as at 1 January 2021	14,442	1,199	412	1,047	615	14	17,729
Consolidation changes	—	4	30	—	—	—	34
Effect of movements in exchange rates	286	34	1	10	4	26	361
Addition of leases	—	265	—	—	—	—	265
Proceeds	—	—	589	983	(1)	—	1,571
(Re)payments	(1,203)	(298)	(266)	(1,818)	(64)	(7)	(3,656)
Interest paid over lease liability	—	(57)	—	—	—	—	(57)
Other	10	(41)	1	(11)	8	—	(33)
Balance as at 31 December 2021	13,535	1,106	767	211	562	33	16,214

Changes in borrowings

In 2022, the decrease in borrowings is mainly due to the repayment of bonds and bank loans, which exceeds the proceeds from bank loans and other interest-bearing liabilities incurred.

Cash flows from financing activities are mainly generated by bonds, commercial paper, bank loans and other interest-bearing liabilities presented above. Additionally, HEINEKEN also uses derivatives related to its financing, which can be recognised as assets or liabilities. The above table details the reconciliation of the liabilities and assets arising from financing activities to the cash flow from financing activities. Bank overdrafts form an integral part of HEINEKEN's cash management and are included as a component of cash and cash equivalents in the statement of cash flows. For more information on derivatives refer to note 11.6.

The average effective interest rate on the net debt position as at 31 December 2022 was 2.8% (2021: 2.7%). The average maturity of the bonds as at 31 December 2022 vs 7 years (2021: 8 years).

Centrally available financing headroom

The centrally available financing headroom at Group level was approximately €3.6 billion as at 31 December 2022 (2021: €4.6 billion) and consisted of the undrawn revolving credit facility and centrally available cash.

Accounting estimates and judgements

Judgement is required to determine the lease term and the incremental borrowing rate. The assessment of whether HEINEKEN is reasonably certain to exercise extension options or not to make use of termination options impacts the lease term, which as a result could affect the amount of lease liabilities recognised. The assumptions used in the

determination of the incremental borrowing rate could impact the rate used in discounting future payments, which as a result could have an impact on the amount of lease liabilities recognised.

Accounting policies

Borrowings

Borrowings are initially measured at fair value less transaction costs. Subsequently, the borrowings are measured at amortised cost using the effective interest rate method. Borrowings included in a fair value hedge are stated at fair value in respect of the risk being hedged.

Borrowings for which HEINEKEN has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date are classified as non-current liabilities. For the accounting policy on cash and cash equivalents and derivatives refer to notes 11.2 and 11.6, respectively.

Lease liabilities

Lease liabilities are measured at the present value of the lease payments to be paid during the lease term, discounted using the incremental borrowing rate. Lease liabilities are subsequently increased by the interest cost on the lease liabilities and decreased by lease payments made. The lease liabilities will be remeasured when there is a change in the amount to be paid (e.g. due to indexation) or when there is a change in the assessment of the lease terms.

The IBR is determined on a country level. For each country, there are separate rates depending on the contract currency and the term of the lease. The IBR is calculated based on the local risk-free rate plus a country default spread and a credit spread.

The lease term is determined as the non-cancellable period of a lease, together with:

- Periods covered by a unilateral option to extend the lease if HEINEKEN is reasonably certain to make use of that option
- Periods covered by an option to terminate the lease if HEINEKEN is reasonably certain not to make use of that option

HEINEKEN applies the following practical expedients for the recognition of leases:

- Apply a single discount rate per country to a portfolio of leases with reasonably similar characteristics
- Include non-lease components in the lease liability for equipment leases

11.4 Capital and reserves

Share capital

Refer to the table below for the issued share capital as at 31 December. All issued shares are fully paid.

	2022		2021	
	Shares of €1.60	Nominal value in millions of €	Shares of €1.60	Nominal value in millions of €
Share capital				
1 January	576,002,613	922	576,002,613	922
Changes	—	—	—	—
31 December	576,002,613	922	576,002,613	922

The Company's authorised capital amounts to €2,500 million, consisting of 1,562,500,000 shares.

The shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings of the Company. In respect of the treasury shares that are held by HEINEKEN, rights are suspended.

Share premium

As at 31 December 2022, the share premium amounted to €2,701 million (2021: €2,701 million).

Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the assets and liabilities of foreign operations of HEINEKEN (excluding amounts attributable to non-controlling interests) as well as value changes of the hedging instruments in the net investment hedges. HEINEKEN considers this a legal reserve.

Hedging reserve

This reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred. HEINEKEN considers this a legal reserve.

Fair value reserve

This reserve comprises the cumulative net change in the fair value of FVOCI equity investments. HEINEKEN transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised. HEINEKEN considers this a legal reserve.

Other legal reserves

These reserves relate to the share of profit of joint ventures and associates over the distribution of which HEINEKEN does not have control. The movement in these reserves reflects the share of profit of joint ventures and associates minus dividends received. For retained earnings of subsidiaries that cannot be freely distributed due to legal or other restrictions, a legal reserve is recognised. Furthermore, part of the reserve comprises a legal reserve for capitalised development costs.

Reserve for own shares

The reserve for own shares comprises the treasury shares held by HEINEKEN. Refer to the table below with the changes in 2022.

	Number of shares
Reserve for own shares	
1 January 2022	408,052
Changes	276,349
31 December 2022	684,401

Dividends

The following dividends were declared and paid by HEINEKEN:

In millions of €	2022	2021	2020
Final dividend previous year €0.96, respectively €0.70 per qualifying share	552	403	599
Interim dividend current year €0.50, respectively €0.28 per qualifying share	288	161	—
Total dividend declared and paid	840	564	599

For 2022, a payment of a total cash dividend of €1.73 per share (2021: €1.24; 2020: €0.70) will be proposed at the AGM on 20 April 2023. If approved, the final dividend of €1.23 will be paid on 2 May 2023, as an interim dividend of €0.50 per share was paid on 11 August 2022. The payment will be subject to a 15% Dutch withholding tax.

After the balance sheet date, the Executive Board proposed the following appropriation of profit. The dividends, taking into account the interim dividends declared and paid, have not been provided for.

In millions of €	2022	2021	2020
Dividend per qualifying share €1.73 (2021: €1.24; 2020: €0.70)	995	714	403
Addition to retained earnings	1,687	2,610	(607)
Net profit	2,682	3,324	(204)

Non-controlling interests

The non-controlling interests (NCI) relate to minority stakes held by third parties in HEINEKEN consolidated subsidiaries. The total NCI as at 31 December 2022 amounted to €2,369 million (2021: €2,344 million), refer to note 10.1 for more information.

Capital management

There were no major changes in HEINEKEN's approach to capital management during the year. The Executive Board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business and acquisitions.

HEINEKEN is not subject to externally imposed capital requirements other than the legal reserves. Shares are purchased from time to time to meet the requirements of the share-based payment awards, as further explained in note 6.5.

Accounting policies

Shares are classified as equity. When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects recognised as a deduction from equity. Repurchased shares recorded at purchase price are classified as treasury shares and are presented in the reserve for own shares.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

Dividends are recognised as a liability in the period in which they are declared.

11.5 Credit, liquidity and market risk

This note summarises the financial risks that HEINEKEN is exposed to, and HEINEKEN's policies and processes that are in place for managing these risks. For more information on derivatives used in managing risk refer to note 11.6.

Risk management framework

The Executive Board sets rules and monitors the adequacy of HEINEKEN's risk management and control systems. These systems are regularly reviewed to reflect changes in market conditions and HEINEKEN's activities.

Managing the financial risks and financial resources includes the use of derivatives, primarily spot and forward exchange contracts, options and interest rate swaps. It is HEINEKEN's policy not to enter into speculative transactions.

In the normal course of business HEINEKEN is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

Credit risk is the risk of a loss to HEINEKEN when a customer or counterparty fails to pay.

All local operations are required to comply with the Global Credit Policy and develop local credit management procedures accordingly. HEINEKEN reviews and updates the Global Credit Policy periodically to ensure that adequate controls are in place to mitigate credit risk.

Credit risk arises mainly from HEINEKEN's receivables from customers like trade receivables, loans to customers and advances to customers. At the balance sheet date, there were no significant concentrations of credit risk.

Loans and advances to customers

HEINEKEN's loans and receivables include loans and advances to customers. Loans and advances to customers are usually backed by collateral such as properties. HEINEKEN charges interest on loans to its customers.

Trade and other receivables

HEINEKEN's local management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under these policies, all customers requiring credit above a certain amount are reviewed and new customers are analysed individually for creditworthiness before HEINEKEN's standard payment and delivery terms and conditions are offered. This review can include external ratings, where available, and in some cases bank references. Credit limits are determined for each customer and are reviewed regularly. Customers that fail to meet HEINEKEN's credit requirements transact only with HEINEKEN on either a prepayment or cash on delivery basis.

Customers are monitored, on a country basis, according to their credit risk characteristics. A distinction is made between individuals and legal entities, type of distribution channel, geographic location, ageing profile, maturity and existence of previous financial difficulties.

HEINEKEN has a policy in place in respect of compliance with Anti-Money Laundering Laws. HEINEKEN considers it important to know with whom business is done and from whom payments are received.

Allowances

HEINEKEN establishes allowances for impairment of loans and advances to customers, trade and other receivables using an expected credit losses model. These allowances cover specific loss components that relate to individual exposures, and a collective loss component established for groups of similar customers. The collective loss allowance is determined based on historical data of payment statistics and updated periodically to incorporate forward-looking information.

The loans and advances to customers, trade and other receivables are written off when there is no reasonable expectation of recovery.

Due to the macro-economic environment and uncertainties including increasing inflationary pressure on HEINEKEN's customers, more judgement is required in the calculation of expected credit losses compared to previous years. As part of these assessments, HEINEKEN has incorporated all reasonable and supportable information available such as whether there has been a breach of payment terms or deterioration of payment against payment terms, a request for extended payment terms or a request for waived payment terms.

Investments

HEINEKEN invests centrally available cash balances in deposits and liquid investments with various counterparties that have strong credit ratings. HEINEKEN actively monitors these credit ratings.

Guarantees

HEINEKEN's policy is to avoid issuing guarantees unless this leads to substantial benefits for HEINEKEN. For some loans to customers HEINEKEN does issue guarantees. In these cases, HEINEKEN aims to receive security from the customer to limit the credit risk exposure.

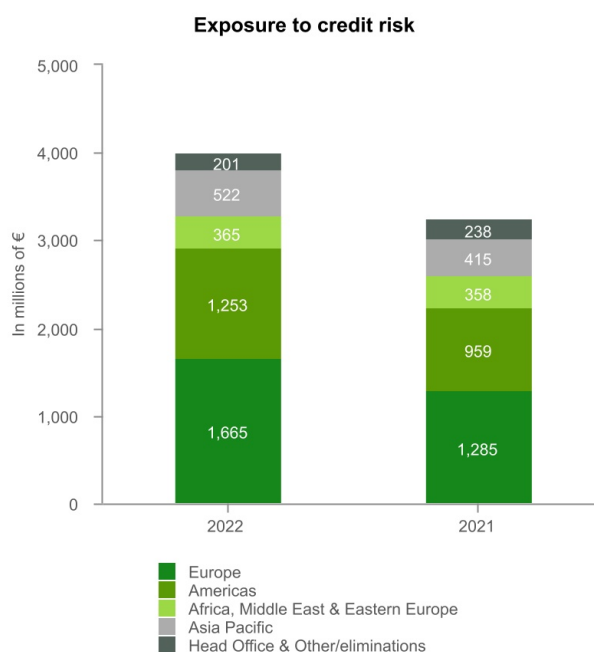
Heineken N.V. has issued a joint and several liability statements to the provisions of Section 403, Part 9, Book 2 of the Dutch Civil Code with respect to legal entities established in the Netherlands. Refer to note A.1 of the Company financial statements.

Exposure to credit risk

The maximum exposure to credit risk as at 31 December is as follows:

In millions of €	Note	2022	2021
Cash and cash equivalents	11.2	2,765	3,248
Trade and other receivables, excluding prepayments	7.2	4,006	3,254
Derivative assets	11.6	126	102
Fair value through OCI investments	8.4	76	14
Loans and advances to customers	8.3	216	209
Other non-current receivables	8.4	321	299
Guarantees to banks for loans (to third parties)	9.3	345	349
		7,855	7,475

The exposure to credit risk by segment for trade and other receivables excluding prepayments is as follows:



Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices, will adversely affect HEINEKEN's income or the value of its financial instruments. In 2022, we witnessed increased volatility in financial and commodity markets. The objective of HEINEKEN's market risk management is to manage and control market risk exposures within acceptable boundaries.

HEINEKEN enters into derivatives and other financial liabilities to manage market risks. Generally, HEINEKEN seeks to apply hedge accounting or establish natural hedges to minimise the impact of market risks in profit or loss. Foreign currency, interest rate and commodity hedging operations are governed by internal policies and rules.

Foreign currency risk

HEINEKEN is exposed to:

- Transactional risk on (future) sales, working capital, (future) purchases, deposits, borrowings and dividends denominated in a currency other than the respective functional currencies of HEINEKEN entities
- Translational risk, which is the risk resulting from the translation of foreign operations into the reporting currency of HEINEKEN

The main currencies that give rise to this risk are the US Dollar, Mexican Peso, Brazilian Real, British Pound, Vietnamese Dong and Euro. In 2022, the transactional foreign exchange risk was hedged in line with the hedging policy to the extent possible. The resulting transactional impact was slightly negative, whereas the translational impact was positive.

In managing foreign currency risk, HEINEKEN aims to ensure the availability of foreign currencies and to reduce the impact of short-term fluctuations on earnings. Over the longer term, however, permanent changes in foreign exchange rates and the availability of foreign currencies, especially in emerging markets, will have an impact on profit.

HEINEKEN hedges up to 90% of its net US Dollar export cash flows on the basis of rolling cash flow forecasts of sales and purchases. Material cash flows in other foreign currencies are also hedged on the basis of rolling cash flow forecasts. For this hedging, HEINEKEN mainly uses forward exchange contracts. The majority of the forward exchange contracts have maturities of less than one year after the balance sheet date.

HEINEKEN has a clear policy on hedging transactional exchange risks. Translation exchange risks are hedged to a limited extent, as the underlying currency positions are generally considered to be long-term in nature. The result of the hedging of translation risk, using net investment hedges is recognised in the translation reserve, as can be seen in the consolidated statement of comprehensive income.

HEINEKEN's policy is to hedge material recognised transactional exposure like trade payables, receivables, borrowings and declared dividends. For material unrecognised transactional exposures like forecasted sales in foreign currencies, HEINEKEN hedges the exposure between agreed percentages according to the policy.

It is HEINEKEN's policy to provide intra-HEINEKEN financing in the functional currency of subsidiaries where possible to prevent foreign currency exposure on a subsidiary level. The resulting exposure at Group level is hedged by means of foreign-currency denominated external debts and by forward exchange contracts. Intra-HEINEKEN financing in foreign currencies is mainly in British Pound, US Dollar and Swiss Franc. In some cases, HEINEKEN elects to treat intra-HEINEKEN financing with a permanent character as equity and does not hedge the foreign currency exposure.

HEINEKEN has financial liabilities in foreign currencies like US Dollar and British Pound to hedge local operations, which generate cash flows that have the same or closely correlated functional currencies. The corresponding interest on these liabilities is also denominated in currencies that match the cash flows generated by the underlying operations of HEINEKEN.

In respect of other monetary assets and liabilities denominated in currencies other than the functional currencies of HEINEKEN, HEINEKEN ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to foreign currency risk

Based on notional amounts, HEINEKEN's transactional exposure to the US Dollar and Euro as at 31 December is as follows. The Euro column relates to transactional exposure to the Euro within subsidiaries which are reporting in other currencies. The amounts below include intra-HEINEKEN cash flows.

In millions	2022		2021	
	EUR	USD	EUR	USD
Financial assets	213	4,106	173	5,098
Financial liabilities	(2,730)	(4,480)	(2,186)	(5,457)
Gross balance sheet exposure	(2,517)	(374)	(2,013)	(359)
Estimated forecast sales next year	171	1,258	151	1,208
Estimated forecast purchases next year	(2,626)	(2,612)	(2,060)	(2,412)
Gross exposure	(4,972)	(1,728)	(3,922)	(1,563)
Net notional amounts foreign exchange contracts	426	1,057	325	670
Net exposure	(4,546)	(671)	(3,597)	(893)
Sensitivity analysis				
Equity	(172)	53	(139)	23
Profit/(Loss)	(67)	(10)	(33)	(5)

The sensitivity analysis above shows the impact on equity and profit of a 10% strengthening of the US Dollar against the Euro or, in the case of the Euro, a strengthening of the Euro against all other currencies as at 31 December 2022. This analysis assumes that all other variables, in particular interest rates, remain constant. In the case of a 10% weakening, the effects are equal but with an opposite effect.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates affect the fair value or cash flows of a financial instrument. The most significant interest rate risk for HEINEKEN relates to borrowings (note 11.3).

By managing interest rate risk, HEINEKEN aims to reduce the impact of short-term fluctuations on earnings. Over the longer term, however, permanent changes in interest rates will have an impact on profit.

HEINEKEN opts for a mix of fixed and variable interest rate financial instruments like bonds, commercial paper and bank loans, combined with the use of derivative interest rate instruments. Currently, HEINEKEN's interest rate position is more weighted towards fixed than floating. Interest rate derivative instruments that can be used are (cross-currency) interest rate swaps, forward rate agreements, caps and floors.

Interest rate risk – profile

At the reporting date, the interest rate profile of HEINEKEN's interest-bearing financial instruments is as follows:

In millions of €	2022	2021
Fixed rate instruments		
Financial assets	171	196
Financial liabilities	(14,285)	(14,862)
Cross-currency interest rate swaps	469	441
	(13,645)	(14,225)
Variable rate instruments		
Financial assets	3,186	3,534
Financial liabilities	(2,092)	(2,010)
Cross-currency interest rate swaps	(463)	(463)
	631	1,061

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates constantly applied during the reporting period would not have a material impact on equity and profit or loss.

Commodity price risk

Commodity price risk is the risk that changes in the prices of commodities will affect HEINEKEN's cost. The objective of commodity price risk management is to manage and control commodity risk exposures within acceptable parameters, giving forward guidance of key input costs to allow for business planning. Since the outbreak of COVID-19, commodity markets have become increasingly volatile, coupled with increasing inflationary pressures, 2022 saw some of the largest price increases witnessed over the last 20 years. The main commodity exposure relates to the purchase of aluminium cans, glass bottles, malt and utilities. Commodity price risk is in principle mitigated by negotiating fixed prices in supplier contracts with various contract durations.

Another method to mitigate commodity price risk is by entering into commodity derivatives. HEINEKEN enters into commodity derivatives for aluminium hedging and to a certain extent other derivatives for commodities like fuel, corn and sugar. HEINEKEN does not enter into commodity contracts other than to meet HEINEKEN's expected usage and sale requirements.

Sensitivity analysis for aluminium hedges

Despite the increased prices of aluminium, a 10% change in the market price of aluminium would not have a material impact on equity.

11.6 Derivative financial instruments

HEINEKEN uses derivatives in order to manage market risks. Refer to the table below for the fair value of derivatives recorded on the balance sheet of HEINEKEN as per reporting date:

In millions of €	2022		2021	
	Asset	Liability	Asset	Liability
Current	70	(119)	96	(46)
Non-current ¹	56	(9)	6	(37)
	126	(128)	102	(83)

¹ Non-current derivative assets and liabilities are part of 'Other non-current assets' (note 8.4) and 'Other non-current liabilities' respectively.

Generally, HEINEKEN seeks to apply hedge accounting or make use of natural hedges in order to minimise profit and loss or cash flow volatility. Refer to the table below for derivatives that are used in hedge accounting:

In millions of €	2022		2021	
	Asset	Liability	Asset	Liability
No hedge accounting - Other	59	(6)	6	(8)
Cash flow hedge - Forwards	46	(40)	26	(34)
Cash flow hedge - Commodity forwards	2	(81)	69	(5)
Fair value hedge - CCIRS	4	—	—	(11)
Net investment hedge - CCIRS	13	—	—	(23)
Net investment hedge - Forwards	2	(1)	1	(2)
	126	(128)	102	(83)

Cash flow hedges

The hedging of future, highly probable forecasted transactions are designated as cash flow hedges. Cash flow hedges are entered into to cover commodity price risk and transactional foreign exchange risk.

Net investment hedges

HEINEKEN hedges its investments in certain subsidiaries by entering into local currency-denominated borrowings, forward contracts and cross-currency interest rate swaps, which mitigate the foreign currency translation risk arising from the subsidiaries net assets. These borrowings, forward contracts and swaps are designated as net investment hedges and fully effective, as such, there was no ineffectiveness recognised in profit and loss in 2022 (2021: nil). As at 31 December 2022, the fair value of these borrowings was €33 million (2021: €188 million), the market value of

forward contracts was €1 million positive (2021: €1 million negative) and the market value of these swaps was €13 million positive (2021: €23 million negative).

Fair value hedges

HEINEKEN has entered into several cross-currency interest rate swaps (CCIRS) which have been designated as fair value hedges to hedge the foreign exchange rate risk on the principal amount and future interest payments of certain US Dollar borrowings. The borrowings and the cross-currency interest rate swaps have the same critical terms. The accumulated gain arising on derivatives as designated hedging instruments in fair value hedges amounts to €3 million as at 31 December 2022 (2021: €13 million loss). The loss arising on the adjustment for the hedged item attributable to the hedged risk in a designated fair value hedge accounting relationship also amounts to €3 million as at 31 December 2022 (2021: €13 million gain).

Hedge effectiveness

Hedge effectiveness is determined at the start of the hedge relationship and periodically through a prospective effectiveness assessment to ensure that an economic relationship exists between the hedged item and the hedging instrument. This assessment is done qualitatively by comparing the critical terms, and if needed quantitative assessments are done using hypothetical derivatives. For the current hedges, no hedge ineffectiveness is expected.

Accounting policies

Derivative financial instruments are recognised initially at fair value. Subsequent accounting for derivatives depends on whether or not the derivatives are designated as hedging instruments in a cash flow, fair value or net investment hedge. Derivatives with positive fair values are recorded as assets and negative fair values as liabilities. Refer to note 13.1 for fair value measurements. Virtual power purchase agreements (such as power purchase agreements with a net settlement mechanism and no physical delivery of energy) are accounted for at fair value and are included as part of derivatives assets and liabilities.

Cash flow hedge

Changes in the fair value are recognised in other comprehensive income and presented in the hedging reserve within equity to the extent that the hedge is effective. The ineffective part is recognised as other net finance income/(expense). When the hedged risk impacts the profit or loss, the amounts previously recognised in other comprehensive income are recycled through other comprehensive income and transferred to the same item in the profit or loss as the hedged item. When the hedged risk subsequently results in a non-financial asset or liability (e.g. inventory or P,P&E), the amount previously recognised in the cash flow hedge reserve is directly included in its carrying amount and does not affect other comprehensive income.

Fair value hedge

The fair value changes of derivatives used in fair value hedges are recognised in profit or loss.

Net investment hedge

The fair value changes of derivatives used in net investment hedges are recognised in other comprehensive income and presented within equity in the translation reserve. Any ineffectiveness is recognised in profit or loss.

12. Tax

12.1 Income tax expense*Recognised in profit or loss*

In millions of €	2022	2021	2020
Current tax expense			
Current year	1,056	780	688
Under/(over) provided in prior years	(12)	42	15
	1,044	822	703
Deferred tax expense			
Origination and reversal of temporary differences, tax losses and tax credits	78	48	(438)
De-recognition/(recognition) of deferred tax assets	(11)	(41)	(2)
Effect of changes in tax rates	12	(10)	(13)
Under/(over) provided in prior years	8	(20)	(5)
	87	(23)	(458)
Total income tax expense in profit or loss	1,131	799	245

Reconciliation of the effective tax rate

In millions of €	2022	2021	2020
Profit before income tax	4,170	4,334	157
Share of profit of associates and joint ventures	(223)	(250)	31
Profit before income tax excluding share of profit of associates and joint ventures	3,947	4,084	188

	%	2022	%	2021	%	2020
Income tax using the Company's domestic tax rate	25.8	1,018	25.0	1,021	25.0	47
Effect of tax rates in foreign jurisdictions	(0.4)	(14)	0.3	12	(5.6)	(10)
Effect of non-deductible expenses	2.7	105	1.8	73	66.2	124
Effect of tax incentives and exempt income	(2.6)	(104)	(9.0)	(369)	(34.3)	(64)
De-recognition/(recognition) of deferred tax assets	(0.3)	(11)	(1.0)	(41)	(1.0)	(2)
Effect of unrecognised current year losses	2.2	86	0.6	24	67.9	128
Effect of changes in tax rates	0.3	12	(0.2)	(10)	(6.9)	(13)
Withholding taxes	1.9	74	1.6	67	26.2	49
Under/(over) provided in prior years	(0.1)	(5)	0.5	22	5.5	10
Other reconciling items	(0.8)	(30)	—	—	(12.7)	(24)
	28.7	1,131	19.6	799	130.3	245

The 2022 effective tax rate includes the Russia impairment that is considered non-deductible for tax purposes. Last year's effective tax rate was substantially decreased by the tax-exempt revaluation of the previously held equity interest in United Breweries Limited.

For the income tax impact on items recognised in other comprehensive income and equity, refer to note 12.3.

12.2 Deferred tax assets and liabilities*Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following items:

In millions of €	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
Property, plant and equipment	149	119	(837)	(728)	(688)	(609)
Intangible assets	41	49	(2,052)	(2,002)	(2,011)	(1,953)
Investments	56	34	(5)	(5)	51	29
Inventories	67	52	(12)	(3)	55	49
Borrowings	314	286	(2)	—	312	286
Post-retirement obligations	203	225	(19)	(14)	184	211
Provisions	300	265	(13)	—	287	265
Other items	153	157	(211)	(190)	(58)	(33)
Tax losses carried forward	348	466	—	—	348	466
Tax assets/(liabilities)	1,631	1,653	(3,151)	(2,942)	(1,520)	(1,289)
Set-off of tax	(1,013)	(971)	1,013	971	—	—
Net tax assets/(liabilities)	618	682	(2,138)	(1,971)	(1,520)	(1,289)

Of the total net deferred tax assets of €618 million as at 31 December 2022 (2021: €682 million), €84 million (2021: €566 million) is recognised in respect of subsidiaries in various countries where there have been losses in the current or preceding period. Management's projections support the assumption that it is probable that the results of future operations will generate sufficient taxable income to utilise these deferred tax assets. This judgement is performed annually and based on budgets and business plans for the coming years, including planned commercial initiatives.

No deferred tax liability has been recognised in respect of undistributed earnings of subsidiaries, joint ventures and associates, with an impact of €520 million (2021: €521 million). This is because HEINEKEN is able to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future.

Tax losses carried forward

HEINEKEN has tax losses carried forward of €3,802 million as at 31 December 2022 (2021: €3,752 million), out of which €389 million (2021: €236 million) expires in the following five years, €158 million (2021: €128 million) will expire after five years and €3,255 million (2021: €3,388 million) can be carried forward indefinitely. Deferred tax assets have not been recognised in respect of tax losses carried forward of €2,470 million (2021: €1,959 million) as it is not probable that taxable profit will be available to offset these losses. Out of this €2,470 million (2021: €1,959 million), €276 million (2021: €198 million) expires in the following five years, €37 million (2021: €10 million) will expire after five years and €2,157 million (2021: €1,751 million) can be carried forward indefinitely.

Movement in deferred tax balances during the year

In millions of €	1 January 2022	Hyperinflation restatement to 1 January 2022	Changes in consolidation	Hyperinflation adjustment	Effect of movements in foreign exchange	Recognised in income	Recognised in OCI/equity	Transfers	31 December 2022
Property, plant and equipment	(609)	(54)	(1)	(9)	(14)	(23)	—	22	(688)
Intangible assets	(1,954)	(1)	(60)	—	(3)	6	—	1	(2,011)
Investments	30	—	—	—	3	18	—	—	51
Inventories	48	(5)	(1)	(1)	1	14	—	(2)	54
Borrowings	287	—	—	—	17	8	—	—	312
Post-retirement obligations	211	—	—	—	—	(9)	(19)	1	184
Provisions	265	—	—	—	18	6	—	(2)	287
Other items	(33)	—	(4)	—	(22)	(15)	26	(9)	(57)
Tax losses carried forward	466	—	—	—	2	(93)	(1)	(26)	348
Net tax assets/(liabilities)	(1,289)	(60)	(66)	(10)	2	(88)	6	(15)	(1,520)

In millions of €	1 January 2021	Changes in consolidation	Hyperinflation adjustment	Effect of movements in foreign exchange	Recognised in income	Recognised in OCI/equity	Transfers	31 December 2021
Property, plant and equipment	(519)	(43)	—	(16)	(35)	—	4	(609)
Intangible assets	(1,004)	(917)	—	(96)	64	—	—	(1,953)
Investments	30	—	—	1	(2)	—	—	29
Inventories	54	(1)	—	1	(5)	—	—	49
Borrowings	278	—	—	13	(6)	3	(2)	286
Post-retirement obligations	274	—	—	6	(32)	(36)	(1)	211
Provisions	245	10	—	5	8	—	(3)	265
Other items	1	—	—	(5)	(10)	(18)	(1)	(33)
Tax losses carried forward	421	(1)	—	7	41	(2)	—	466
Net tax assets/(liabilities)	(220)	(952)	—	(84)	23	(53)	(3)	(1,289)

Accounting estimates and judgements

The tax legislation in the countries in which HEINEKEN operates is often complex and subject to interpretation. In determining the current and deferred income tax position, judgement is required. New information may become available that causes HEINEKEN to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax expense in the period that such a determination is made.

Accounting policies

Income tax comprises current and deferred tax. Current tax is the expected income tax payable or receivable in respect of taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to income tax payable in respect of previous years.

Deferred tax is a tax payable or receivable in the future and is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax is not recognised on temporary differences related to:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- Investments in subsidiaries, associates and joint ventures to the extent that HEINEKEN is able to control the timing of the reversal of the temporary differences and it is probable (>50% chance) that they will not reverse in the foreseeable future
- The initial recognition of non-deductible goodwill

The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates (substantively) enacted, at year-end.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

Current and deferred tax are recognised in the income statement (refer to note 12.1), except when it relates to a business combination or for items directly recognised in equity or other comprehensive income (refer to note 12.3).

12.3 Income tax on other comprehensive income and equity

In millions of €	2022			2021			2020		
	Amount before tax	Tax	Amount net of tax	Amount before tax	Tax	Amount net of tax	Amount before tax	Tax	Amount net of tax
Items that will not be reclassified to profit or loss:									
Remeasurement of post-retirement obligations ¹	85	(22)	63	247	(37)	210	53	9	62
Net change in fair value through OCI investments	18	(3)	15	16	(7)	9	(90)	(8)	(98)
Items that may be subsequently reclassified to profit or loss:									
Currency translation differences	438	(1)	437	1,037	(4)	1,033	(2,169)	55	(2,114)
Change in fair value of net investment hedges	(62)	—	(62)	(54)	—	(54)	76	—	76
Change in fair value of cash flow hedges	(178)	36	(142)	119	(22)	97	58	(13)	45
Cash flow hedges reclassified to profit or loss ²	52	(14)	38	(4)	1	(3)	5	(1)	4
Net change in fair value through OCI investments	1	(1)	—	—	—	—	(1)	—	(1)
Cost of hedging	(1)	—	(1)	(7)	1	(6)	(8)	2	(6)
Share of other comprehensive income of associates/joint ventures	(46)	—	(46)	54	—	54	16	—	16
Other comprehensive income/(loss)	307	(5)	302	1,408	(68)	1,340	(2,060)	44	(2,016)

¹ Refer to note 9.1.

² An amount of €10 million (2021: €14 million) relates to realised hedge results from non-financial assets reported directly in equity.

13. Other**13.1 Fair value**

In this note, more information is disclosed regarding the fair value and the different methods of determining fair values.

Financial instruments - hierarchy

The financial instruments included on the HEINEKEN statement of financial position are measured at either fair value or amortised cost. To measure the fair value, HEINEKEN generally uses external valuations with market inputs. The measurement of fair value can be subjective in some cases and may be dependent on inputs used in the calculations. The different valuation methods are referred to as 'hierarchies' as described below.

- Level 1 - The fair value is determined using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - The fair value is calculated using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - The fair value is determined using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and liabilities according to their fair value hierarchy.

In millions of €	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Fair value through OCI investments	8.4	154	34	—	120
Non-current derivative assets	11.6	56	—	18	38
Current derivative assets	11.6	70	—	70	—
Total 2022		280	34	88	158
Total 2021		237	36	99	102
Non-current derivative liabilities	11.6	(9)	—	(9)	—
Borrowings ¹	11.3	(13,077)	(11,397)	(479)	—
Current derivative liabilities	11.6	(119)	—	(119)	—
Total 2022		(13,205)	(11,397)	(607)	—
Total 2021	11.3	(14,385)	(14,185)	(1,327)	—

¹ Borrowings excluding lease liabilities, deposits, bank overdrafts and other interest-bearing liabilities.

Refer to the table below for detail of the determination of level 3 fair value measurements as at 31 December:

In millions of €	2022	2021
Level 3 fair value investments		
Balance as at 1 January	102	84
Fair value adjustments recognised in other comprehensive income	21	15
Fair value adjustments recognised in profit and loss	35	3
Balance as at 31 December	158	102

The fair values for the level 3 fair value through OCI investments are based on the financial performance of the investments and the market multiples of comparable equity securities.

Accounting estimates

The different methods applied by HEINEKEN to determine the fair value require the use of estimates.

Investments in equity securities

The fair value of financial assets at fair value through profit or loss and fair value through OCI is determined by reference to their quoted closing bid price at the reporting date or, if unquoted, determined using an appropriate valuation technique. These valuation techniques maximise the use of observable market data where available.

Derivative financial instruments

The fair value of derivative financial instruments is based on their listed market price, if available. If a listed market price is not available, fair value is in general estimated by discounting the difference between the cash flows based on contractual price and the cash flows based on the current price for the residual maturity of the contract using observable interest yield curves, basis spread and foreign exchange rates. These calculations are tested for reasonableness by comparing the outcome of the internal valuation with the valuation received from the counterparty. Fair values include the instrument's credit risk and adjustments to take account of the credit risk of the HEINEKEN entity and counterparty when appropriate.

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes or when fair value hedge accounting is applied, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair values include the instrument's credit risk and adjustments to take account of the credit risk of the HEINEKEN entity and counterparty when appropriate.

13.2 Off-balance sheet commitments

The raw materials purchase contracts mainly relate to malt, bottles and cans which are used in the production and sale of finished products.

In millions of €	Total 2022	Less than 1 year	1-5 years	More than 5 years	Total 2021
Property, plant and equipment ordered	538	523	11	4	414
Raw materials purchase contracts	14,588	5,047	8,585	956	12,046
Marketing and merchandising commitments	505	346	155	4	696
Other off-balance sheet obligations	2,395	825	772	798	2,493
Off-balance sheet obligations	18,026	6,741	9,523	1,762	15,649
Undrawn committed bank facilities	3,970	378	3,592	—	3,962

On 15 November 2021, HEINEKEN announced that it intends to acquire control of Distell Group Holdings Limited (Distell) and Namibia Breweries Limited (NBL). On that date, HEINEKEN has entered into an Implementation Agreement with Distell, NBL and Ohlthaver & List Group of Companies (O&L), to integrate their respective and relevant businesses in Southern Africa into one enlarged company. The shareholders of NBL and Distell approved the proposed transaction on 20 December 2021 and 15 February 2022, respectively. Completion of the proposed transaction is conditional on obtaining anti-trust approval in South Africa. The proposed transaction includes a cash commitment of €1.5 billion of which €1.1 billion is included in other guarantees (refer to note 9.3) and the remaining €0.4 billion is included in other off-balance sheet obligations.

Furthermore, other off-balance sheet obligations include energy, distribution and service contracts.

Committed bank facilities are credit facilities on which a commitment fee is paid as compensation for the bank's requirement to reserve capital. The bank is legally obliged to provide the facility under the terms and conditions of the agreement.

Accounting policies

Off-balance sheet commitments are reported on an undiscounted basis.

Raw materials purchase contracts

Raw material purchase contracts include long-term purchase contracts with suppliers in which prices are fixed or will be agreed upon based upon predefined price formulas.

13.3 Related parties

Identification of related parties

The following parties are considered to be related to Heineken N.V.:

- Key management personnel: the Executive Board and the Supervisory Board
- Parent company Heineken Holding N.V. and ultimate controlling party Mrs. de Carvalho-Heineken (refer to 'Shareholder Information')
- Associates and Joint ventures of Heineken N.V.
- Shareholder with significant influence Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA)
- HEINEKEN pension funds (refer to note 9.1)
- Employees of HEINEKEN (refer to note 6.4)

Key management remuneration

In millions of €	2022	2021	2020
Executive Board	15	15	10
Supervisory Board	2	1	1
Total	17	16	11

Executive Board

The remuneration of the members of the Executive Board consists of a fixed component and a variable component. The variable component is made up of a Short-term incentive (STI) and a Long-term incentive (LTI). The STI is based on financial and operational measures (75%) and on individual leadership measures (25%) as set by the Supervisory Board at the beginning of the year. Refer to note 6.5 for information related to the LTI component.

As at 31 December 2022, Mr. R.G.S. van den Brink held 22,221 Company shares and Mr. H.P.J van den Broek held 14,590 Company shares (2021: Mr. R.G.S. van den Brink 4,379 and Mr. H.P.J van den Broek 3,321).

In thousands of €	2022			2021			
	R.G.S. van den Brink	H.P.J. van den Broek	Total	R.G.S. van den Brink	H.P.J. van den Broek ¹	L.M. Debroux ^{2,3}	Total
Fixed salary	1,250	850	2,100	1,250	496	283	2,029
Short-term incentive	2,940	1,428	4,368	3,168	897	—	4,065
Matching share entitlement	1,291	627	1,918	1,436	407	—	1,843
Long-term incentive ⁴	3,133	1,347	4,480	2,266	428	1,349	4,043
Extraordinary share award	—	1,385	1,385	—	1,883	—	1,883
Pension contributions	301	157	458	287	117	61	465
End of service indemnity	—	—	—	—	—	708	708
Other emoluments	29	—	29	30	—	80	110
Total	8,944	5,794	14,738	8,437	4,228	2,481	15,146

In thousands of €	2020			
	J.F.M.L. van Boxmeer	R.G.S. van den Brink	L.M. Debroux	Total
Fixed salary	500	631	737	2
Short-term incentive	—	—	—	—
Matching share entitlement	—	—	—	—
Long-term incentive	1,597	396	(235)	2
Extraordinary share award	—	—	—	—
Extraordinary share award	—	—	—	—
Pension contributions	120	154	179	—
End of service indemnity	5,520	—	—	6
Other emoluments	16	80	154	250
Total	7,753	1,261	835	9,849

¹ Appointed on 1 June 2021 as CFO and member of the Executive Board.

² Stepped down as CFO and member of the Executive Board as of 1 May 2021.

³ In 2021, an estimated tax penalty of €1.2 million to the Dutch tax authorities was recognised in relation to the remuneration of Ms. L.M. Debroux. This tax was an expense to the employer and therefore not included in the table above

⁴ In 2021, the accrual for the long-term incentive plans for Ms. L.M. Debroux (LTI plan 2019-2021 and 2020-2022) have been recognised as per performance projection on 30 April 2021

The matching share entitlements for each year are based on the performance in that year. The Executive Board members receive 25% of their STI pay in (investment) shares. In addition, they have the opportunity to indicate before year-end whether they wish to receive up to another 25% of their STI in (investment) shares. All (investment) shares are restricted for sale for five calendar years, after which they are matched 1:1 by (matching) shares. For 2022 the Executive Board members elected to receive additional (investment) shares, hence the 'Matching share entitlement' in the table above is based on a 50% investment. The corresponding matching shares vest immediately and as such a fair value of €1.9 million was recognised in the 2022 income statement. The matching share entitlements are not dividend-bearing during the five-calendar year holding period of the investment shares. Therefore, the fair value of the matching share entitlements has been adjusted for missed expected dividends by applying a discount based on the dividend policy and vesting period.

Supervisory Board

The individual members of the Supervisory Board received the following remuneration:

In thousands of €	2022	2021	2020
J.M. Huët	225	225	225
J.A. Fernández Carbajal	166	142	154
M. Das	130	130	130
M.R. de Carvalho	135	135	135
V.C.O.B.J. Navarre ¹	—	45	105
J.G. Astaburuaga Sanjinés ³	55	122	116
P. Mars-Wright	144	126	126
M. Helmes	133	125	125
R.L. Ripley	148	125	110
N.K. Paranjpe ²	110	78	—
F.J. Camacho Beltrán ⁴	100	—	—
I.H. Arnold	110	110	115
	1,456	1,363	1,341

¹ Stepped down on 22 April 2021

² Appointed on 22 April 2021

³ Stepped down on 21 April 2022

⁴ Appointed on 21 April 2022

Mr. J.M. Huët held 3,719 shares of Heineken Holding N.V. as at 31 December 2022 (2021: 3,719 shares). Mr. M.R. de Carvalho held 100,008 shares of Heineken N.V. as at 31 December 2022 (2021: 100,008 shares). As at 31 December 2022 and 2021, the Supervisory Board members did not hold any of the Company's bonds or option rights. Mr. M.R. de Carvalho held 100,008 shares of Heineken Holding N.V. as at 31 December 2022 (2021: 100,008 shares).

Heineken Holding N.V.

In 2022, an amount of €1.6 million (2021: €1.2 million; 2020: €1.2 million) was paid to Heineken Holding N.V. for management services for HEINEKEN.

This payment is based on an agreement of 1977 as amended in 2001, providing that Heineken N.V. reimburses Heineken Holding N.V. for its costs.

Other related party transactions

In millions of €	Associates & Joint Ventures			FEMSA			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Sales	504	388	364	711	752	831	1,215	1,140	1,195
Purchases	278	235	178	180	166	131	458	401	309
Accounts receivables	142	127	109	141	137	135	283	264	244
Accounts payables and other liabilities	35	39	37	95	80	65	130	119	102

13.4 HEINEKEN entities*Control of HEINEKEN*

The shares of the Company are traded on Euronext Amsterdam, where the Company is included in the main AEX Index. Heineken Holding N.V. Amsterdam has an interest of 50.005% in the issued capital of the Company and consolidates the financial information of the Company.

A declaration of joint and several liability pursuant to the provisions of Section 403, Part 9, Book 2, of the Dutch Civil Code has been issued with respect to legal entities established in the Netherlands. The list of the legal entities for which the declaration has been issued is disclosed in the Heineken N.V. stand-alone financial statements.

	Country of incorporation	Percentage of ownership	
		2022	2021
Heineken Nederlands Beheer B.V.	The Netherlands	100 %	100 %
Heineken Group B.V.	The Netherlands	100 %	100 %
Heineken Brouwerijen B.V.	The Netherlands	100 %	100 %
Heineken CEE Investments B.V.	The Netherlands	100 %	100 %
Heineken Nederland B.V.	The Netherlands	100 %	100 %
Heineken International B.V.	The Netherlands	100 %	100 %
Heineken Supply Chain B.V.	The Netherlands	100 %	100 %
Heineken Global Procurement B.V.	The Netherlands	100 %	100 %
Heineken Mexico B.V.	The Netherlands	100 %	100 %
Heineken Beer Systems B.V.1	The Netherlands	n/a	100 %
Amstel Brouwerij B.V.	The Netherlands	100 %	100 %
Vrumona B.V.	The Netherlands	100 %	100 %
B.V. Beleggingsmaatschappij Limba	The Netherlands	100 %	100 %
Brand Bierbrouwerij B.V.	The Netherlands	100 %	100 %
Heineken Asia Pacific B.V.	The Netherlands	100 %	100 %
Distilled Trading International B.V.	The Netherlands	100 %	100 %
Premium Beverages International B.V.	The Netherlands	100 %	100 %
De Brouwketel B.V.	The Netherlands	100 %	100 %
Proseco B.V.	The Netherlands	100 %	100 %
La Tropical Holdings B.V.	The Netherlands	100 %	100 %
Heineken Americas B.V.1	The Netherlands	n/a	100 %
Heineken Export Americas B.V.	The Netherlands	100 %	100 %
Amstel Export Americas B.V.	The Netherlands	100 %	100 %
Heineken Brazil B.V.	The Netherlands	100 %	100 %
B.V. Panden Exploitatie Maatschappij PEM	The Netherlands	100 %	100 %
Heineken Exploitatie Maatschappij B.V.	The Netherlands	100 %	100 %
Hotel De L'Europe B.V.	The Netherlands	100 %	100 %
Hotel De L'Europe Monumenten I B.V.	The Netherlands	100 %	100 %
Hotel De L'Europe Monumenten II B.V.	The Netherlands	100 %	100 %
Beerwulf B.V.	The Netherlands	100 %	100 %
Roeminck Insurance N.V.	The Netherlands	100 %	100 %
Heineken Belize B.V.	The Netherlands	100 %	100 %
Heineken Netherlands Supply B.V.	The Netherlands	100 %	100 %
Texelse Bierbrouwerij B.V.	The Netherlands	100 %	100 %
Drankenhandel Wauters B.V.	The Netherlands 1	100 %	100 %
Energie Conversie Maatschappij Bunnik B.V.	The Netherlands 1	100 %	100 %

¹ Entity ceased to exist during 2022 following legal merger

Pursuant to the provisions of Section 357 of the Republic of Ireland Companies Act 2014, the Company irrevocably guarantees, in respect of the financial year from 1 January 2022 up to and including 31 December 2022, the liabilities referred to in Schedule 3 of the Republic of Ireland Companies Act 2014 of the wholly-owned subsidiary companies Heineken Ireland Limited, Heineken Ireland Sales Limited, The West Cork Bottling Company Limited, Western Beverages Limited, Beamish & Crawford Limited, Comans Beverages Limited and Nash Beverages Limited.

Significant subsidiaries

Set out below are HEINEKEN's significant subsidiaries at 31 December 2022. The subsidiaries as listed below are held by the Company and the proportion of ownership interests held equals the proportion of the voting rights held by HEINEKEN. The disclosed significant subsidiaries represent the largest subsidiaries and represent an approximate total revenue of €22 billion and total asset value of €33 billion and are structural contributors to the business.

Apart from increasing the shareholding in Grupa Żywiec S.A. (refer to note 10.1), there were no significant changes to the HEINEKEN structure and ownership interests.

	Country of incorporation	Percentage of ownership	
		2022	2021
Heineken International B.V.	The Netherlands	100.0	100.0
Heineken Brouwerijen B.V.	The Netherlands	100.0	100.0
Heineken Nederland B.V.	The Netherlands	100.0	100.0
Cuauhtémoc Moctezuma Holding, S.A. de C.V.	Mexico	100.0	100.0
ervejarias Kaiser Brasil S.A.	Brazil	100.0	100.0
Bavaria S.A.	Brazil	100.0	100.0
Heineken France S.A.S.	France	100.0	100.0
Nigerian Breweries Plc.	Nigeria	56.7	56.3
Heineken USA Inc.	United States	100.0	100.0
Heineken UK Ltd	United Kingdom	100.0	100.0
Heineken España S.A.	Spain	99.8	99.8
Heineken Italia S.p.A.	Italy	100.0	100.0
Brau Union Österreich AG	Austria	100.0	100.0
Grupa Żywiec S.A.	Poland	99.3	65.2
LLC Heineken Breweries	Russia	100.0	100.0
Heineken Vietnam Brewery Limited Company	Vietnam	60.0	60.0
SCC - Sociedade Central de Cervejas e Bebidas S.A.	Portugal	100.0	99.9
United Breweries Limited	India	61.5	61.5
Heineken South Africa (Proprietary) Limited	South Africa	82.4	82.4

13.5 Subsequent events

No material subsequent events occurred.

UNOFFICIAL TRANSLATION
BY-LAWS OF FOMENTO ECONOMICO MEXICANO, S.A.B DE C.V.

ARTICLE 1. NAME. The company is called "FOMENTO ECONÓMICO MEXICANO", and this name must be followed by the words "SOCIEDAD ANÓNIMA BURSÁTIL DE CAPITAL VARIABLE" or the initials "S.A.B. DE C.V."

ARTICLE 2. CORPORATE PURPOSE. The company purpose is: a). To incorporate, promote, organize, and participate in all kinds of civil or commercial companies, civil associations and in all kinds of national or foreign companies, by means of the subscription and/or acquisition of their shares, interests in equity, assets and rights, and in any way dispose of and perform all kinds of commercial acts and contracts with respect to such shares, interests in equity, assets and rights. b). Acquire, issue, subscribe, hold, and dispose of bonds, shares, participations and securities of any kind, contract hedges through financial derivative instruments of currencies, interest rates, capital, and commodities, as well as enter into repurchase agreements, joint ventures, partnerships, joint ventures and, in general, enter into all kinds of active or passive transactions with such securities. c). To contract all kinds of professional actively or passively and/or specialized services, and in general, the execution and celebration of all kinds of acts, operations, agreements and contracts, which are necessary for the achievement of its corporate purpose. d). To give or take money on loan with or without guarantee, through current account agreements, interest-bearing loans or any other, as well as to issue, draw, accept, subscribe, endorse, or guarantee debt instruments, issue obligations with or without specific collateral, become a joint debtor, as well as grant guarantees of any kind, with respect to obligations contracted by the company or by third parties. e). In general, to execute acts, enter into contracts and conduct other operations that are necessary or conducive to the company's purpose.

ARTICLE 3. TERM: The duration of the corporation is 99 (ninety-nine) years, which began on May 30 (thirty), 1936 (nineteen thirty-six), date of registration of the articles of incorporation in the Commercial Registry and will therefore conclude on the same date in the year 2035 (two thousand and thirty-five).

ARTICLE 4. REGISTERED OFFICE. The registered office of the company will be the city of Monterrey, Nuevo León, Mexico, and it will not be understood changed if the company establishes branch agencies in any place of the Republic or abroad.

ARTICLE 5. NATIONALITY. The company is a Mexican company. Any foreigner/foreign company or corporation that, upon Incorporation or at any further time, may acquire an interest or equity interest in the company or corporation, will be considered, by that mere fact, as Mexican with respect to both parties, and it will be understood that he/she/it agrees not to invoke the protection of his/her/its Government, under penalty, in case of failure to comply with his/her/its agreement, of losing such interest or equity interest for the benefit of the Mexican Nation.

ARTICLE 6. CAPITAL STOCK. a). The capital stock is variable. The minimum fixed capital not subject to withdrawal is \$300'000,000.00 (three hundred million pesos national currency). The variable part of the capital stock is unlimited. All shares shall be registered, freely subscribed and without expression of par value. b). The capital stock may be represented by the following series of shares: (i) series "B" shares, common, which grant their holders unrestricted voting rights; (ii) series "L" shares, with limited voting rights; and (iii) series "D" shares, with limited voting rights, which give the right to receive a higher, non-cumulative dividend, in the following terms:- While they are outstanding, the series "D" shares shall grant their holders the right to receive a higher, non-cumulative dividend equivalent to 125% (one hundred and twenty-five percent) of the dividend assigned to the series "B" common shares. c). The series "B" shares shall at all times represent at least 51% (fifty-one percent) of the capital stock; the series "L" shares may represent up to 25% (twenty-five percent) of the capital stock; and the series "D" shares, individually or jointly with the series "L" shares, may represent up to 49% (forty-nine percent) of the capital stock. Series "D" shares may be divided into subseries "D-L" shares for a maximum of 25% (twenty-five percent) of the capital stock and into subseries "D-B" shares for the remaining outstanding series "D" shares. d). The holders of series "D" and "L" shares shall only have the right to vote at extraordinary meetings held to deal with the following matters: (i) transformation of the company, other than the transformation from a publicly traded stock corporation with variable capital to a corporation stock corporation or vice versa; (ii) merger with another company, as a merged company, or merger with another company or other companies as a merging company, when the main purpose of the merged company or companies is not related or related to that of the company or its subsidiaries; (iii) change of nationality of the company; (iv) dissolution or liquidation of the company; and (v) the cancellation of the registration of the series "D" and "L" shares issued by the corporation, in the Securities Section of the National Securities Registry and in the national or foreign stock exchanges in which they are registered, except in the case of the cancellation of the registration of the series "D" shares as a consequence of the conversion of such shares pursuant to these bylaws. The holders of series "D" and/or "L" shares shall have the right to appoint directors in accordance with the provisions of article 25 of these bylaws. The holders of series "D" and "L" shares may also vote in the

extraordinary meetings held to deal with the matters set forth in paragraphs f) and g) of Article 6 of these bylaws. Holders of Series "D" and "L" shares may also vote on matters expressly authorized by the Securities Market Law. The holders of series "D" and "L" shares by no title shall have the power to determine the management of the corporation, nor shall they have any rights other than those expressly conferred to them in accordance with this Article 6. e). The company may issue shares with the characteristic of being integrated in linked units. The linked units may cover: (i) 5 (five) series "B" shares or multiples thereof, which will be referred to in these bylaws as "B units"; (ii) 1 (one) series "B" share and 2 series "D" shares subseries "D-L" and 2 series "D" shares subseries "D-B" or multiples thereof, which will be referred to in these bylaws as "BD units"; or (iii) any other combination of shares decided by its shareholders in accordance with these bylaws. The shares issued by the company with the characteristic of being integrated in related units, may only be circulated, sold, transferred, assigned, pledged, or disposed of by any title, in the form of the related units that integrate them. f). By means of an extraordinary shareholders' meeting held in accordance with the provisions of paragraph c) of Article 22 of these bylaws, the company's shareholders may resolve that all outstanding series "D" shares be converted into limited voting series "L" shares and into ordinary series "B" shares, as follows; subseries "D-L" shares would be converted into series "L" shares and subseries "D-B" shares would be converted into ordinary series "B" shares. Once the series "D", subseries "D-L" and subseries "D-B" shares are converted, the capital stock of the corporation will be represented by series "B" common shares, which will represent at least 75% of the capital stock, and by series "L" limited voting shares, which may represent up to 25% of the capital stock of the corporation. The conversion of series "D" shares, subseries "D-L" into series "L" shares and of series "D" shares, subseries "D-B" into series "B" common shares will be effective upon the expiration of a period of two (2) years from the date on which the Company's shareholders agreed to their conversion, pursuant to the preceding paragraph. g). By means of an extraordinary shareholders' meeting held in accordance with the provisions of Article 22 c) of these bylaws, the shareholders of the corporation may agree to divest their shares to be exchanged for the corresponding securities covering the shares included in such linked units. The termination shall be effective upon the expiration of a period of two (2) years from the date on which the shareholders of the company agreed to terminate the termination, as per the preceding paragraph.

ARTICLE 7. ISSUANCE OF LIMITED VOTING SHARES. The limited voting shares, of those denominated in these bylaws as series "D" and "L", will be considered a neutral investment; they will not be computed for the purpose of determining the amount and proportion of the foreign participation in the capital stock of the company, pursuant to the terms of the Foreign Investment Law and its regulatory provisions; They will be considered as issued under the terms of the applicable provisions of the Securities Market Law and the corresponding authorizations of the National Banking and Securities Commission; the provisions of Article 198 of the General Law of Commercial Companies will not be applicable to them; and they will have the limitations on corporate rights set forth in these bylaws.

ARTICLE 8. INCREASE OR REDUCTION OF THE CAPITAL STOCKThe increase or reduction of the fixed capital stock and the consequent amendment of the third clause of the articles of the incorporation and article 6 of the corporate bylaws, shall be subject to the agreement of the extraordinary general meeting. Likewise, in accordance with Article 53 of the Securities Market Law, any capital increase decreed for the issuance of unsubscribed shares held in treasury will be subject to a resolution of an extraordinary general shareholders' meeting. The increase or reduction of the variable capital stock will be approved by the general ordinary shareholders' meeting.

ARTICLE 8. INCREASE BY ISSUANCE OR PLACEMENT OF SHARES The increase in the variable part of the capital stock may be conducted by issuing new shares or placing treasury shares that are held for this purpose. In the case of the issuance of new shares, shareholders shall have the right of preference to subscribe to the shares within their respective series, provided that the meeting decrees that they must be paid in cash. Pursuant to Article 53 of the Securities Market Law, treasury shares must be subscribed to by means of a public offering. The right of first refusal must be exercised within 15 (fifteen) calendar days from the date of publication of the corresponding notice in the Official Gazette of the Company's domicile. In the event that after the expiration of the term during which the shareholders should exercise the right of first refusal granted to them in this article, some shares remain unsubscribed, they may be offered for subscription and payment, under the conditions and terms determined by the meeting that decreed the capital increase, or under the terms established by the board of directors or the delegates appointed by the meeting for such purpose. The shareholders will not enjoy the right of first refusal referred to in this article in the case of issuance of new shares or placement of treasury shares for: (i) merger of the corporation; (ii) conversion of debentures issued in terms of the General Law of Securities and Credit Transactions, (iii) public offering in terms of the provisions of Articles 53, 56 and other related articles of the Securities Market Law; (iv) increase of capital stock through payment in kind of the shares to be issued, or through the cancellation of liabilities payable by the corporation; and (v) placement of treasury shares acquired by the corporation.

ARTICLE 10. WITHDRAWAL. In accordance with the provisions of Article 50 of the Securities Market Law, shareholders owning shares of the variable part of the capital stock of the company shall not have the right of withdrawal referred to in Article 220 of the General Law of Commercial Companies.

ARTICLE 11. ACQUISITION OF OWN SHARES. The company, in accordance with the provisions of the Securities Market Law and the general provisions issued by the National Banking and Securities Commission, may acquire the shares representing its capital stock.

ARTICLE 12 . LIMITATIONS ON THE ACQUISITION OF SHARES IN THE COMPANY BY CONTROLLED LEGAL ENTITIES In accordance with the provisions of Article 56 of the Securities Market Law, legal entities controlled by the company may not acquire, directly or indirectly, shares representing the capital stock of the company or securities representing such shares. Acquisitions made through investment companies are exempt from the above prohibition.

ARTICLE 13. REGISTRY OF CHANGES IN CAPITAL- Any increase or decrease in capital stock must be recorded in a register kept by the corporation for such purpose.

ARTICLE 14. AMORTIZATION OF SHARES- The corporation may amortize part of its shares with distributable profits, in accordance with the following rules: a). The amortization must be decreed by the extraordinary general shareholders' meeting. b). Only fully paid shares may be redeemed. c). Acquisition of shares for redemption will be made in accordance with the rules set forth in Article 136 of the General Corporations Law. d). In no case may shares be redeemed if as a consequence of the redemption the series "D" and/or "L" shares exceed the maximum percentages established in Article 6 of these bylaws. e). The titles of the redeemed shares shall be cancelled.

ARTICLE 15. TITLES AND CERTIFICATES OF THE SHARES. The definitive certificates or provisional certificates representing the shares or the related units will be nominative and may cover one or more shares of the same or different series or subseries; they will contain the mentions referred to in Article 125 of the General Law of Commercial Corporations, the indication of the series, series and/or subseries to which they correspond; they will bear the text of Article 5 of these bylaws and will be subscribed by two proprietary or alternate directors of series "B". The signatures of the aforementioned directors may be autographed or printed in facsimile, provided in the latter case that the original of the respective signatures is deposited in the Public Registry of Commerce of the corporate domicile of the corporation. In the case of definitive certificates, these must have attached to them the numbered nominative coupons determined by the Board of Directors. The shareholders' meeting that decrees the respective capital increase or the extraordinary shareholders' meeting may establish that some of the shares of the corporation, of any series or series are covered by linked units, which without being ordinary non-amortizable participation certificates, represent units and link shares of the same series or of different series, under the terms of Article 6 of these bylaws.

ARTICLE 16. REGISTRY OF SHARES- The corporation shall keep a register of shares and shall consider as a shareholder whoever appears registered as such in said register.

ARTICLE 17. CANCELLATION OF REGISTRATION OF SHARES. In the event of cancellation of the registration of the shares representing the capital of the corporation or securities representing them in the National Securities Registry, either at the request of the corporation itself, prior resolution of the extraordinary general shareholders' meeting and with the favorable vote of the holders of shares, with or without voting rights or limited voting rights, in both cases, in accordance with the provisions of Article 108 of the Securities Market Law, the company must carry out, prior to such cancellation, a public tender offer, subject to the provisions of the Securities Market Law. The company must assign in a trust for a minimum period of six months, counted as of the date of cancellation, the necessary resources to acquire at the same price of the offer, the shares of the investors that did not participate in such an offer. In order to comply with the provisions of Article 108 of the Securities Market Law, the board of directors of the company must disclose to the public its opinion regarding the price of the tender offer.

ARTICLE 18. SHAREHOLDERS' MEETINGS: The general shareholders' meeting is the supreme body of the corporation, all others being subordinate to it. Meetings shall be general (ordinary or extraordinary) or special and shall be held at the domicile of the corporation. A) Any of the matters listed in Article 182 (except in the case of increases or reductions of the variable part of the corporate capital pursuant to Article 8 of these bylaws) and 228 bis of the General Law of Commercial Corporations. b) The cancellation or registration of the shares or the securities representing them, issued or to be issued by the corporation, in the National Securities Registry or in domestic or foreign stock exchanges in which they are registered. c) The redemption by the corporation of shares of

capital stock with distributable profits and, if applicable, the issuance of bonus shares. d) The increase of capital stock pursuant to the terms of Article 53 (fifty-three) of the Securities Market Law. e) Any other matters for which the applicable legislation or the bylaws expressly require a special quorum. All other general meetings will be ordinary. The ordinary general meeting, in addition to the provisions of the General Law of Commercial Corporations, will meet to approve the transactions that the company or the legal entities it controls intend to carry out, within the period of a fiscal year, when they represent 20% (twenty percent) or more of the consolidated assets of the company based on figures corresponding to the close of the immediately preceding quarter, regardless of the manner in which they are executed, whether simultaneous or successive, but which by their characteristics may be considered as a single transaction. Shareholders holding shares with voting rights, including limited or restricted voting rights, may vote at such meetings. Special meetings shall be those that meet to deal with matters that may affect the rights of a single series of shares.

ARTICLE 19. SHAREHOLDERS' MEETINGS: Shareholders' meetings shall be held at the corporate domicile, when called by resolution of the board of directors, through the secretary of the board or his/her alternate; they may also be called by the audit or corporate practices committees, through their respective chairperson. Shareholders owning shares with voting rights, including limited or restricted voting rights, who individually or jointly hold 10% (ten percent) of the capital stock may request the president of the board of directors, the audit committee, or the corporate practices committee to call a general shareholders' meeting, without the percentage indicated in Article 184 of the General Law of Commercial Corporations being applicable. The ordinary shareholders' meeting will meet at least once a year, on the date set by the board of directors, within 4 (four) months following the end of the fiscal year. The meeting will be held at the request of the shareholders pursuant to Articles 184 and 185 of the General Corporations Law and other applicable provisions of the Securities Market Law.

ARTICLE 20. NOTICES: The notices for the shareholders' meetings must be published in the Official State Gazette or in at least one of the newspapers with the largest circulation in the entity of the domicile of the corporation, at least 15 (fifteen) days prior to the date set for the meeting, in the case of the first notice and at least 8 (eight) days prior to the date set for the meeting, in the case of subsequent notices. The notices for general meetings will also comply with the requirements set forth in Articles 186 and 187 of the General Corporations Law, and other applicable provisions of the Securities Market Law.

ARTICLE 21. RIGHT OF ATTENDANCE: In order to attend the meetings, the shareholders must be registered in the shareholders' registry of the corporation, deposit their shares in the secretary's office of the corporation to obtain the entrance card to the meeting, at least 48 (forty-eight) hours prior to the day and time set for the meeting to be held. In the case of shares deposited in an institution for the deposit of securities, the latter must timely communicate to the secretary of the corporation the number of shares that each of its depositors holds in said institution, indicating whether the deposit is made for its own account or for the account of others, and this record must be complemented with the list of names of the depositors and must have been previously delivered to the secretary of the corporation, within the aforementioned term, in order to obtain an entrance card. Shareholders may be represented at meetings by proxies appointed by means of a simple power of attorney, or by means of a power of attorney granted on forms that comply with the requirements established in the Securities Market Law, which must be received by the Company's secretary's office with the aforementioned advance notice. The shares deposited in the company so that their holders have the right to attend the meetings, will not be returned until after the meetings have been held, upon delivery of the receipt or certificate issued to the shareholder.

ARTICLE 22. INSTALLATION AND RESOLUTIONS OF THE MEETING: Meetings shall be installed and resolved in accordance with the following rules: a) The ordinary general shareholders' meeting will be considered to be legitimately installed upon first call, if it is attended by shareholders representing more than 50% (fifty percent) of the subscribed and paid ordinary capital stock, divided into series "B" shares. In case of second or subsequent call, the ordinary meeting will be legitimately convened regardless of the ordinary subscribed and paid-in capital stock divided into series "B" shares represented by the attendees. The resolutions of the ordinary meetings will be valid if they are adopted by at least the majority of the subscribed and paid-in ordinary capital stock, divided into series "B" shares, represented at the meeting. b) Extraordinary shareholders' meetings held to discuss matters in which the holders of series "D" shares or series "L" shares do not have the right to vote, will be legally incorporated on first call if at least three-fourths of the subscribed and paid-in ordinary capital stock, divided into series "B" shares, are represented at such meetings, and in the case of subsequent calls, will be legally incorporated with the presence of shareholders representing the majority of the shares of such subscribed and paid-in ordinary capital stock. In both cases, resolutions in extraordinary shareholders' meetings will be valid if adopted by at least a majority of the ordinary subscribed and paid-in capital stock divided into series "B" shares. c) At extraordinary shareholders' meetings held on first call to discuss matters in which series "D" and "L" shareholders have the right to vote, they will be considered legally incorporated if at least three-fourths of the subscribed and paid-in capital stock is represented; in the case of second or subsequent call, it will be legally installed with the presence of

shareholders representing the majority of the shares of subscribed and paid-in capital stock, except in the case of second or subsequent calls for extraordinary meetings held to resolve on any of the matters established in paragraphs f) and g) of Article 6 of these bylaws, for which the presence of shareholders representing at least three-fourths of the subscribed and paid-in capital stock will always be required for the meeting to be considered legally installed. In all cases the resolutions will be valid if they are adopted by at least the majority of the shares of the subscribed and paid-in capital stock. d) For special meetings (including any special meeting held for the election or removal of series "D" directors and/or series "L" directors) the same rules set forth in this Article 22 for extraordinary general meetings will apply, but with reference to the special category of shares in question. e) At the ordinary general meeting that will consider the financial statements of the preceding year, the reports referred to in Section IV of Article 28 of the Securities Market Law must also be presented to the shareholders.

ARTICLE 23. DEVELOPMENT OF THE MEETING: The President of the Board of Directors or his/her substitute shall preside over the meetings; in his/her absence, the meeting shall be presided over by the shareholder designated by the attendees. The secretary shall be the secretary of the board of directors, or, in his/her absence, the person designated by the attendees. The president shall appoint two of the shareholders present as scrutineers. Voting shall be by proxy unless at least three (3) of those present and entitled to vote on the matter in question request a roll call vote. Likewise, at the request of shareholders with voting rights, including limited or restricted voting rights, who represent 10% (ten percent) of the capital stock of the corporation, the vote on any matter on which they do not consider themselves sufficiently informed shall be postponed for three (3) days and without the need for a new call, without the percentage indicated in Article 199 of the General Law of Commercial Companies being applicable. This right may only be exercised once for the same matter.

ARTICLE 24. BOARD OF DIRECTORS: The management and administration of corporate affairs shall be entrusted to a board of directors and a general manager. The board of directors will be composed of up to 21 (twenty-one) proprietary directors, and the alternates appointed in accordance with these bylaws, of which at least 25% (twenty-five percent) of the directors must be independent.

ARTICLE 25. ELECTION OF THE BOARD: The Series "B" shareholders, by majority vote of the shares of said series represented at the meeting, will appoint at least 9 (nine) directors and the Series "D" shareholders, by majority vote of the shares of said series represented at the respective meeting, will appoint 5 (five) directors. Once the series "D" shares, subseries "D-L" are converted into series "L" shares, as established in article 60 f) of these bylaws, the series "L" shareholders, by majority vote of the shares of said series represented at the respective meeting, will appoint 2 (two) directors. The shareholders may appoint alternate directors, who will specifically replace the proprietary directors for which they have been appointed, in accordance with the applicable legal provisions. The directors will remain in office for one year; however, pursuant to Article 24 of the Securities Market Law, they will continue in office even when the term for which they were appointed has expired, or upon resignation, for up to 30 (thirty) calendar days, in the absence of the appointment of a substitute, or when the substitute does not take office, without being subject to the provisions of Article 154 of the General Law of Commercial Corporations. The members of the board and secretaries will receive annually the remuneration agreed by the ordinary general meeting that appoints them and will have the obligations and responsibilities set forth in these bylaws, as well as those applicable of the Securities Market Law and the General Law of Commercial Corporations. The board of directors may appoint interim directors, without the intervention of the shareholders' meeting, when any of the directors is absent, or when the appointed director does not take office, and no alternate has been appointed, or the alternate does not take office. The shareholders' meeting of the corporation will ratify such appointments or designate the substitute directors at the meeting following the occurrence of such an event.

ARTICLE 26. CALLS FOR BOARD MEETINGS: The president of the board of directors, any of the presidents of the corporate practices and audit committees, or at least 25% (twenty-five percent) of the directors, may call a board meeting and include in the agenda such items as they deem appropriate. The notices for board meetings shall be signed by the person making them or by the president or, in his/her absence, by the secretary, and shall be sent by mail, telefax, or delivered personally or by any other means, at least 7 (seven) days prior to the date of the meeting. The external auditor of the company may be summoned to the meetings of the board of directors as a guest with voice but without vote.

ARTICLE 27. FUNCTIONING OF THE BOARD: The Board shall meet at least once every 3 (three) months. The regular annual meeting which has appointed it or the board of directors at its first meeting, immediately after such meeting, shall appoint from among the directors appointed by the series "B", a president, and may also appoint a vice-president and confer such other offices as it deems advisable. It shall likewise appoint the secretary and his/her alternate; it being understood that the latter two shall not be directors. The board of directors shall also appoint people to occupy such other positions as may be created for the better performance of its functions. The president will also be the president at the shareholders' meetings and will be substituted in his/her functions, in case of

absence, by the vice-president and in his/her absence by the other proprietary directors of the series "B", in the order of their designation.

ARTICLE 28. INSTALLATION AND RESOLUTIONS OF THE BOARD: The Board of Directors shall be considered legally installed to resolve any matter with the presence of the majority of its members and its resolutions shall be valid if approved by the vote of the majority of its members present. The board of directors may also hold meetings through interactive means of communication (electronic or telecommunications), among the directors and mixed meetings (interactive and face-to-face), in all cases complying with the same conditions of installation and voting established in these bylaws for the face-to-face meetings referred to in the preceding paragraph. The board of directors, without the need to meet in session, may adopt resolutions by unanimous vote of its members, provided that such resolutions are confirmed in writing by all its proprietary members or their alternates. Minutes of all meetings shall be taken and must be approved by at least the majority of the directors attending the respective meeting and signed by the president and secretary.

ARTICLE 29. FACULTIES OF THE BOARD: The Board of Directors shall have the following powers and duties: a). To manage the business and assets of the corporation, with the broadest power for acts of administration, in the terms of Article 2554, second paragraph of the Federal Civil Code and its correlatives of the Civil Codes in force in the Federal District and in the various states of the United Mexican States. b). Exercise acts of dominion with respect to the personal and real property of the corporation, as well as its real and personal rights, in the terms of the third paragraph of Article 2554 of the Federal Civil Code, and its correlatives of the Civil Codes in force in the Federal District and in the various states of the United Mexican States, grant guarantees of any kind with respect to obligations contracted or securities issued or accepted by third parties. c). Represent the company with the broadest power before all kinds of administrative or judicial authorities, whether federal, state or municipal, as well as before labor or any other authorities or before arbitrators or amiable compositors, with the broadest power including the powers that require a special clause in accordance with the law, to articulate and absolve positions, even to withdraw from the amparo proceeding, in the terms of the first paragraph of Article 2554 of the Federal Civil Code and its correlatives of the Civil Codes in force in the Federal District and in the various states of the United Mexican States, as well as to represent the corporation before all kinds of federal and state criminal authorities and to formulate and file accusations, complaints and lawsuits for crimes committed to the detriment of the corporation, to represent and constitute the corporation as a coadjutant civil party of the Public Ministry in proceedings of this nature and to grant a pardon. d). To grant, subscribe, guarantee and endorse debt securities in the name of the corporation, to issue obligations with or without specific collateral; to contribute movable or immovable property of the corporation to other corporations and to subscribe shares or take participations or parts of interest in other companies and, in general, to execute the acts, enter into contracts and perform such other operations as may be necessary or conducive to the principal purpose of the corporation. e). To constitute the corporation as a joint and several debtors and to grant guarantees, sureties or any other payment guarantee of any kind, with respect to the obligations contracted or securities issued or accepted by the corporation or by third parties. f). Approve, with the prior opinion of the Committee that is competent, the appointment, election and, if applicable, removal of the chief executive officer of the corporation and his/her integral compensation, as well as the policies for the appointment and integral compensation of the other relevant officers, assigning them their respective duties and designate the committees established by law, these bylaws and those that it deems appropriate, indicating to them their attributions and rules of operation; in the absence thereof, they shall be governed by the provisions set forth in these bylaws, for the executive committee. g). To grant and revoke such powers of attorney as may be deemed convenient, with or without powers of substitution, being able to grant therein such powers as may be deemed appropriate of those conferred by these bylaws to the board of directors. h). Execute the resolutions of the meeting and, in general, conduct such acts and operations as may be necessary or convenient for the purpose of the corporation, except for those expressly reserved by law and by these bylaws to the meeting. i) The other powers and duties established in these bylaws and in the Securities Market Law.

ARTICLE 29. BIS FACULTIES AND OBLIGATIONS OF THE GENERAL MANAGER: The functions of managing, conducting, and executing the business of the corporation, and of the legal entities controlled by it, shall be the responsibility of the general manager, subject to the strategies, policies and guidelines approved by the board of directors, and having the powers and obligations set forth in these bylaws and the Securities Market Law.

ARTICLE 30. CAUTION: Directors, secretaries, managers, and other officers in office shall not be required to provide a surety to guarantee their performance, except in those cases in which the general shareholders' meeting deems it convenient and, likewise, the board of directors, in the case of managers and other officers appointed by this corporate body.

ARTICLE 31. EXECUTIVE COMMITTEE: The ordinary general shareholders' meeting may appoint such committees as it deems appropriate; it may also appoint an executive committee to be composed of an odd number

of members of the board of directors or their alternates as they may determine, which shall be incorporated and shall invariably function as a collegiate body delegated by the board of directors. The ordinary general meeting or the board of directors may also designate, in the event of the absence of a proprietary member, an alternative for each member of the executive committee. The members of the executive committee shall hold office for one year, unless they are relieved by the ordinary general meeting or by the board of directors but, in any case, they shall continue in office for a term of 30 (thirty) calendar days, until new appointments are made and the persons appointed to replace them take office; they may be reelected and shall receive the remuneration determined by the ordinary general meeting or by the board of directors. The executive committee shall meet with the periodicity determined in the first meeting held in a calendar year, it being understood that it may also meet when summoned by the secretary, at the request of its president or any two of its members. The meetings of the executive committee shall be convened, and the committee shall operate following the same procedure as for the meetings of the board of directors provided for in articles 26 and 28 of these bylaws but referring to the members of the executive committee itself. The executive committee shall validly meet with the attendance of the majority of its members and shall adopt its resolutions by majority vote of those present. The president of the executive committee shall be one of its members and shall be appointed by the executive committee itself. In the absence of the chairperson, meetings of the committee shall be presided over by the committee member designated by the members present. The executive committee may appoint a secretary, who may be the secretary of the board of directors and need not be a director. The external auditor may be invited to meetings of the committee and may attend such meetings in an advisory capacity, but without the right to vote. The executive committee shall have the powers set forth in paragraphs a), b), c), d), and e) of Article 29 of these bylaws, which may not be delegated, without prejudice to the committee's designation of a person or persons for the execution of specific acts. The president or the secretary of the executive committee shall report on the activities of the committee to the board of directors at the meeting of the board following the corresponding committee meeting, or when events or acts of importance to the corporation arise, which in the committee's judgment, merit it. Minutes of each meeting shall be taken by the secretary and transcribed in the respective special book, in which the attendance shall be recorded, as well as the resolutions adopted, and shall be signed by the president and secretary of the meeting.

ARTICLE 32. OVERSIGHT OF THE COMPANY: The oversight of the management, conduct and execution of the business of the company and of the legal entities controlled by it under the terms of the Securities Market Law, shall be the responsibility of the board of directors. The board of directors, in order to perform its oversight functions, will be assisted by the corporate practices and audit committees, as well as through the legal entity that performs the external audit of the company, each within the scope of their respective competencies, as established by the Securities Market Law. The audit and corporate practices committees will develop the activities established by the Securities Market Law and will be composed exclusively of independent directors and a minimum of three (3) members, appointed by the general ordinary shareholders' meeting or by the board of directors, at the proposal of its president. The presidents of the audit and corporate practices committees will be appointed and/or removed from office exclusively by the general shareholders' meeting. Such presidents may not chair the board of directors and must be selected for their experience, recognized capacity, and professional prestige.

ARTICLE 33. FISCAL YEAR: The fiscal year shall be twelve months, beginning on January 1st and ending on December 31st (thirty-first) of the same year.

ARTICLE 34. APPLICATION OF PROFITS: The annual net profits, after deducting the amount of income tax and other items that according to law must be deducted or separated, shall be applied in the following manner: a). A minimum of 5% (five percent) will be set aside to constitute the legal reserve fund, until it amounts to at least 20% (twenty percent) of the capital stock. b). The remainder may be distributed as a dividend among the shareholders, in accordance with the terms of these bylaws and in proportion to the number of their shares, or if so resolved by the shareholders' meeting, it may be totally or partially transferred to provident funds, reserve funds (including, if applicable, the reserve for the acquisition of own shares referred to in the Securities Market Law), reinvestment funds, special funds and others that the shareholders' meeting may decide to create.

ARTICLE 35. RIGHTS OF THE FOUNDERS: The founders do not reserve special participation in the profits of the corporation.

ARTICLE 36. APPLICATION OF LOSSES: If there are losses, they shall be reported by the shareholders, in proportion to the number of their shares, considering the provisions of the final part of Article 87 of the General Law of Commercial Corporations.

ARTICLE 37. EARLY DISSOLUTION: The corporation will be dissolved early in the cases referred to in Sections II, III, IV and V of Article 229 of the General Law of Commercial Corporations.

ARTICLE 38. APPOINTMENT OF A LIQUIDATOR: Upon dissolution of the corporation, the extraordinary meeting of shareholders shall appoint, by majority vote, one or more liquidators, setting a term of office for them, and the remuneration to be paid to them.

ARTICLE 39. LIQUIDATION PROCEDURE: The liquidator or liquidators shall liquidate the corporation in accordance with the resolutions of the extraordinary meeting and, failing that, on the following basis: a). He shall conclude the business in the manner he deems most convenient, collecting the credits, paying the debts, and disposing of the assets of the corporation, which must be sold for that purpose. b) He shall prepare the financial statements of the liquidation and submit them to the approval of the extraordinary stockholders' meeting. c). Distribute among the shareholders, pursuant to the terms of the law and these bylaws, and against the delivery and cancellation of the share certificates, the resulting liquid assets, according to the financial statements approved by the extraordinary shareholders' meeting.

ARTICLE 40. FUNCTIONS OF THE LIQUIDATOR WITH RESPECT TO MEETINGS: During the liquidation, the meeting will meet, in the terms provided for in the chapter relating to general shareholders' meetings of these bylaws, and the liquidator or liquidators will perform the functions that in the normal life of the corporation correspond to the board of directors.

ARTICLE 40. GENERAL PROVISIONS: In all matters not expressly provided for in these bylaws, the provisions of the Securities Market Law will govern and, in all matters not provided for in said law, the provisions of the General Law of Commercial Corporations will govern. The terms used in these bylaws that are defined in the Securities Market Law shall have the meaning attributed to them in said law

ESTATUTOS

-----**ARTÍCULO 1o. DENOMINACIÓN.** La sociedad se denomina "FOMENTO ECONÓMICO MEXICANO", debiendo ser seguida esta denominación de las palabras "SOCIEDAD ANÓNIMA BURSÁTIL DE CAPITAL VARIABLE" o de las iniciales "S.A.B. DE C.V."-----

-----**ARTÍCULO 2o. OBJETO SOCIAL.** El objeto de la sociedad es:-----

----- a). Constituir, promover, organizar y participar en toda clase de sociedades civiles o mercantiles, asociaciones civiles y en toda clase de empresas nacionales o extranjeras, por medio de la suscripción y/o adquisición de sus acciones, partes sociales, activos y derechos, y en cualquier forma disponer de y realizar toda clase de actos y contratos mercantiles respecto de dichas acciones, partes sociales, activos y derechos.-----

----- b). Adquirir, emitir, suscribir, poseer y enajenar bonos, acciones, participaciones y valores de cualquier clase, contratar coberturas mediante instrumentos derivados financieros de monedas, tasas de interes, capital y materias primas, así como celebrar reportos, entrar en comandita, en sociedad, en asociación en participación y, en general, celebrar toda clase de operaciones activas o pasivas con dichos valores.-----

----- c). Contratar activa o pasivamente toda clase de prestación de servicios profesionales y/o especializados, y en general, la realización y la celebración de toda clase de actos, operaciones, convenios y contratos, que sean necesarios para la consecución de su objeto social.-----

----- d). Dar o tomar dinero en préstamo con o sin garantía, a través de contratos de cuenta corriente, mutuo con interés o cualquier otro, así como emitir, girar, aceptar, suscribir, endosar o avalar títulos de crédito, emitir obligaciones con o sin garantía real específica, constituirse en deudora solidaria, así como otorgar garantías de cualquier clase, respecto a las obligaciones contraídas por la sociedad o por terceros.-----

----- e). En general, ejecutar los actos, celebrar los contratos y realizar las demás operaciones que sean necesarias o conducentes al objeto de la sociedad.-----

----- **ARTÍCULO 3o. DURACIÓN.**- La duración de la sociedad es de 99 (noventa y nueve) años, que empezaron a contarse el día 30(treinta) de Mayo de 1936 (mil novecientos treinta y seis), fecha de inscripción de la escritura constitutiva en el Registro de Comercio y concluirá en consecuencia, en la misma fecha del año 2035 (dos mil treinta y cinco).-----

-----**ARTÍCULO 4o. DOMICILIO.**- El domicilio de la sociedad será la ciudad de Monterrey, Nuevo León, México, y no se entenderá cambiado si la sociedad establece agencias o sucursales en cualquier lugar de la República o del extranjero.-----

-----**ARTÍCULO 5o. NACIONALIDAD.**- La sociedad es mexicana. Todo extranjero que en el acto de la constitución o en cualquier tiempo ulterior adquiera un interés o participación social en la sociedad, se considerará por ese simple hecho como mexicano respecto de uno y otra, y se entenderá que conviene en no invocar la protección de su gobierno bajo la pena, en caso de faltar a su convenio, de perder dicho interés o participación en beneficio de la nación mexicana.-----

-----**ARTÍCULO 6o. CAPITAL SOCIAL.** -----

----- a). El capital social es variable. El capital social mínimo fijo no sujeto a retiro, es de \$300'000,000.00 (trescientos millones de pesos moneda nacional). La parte variable del capital social es ilimitada. Todas las acciones serán nominativas, de libre suscripción y sin expresión de valor nominal.

----- b). El capital social podrá estar representado por las siguientes series de acciones: (i) acciones serie "B", ordinarias, que otorgan a sus tenedores derechos de voto sin restricción alguna; (ii) acciones serie "L" de voto limitado; y (iii) acciones serie "D", de voto limitado, las cuales darán derecho a percibir un dividendo superior, no acumulativo, en los siguientes términos: Mientras se encuentren en circulación, las acciones de la serie "D", otorgarán a sus tenedores el derecho a recibir un dividendo superior, no acumulativo, equivalente a 125% (ciento veinticinco por ciento) del dividendo que se asigne para las acciones ordinarias serie "B".

----- c). Las acciones serie "B" en todo momento representarán por lo menos el 51% (cincuenta y un por ciento) del capital social; las acciones serie "L" podrán representar hasta el 25% (veinticinco por ciento) del capital social; y las acciones serie "D" en forma individual o conjuntamente con las acciones de la serie "L", podrán representar hasta el 49% (cuarenta y nueve por ciento) del capital social. Las acciones serie "D" podrán dividirse en acciones subserie "D-L" hasta por un máximo del 25% (veinticinco por ciento) del capital social y en acciones subserie "D-B" por el resto de las acciones serie "D" en circulación.

----- d). Los titulares de las acciones serie "D" y "L" sólo tendrán derecho de voto en las asambleas extraordinarias que se reúnan para tratar los siguientes asuntos:

----- (i) transformación de la sociedad, distinta a la transformación de sociedad anónima bursátil de capital variable a sociedad

anónima bursátil o viceversa;

----- (ii) fusión con otra sociedad, en carácter de fusionada, o fusión con otra u otras sociedades en carácter de fusionante, cuando el objeto principal de la o las fusionadas no esté relacionado o conexo con el de la sociedad o sus subsidiarias;

----- (iii) cambio de nacionalidad de la sociedad;

----- (iv) disolución o liquidación de la sociedad; y

----- (v) la cancelación de la inscripción de las acciones series "D" y "L" que emita la sociedad, en la Sección de Valores del Registro Nacional de Valores y en las bolsas de valores nacionales o extranjeras, en las cuales se encuentren inscritas, salvo que se trate de la cancelación de la inscripción de las acciones serie "D" como consecuencia de la conversión de dichas acciones conforme a estos estatutos. Los titulares de acciones serie "D" y/o "L" tendrán derecho de designar consejeros conforme a lo señalado en el artículo 25o. de estos estatutos sociales. Los titulares de acciones serie "D" y "L" también podrán votar en las asambleas extraordinarias que se reúnan para tratar los asuntos establecidos en los incisos f) y g) del artículo 6º de estos estatutos. Los titulares de las acciones Serie "D" y "L" también podrán votar en los asuntos que expresamente autorice la Ley del Mercado de Valores.

----- Los titulares de acciones series "D" y "L" por ningún título tendrán la facultad de determinar el manejo de la sociedad, ni tendrán otros derechos que los que expresamente se les confiere de acuerdo con este artículo 6o.

----- e). La sociedad podrá emitir acciones con la característica de estar integradas en unidades vinculadas. Las unidades vinculadas podrán amparar: (i) 5 (cinco) acciones serie "B" o sus múltiplos y que serán denominadas en estos estatutos como "unidades B"; (ii) 1 (una) acción serie "B" y 2 acciones serie "D" subserie "D-L" y 2 acciones serie "D" subserie "D-B" o sus múltiplos y que serán denominadas en estos estatutos como "unidades BD"; o (iii) cualquiera otra combinación de acciones que decidan sus accionistas conforme a estos estatutos. Las acciones que emita la sociedad con la característica de estar integradas en unidades vinculadas, sólo podrán circular, venderse, transmitirse, cederse, pignorar, o enajenarse por cualquier título, en la forma de las unidades vinculadas que las integren.

----- f). Mediante asamblea extraordinaria de accionistas que se reúna conforme a lo que se establece en el inciso c) del artículo 22o de estos estatutos, los accionistas de la sociedad podrán acordar que la totalidad de las

acciones serie "D" que se encuentren en circulación, sean convertidas en acciones serie "L" de voto limitado y en acciones serie "B" ordinarias, como sigue: las acciones de la subserie "D-L" se convertirían en acciones serie "L" y las acciones de la subserie "D-B", se convertirían en acciones ordinarias serie "B". Una vez que las acciones serie "D", subserie "D-L" y subserie "D-B" sean convertidas, el capital social de la sociedad estará representado por acciones ordinarias serie "B", las cuales representarán cuando menos el 75% del capital social y en acciones de voto limitado serie "L", las cuales podrán representar hasta el 25% del capital social de la sociedad. La conversión de las acciones serie "D", subserie "D-L" en acciones serie "L" y de las acciones serie "D", subserie "D-B", en acciones ordinarias serie "B" será efectiva al transcurrir un plazo de 2 (dos) años contados a partir de la fecha en la que los accionistas de la sociedad hubieran acordado su conversión, conforme al párrafo anterior.

----- g). Mediante asamblea extraordinaria de accionistas que se reúna conforme a lo que se establece en el inciso c) del artículo 22o de estos estatutos, los accionistas de la sociedad podrán acordar la desvinculación de sus acciones para ser canjeadas por los títulos correspondientes que amparen las acciones integradas en dichas unidades vinculadas. La desvinculación será efectiva al transcurrir un plazo de 2 (dos) años contados a partir de la fecha en la que los accionistas de la sociedad hubieran acordado su desvinculación, conforme al párrafo anterior.

-----**ARTÍCULO 7o. EMISIÓN DE ACCIONES DE VOTO LIMITADO.** Las acciones de voto limitado, de las denominadas en estos estatutos series "D" y "L", se considerarán inversión neutra; no computarán para el efecto de determinar el monto y proporción de la participación extranjera en el capital social de la sociedad, en los términos de la Ley de Inversión Extranjera y sus disposiciones reglamentarias; se considerarán emitidas en los términos de las disposiciones aplicables de la Ley del Mercado de Valores y de las autorizaciones correspondientes de la Comisión Nacional Bancaria y de Valores; no les será aplicable lo dispuesto en el Artículo 198 de la Ley General de Sociedades Mercantiles; y tendrán las limitantes sobre derechos corporativos, que se señalan en estos estatutos.

-----**ARTÍCULO 8o. AUMENTO O REDUCCIÓN DEL CAPITAL SOCIAL.**- El aumento o la reducción del capital social fijo y la consecuente reforma de la cláusula tercera de la escritura constitutiva y del artículo 6o. de los estatutos sociales, serán objeto de acuerdo de la asamblea general extraordinaria. Asimismo de conformidad con el artículo 53 de la Ley del Mercado de Valores, será objeto de acuerdo de asamblea general extraordinaria, el aumento de capital que se decreta para la emisión de acciones no suscritas que se conserven en tesorería. El aumento o la reducción del capital social variable, lo acordará la asamblea general ordinaria de accionistas.

-----**ARTÍCULO 9o. AUMENTO MEDIANTE EMISIÓN O COLOCACIÓN DE ACCIONES.**- El aumento de capital social en su parte variable podrá efectuarse mediante emisión de nuevas acciones o colocación de acciones de tesorería que se conserven para este fin. Tratándose de la emisión de nuevas acciones, los accionistas tendrán el derecho de preferencia para suscribir las acciones dentro de su respectiva serie, siempre que la asamblea decreta que deban ser pagadas en efectivo. De conformidad con el artículo 53 de la Ley del Mercado de Valores, cuando se trate de acciones de tesorería, éstas deberán ser suscritas mediante oferta pública. El derecho de preferencia deberá ejercerse dentro del término de 15 (quince) días naturales, contados a partir de la fecha de la publicación del aviso correspondiente en el Periódico Oficial del domicilio de la sociedad. En caso de que después de la expiración del plazo durante el cual los accionistas debieran de ejercitar el derecho de preferencia que se les otorga en el presente artículo, aún quedasen sin suscribir algunas acciones, éstas podrán ser ofrecidas para su suscripción y pago, en las condiciones y plazos que determine la propia asamblea que hubiere decretado el aumento de capital, o en los términos en que disponga el consejo de administración o los delegados designados por la asamblea para dicho efecto. Los accionistas no gozarán del derecho de preferencia a que se hace mención en este artículo cuando se trate de emisión de nuevas acciones o colocación de acciones de tesorería para: (i) fusión de la sociedad; (ii) conversión de obligaciones emitidas en términos de la Ley General de Títulos y Operaciones de Crédito, (iii) oferta pública en los términos de lo previsto por los artículos 53, 56 y demás relativos de la Ley del Mercado de Valores; (iv) aumento de capital social mediante el pago en especie de las acciones que se emitan, o

mediante la cancelación de pasivos a cargo de la sociedad; y (v) colocación de acciones propias adquiridas por la sociedad.

-----**ARTÍCULO 10o. RETIRO.** De acuerdo con lo dispuesto por el artículo 50 de la Ley del Mercado de Valores, los accionistas titulares de acciones de la parte variable del capital social de la sociedad no tendrán el derecho de retiro a que se refiere el artículo 220 de la Ley General de Sociedades Mercantiles.

-----**ARTÍCULO 11o. ADQUISICIÓN DE ACCIONES PROPIAS.** La sociedad, conforme a lo previsto en la Ley del Mercado de Valores y en las disposiciones de carácter general expedidas por la Comisión Nacional Bancaria y de Valores, podrá adquirir las acciones representativas de su capital social.

-----**ARTÍCULO 12o. LIMITACIONES PARA LA ADQUISICIÓN DE ACCIONES DE LA SOCIEDAD POR PERSONAS MORALES CONTROLADAS.** Conforme a lo previsto en el artículo 56 de la Ley del Mercado de Valores, las personas morales que sean controladas por la sociedad no podrán adquirir, directa o indirectamente, acciones representativas del capital de la sociedad o títulos de crédito que representen dichas acciones. Se exceptúan de la prohibición anterior las adquisiciones que se realicen a través de sociedades de inversión.

-----**ARTÍCULO 13o. REGISTRO DE VARIACIONES DE CAPITAL.**- Todo aumento o disminución del capital social deberá inscribirse en un registro que llevará la sociedad para tal efecto.

-----**ARTÍCULO 14o. AMORTIZACIÓN DE ACCIONES.**- La sociedad podrá amortizar parte de sus acciones con utilidades repartibles, de acuerdo con las siguientes reglas: a). La amortización deberá ser decretada por la asamblea general extraordinaria de accionistas. b). Sólo podrán amortizarse las acciones íntegramente pagadas. c). La adquisición de acciones para amortizarlas se hará conforme a las reglas que establece el artículo 136 de la Ley General de Sociedades Mercantiles. d). En ningún caso se podrán amortizar acciones si como consecuencia de la amortización las acciones series "D" y/o "L" exceden los porcentajes máximos que establece el artículo 6o. de estos estatutos. e). Los títulos de las acciones amortizadas quedarán anulados.

-----**ARTÍCULO 15o. TÍTULOS Y CERTIFICADOS DE LAS ACCIONES.**- Los títulos definitivos o los certificados provisionales que representen a las acciones o a las unidades vinculadas serán nominativos y podrán amparar una o más acciones de igual o diferente serie o subserie; contendrán las menciones a que se refiere el artículo 125 de la Ley General de Sociedades Mercantiles, la indicación de la serie, series y/o subserie a la que correspondan; llevarán inserto el texto del artículo 5o. de estos estatutos y serán suscritos por dos consejeros propietarios o suplentes de la serie "B". Las firmas de los mencionados administradores podrán ser autógrafas o bien impresas en facsimil, a condición en este último caso, de que se deposite el original de las firmas respectivas en el Registro Público de Comercio del domicilio social de la sociedad. En el caso de los títulos definitivos, éstos deberán llevar adheridos los cupones nominativos numerados que determine el consejo de administración. La asamblea de accionistas que decreta el aumento de capital respectivo o la asamblea extraordinaria podrán establecer, que algunas de las acciones de la sociedad, de cualquier serie o series estén amparadas por unidades vinculadas, que sin ser certificados de participación ordinarios no amortizables, representen unidades y vinculen acciones de la misma serie o de diversas series, en los términos del artículo 6o. de estos estatutos.

-----**ARTÍCULO 16o. REGISTRO DE ACCIONES.**- La sociedad llevará un registro de acciones y considerará como accionista a quien aparezca inscrito como tal en dicho registro.

-----**ARTÍCULO 17o. CANCELACIÓN DE INSCRIPCIÓN DE ACCIONES.**- En el evento de cancelación de la inscripción de las acciones representativas del capital de la sociedad o de títulos que las representen en el Registro Nacional de Valores, ya sea por solicitud de la propia sociedad, previo acuerdo de la asamblea general extraordinaria de accionistas y con el voto favorable de los titulares de acciones, con o sin derecho de voto o de voto limitado, que representen el 95% (noventa y cinco por ciento) del capital social de la sociedad, o por resolución de la Comisión Nacional Bancaria y de Valores, en ambos casos, de conformidad con lo dispuesto en el artículo 108 de la Ley del Mercado de Valores, la sociedad deberá realizar, previo a dicha

cancelación, una oferta pública de adquisición, sujetándose para dichos efectos a lo que establezca la Ley del Mercado de Valores. La sociedad deberá afectar en un fideicomiso por un período mínimo de seis meses, contados a partir de la fecha de la cancelación, los recursos necesarios para adquirir al mismo precio de la oferta, las acciones de los inversionistas que no acudieron a dicha oferta. A fin de cumplir con lo dispuesto en el artículo 108 de la Ley del Mercado de Valores, el consejo de administración de la sociedad, deberá dar a conocer al público, su opinión respecto del precio de la oferta pública de adquisición.

-----**ARTÍCULO 18o. ASAMBLEAS DE ACCIONISTAS:** La asamblea general de accionistas es el órgano supremo de la sociedad, estando subordinados a ella todos los demás. Las asambleas serán generales (ordinarias o extraordinarias) o especiales y se celebrarán en el domicilio de la sociedad. Serán extraordinarias las que traten sobre: a) Cualquiera de los asuntos enumerados en el artículo 182 (excepto para el caso de aumentos o reducciones de la parte variable del capital social de acuerdo con el artículo 8o. de estos estatutos) y 228 bis de la Ley General de Sociedades Mercantiles. b) La cancelación o la inscripción de las acciones o de los títulos que las representen, emitidas o a ser emitidas por la sociedad, en el Registro Nacional de Valores o en bolsas de valores nacionales o extranjeras en las que estuvieren registradas. c) La amortización por parte de la sociedad de acciones del capital social con utilidades repartibles y, en su caso, emisión de acciones de goce. d) El aumento del capital social en los términos del Artículo 53 (cincuenta y tres) de la Ley del Mercado de Valores. e) Los demás asuntos para los que la legislación aplicable o los estatutos sociales expresamente exijan un quórum especial. Todas las demás asambleas generales serán ordinarias. La asamblea general ordinaria, en adición a lo previsto en la Ley General de Sociedades Mercantiles, se reunirá para aprobar las operaciones que pretenda llevar a cabo la sociedad o las personas morales que ésta controle, en el lapso de un ejercicio social, cuando representen el 20% (veinte por ciento) o más de los activos consolidados de la sociedad con base en cifras correspondientes al cierre del trimestre inmediato anterior, con independencia de la forma en que se ejecuten, sea simultánea o sucesiva, pero que por sus características puedan considerarse como una sola operación. En dichas asambleas podrán votar los accionistas titulares de acciones con derecho a voto, incluso limitado o restringido. Las asambleas especiales serán las que se reúnan para tratar asuntos que puedan afectar los derechos de una sola serie de acciones.

-----**ARTÍCULO 19o. REUNIONES DE LAS ASAMBLEAS DE ACCIONISTAS:** Las asambleas de accionistas se reunirán en el domicilio social, cuando sean convocadas por acuerdo del consejo de administración, por conducto del secretario del consejo o su suplente, también podrán ser convocadas por los comités de auditoría o de prácticas societarias, por conducto de su respectivo presidente. Los accionistas titulares de acciones con derecho a voto, incluso limitado o restringido, que en lo individual o en conjunto tengan el 10% (diez por ciento) del capital social podrán requerir del presidente del consejo de administración, del comité de auditoría o del comité de prácticas societarias, que se convoque a una asamblea general de accionistas, sin que al efecto sea aplicable el porcentaje señalado en el Artículo 184 de la Ley General de Sociedades Mercantiles. La asamblea ordinaria de accionistas se reunirá por lo menos una vez al año, en la fecha que señale el consejo de administración, dentro de los 4 (cuatro) meses siguientes a la terminación del ejercicio social. La asamblea se reunirá a petición de los accionistas en los términos de los artículos 184 y 185 de la Ley General de Sociedades Mercantiles y demás disposiciones aplicables de la Ley del Mercado de Valores.

-----**ARTÍCULO 20o. CONVOCATORIAS:** Las convocatorias para las asambleas de accionistas, deberán publicarse en el Periódico Oficial del Estado o en cuando menos uno de los periódicos de mayor circulación de la entidad del domicilio de la sociedad, con 15 (quince) días de anticipación por lo menos, a la fecha señalada para la asamblea, tratándose de la primera convocatoria y de 8 (ocho) días de anticipación por lo menos, a la fecha señalada para la asamblea, tratándose de ulteriores convocatorias. Las convocatorias para asambleas generales cumplirán además con los requisitos señalados en los artículos 186 y 187 de la Ley General de Sociedades Mercantiles, y demás disposiciones aplicables de la Ley del Mercado de Valores.

-----**ARTÍCULO 21o. DERECHO DE ASISTENCIA:** Para asistir a las asambleas, los accionistas deberán estar inscritos en el registro de accionistas de la sociedad, depositar sus acciones en la secretaría de la sociedad para obtener la tarjeta de entrada a la asamblea, por lo menos con 48 (cuarenta y ocho) horas de anticipación al día y hora señalados para la celebración de la asamblea. En el caso de acciones depositadas en una institución para depósito de valores, ésta deberá comunicar oportunamente a la secretaría de la sociedad el número de acciones que cada uno de sus depositantes mantenga en dicha institución, indicando si el depósito se hace por cuenta propia o ajena, debiendo esta constancia complementarse con el listado de nombres de los depositantes y haber sido previamente entregada a la secretaría de la sociedad, dentro del plazo antes mencionado, a fin de obtener una tarjeta de entrada. Los accionistas podrán hacerse representar en las asambleas por apoderados designados mediante simple carta poder, o mediante poder otorgado en formularios que cumplan con los requisitos establecidos en la Ley del Mercado de Valores, mismos que deberá recibir la secretaría de la sociedad con la anticipación señalada. Las acciones que se depositen en la sociedad para que sus titulares tengan derecho a asistir a las asambleas, no se devolverán sino después de celebradas éstas, contra la entrega del resguardo o constancia que por aquellas se hubiese expedido al accionista.

-----**ARTÍCULO 22o. INSTALACIÓN Y RESOLUCIONES DE LA ASAMBLEA:** Las asambleas se instalarán y resolverán de conformidad con las siguientes reglas:

a). La asamblea general ordinaria de accionistas, se considerará legítimamente instalada en virtud de primera convocatoria, si a ella concurren accionistas que representen más del 50% (cincuenta por ciento) del capital social ordinario suscrito y pagado, dividido en acciones serie "B". En caso de segunda o ulterior convocatoria, la asamblea ordinaria se instalará legítimamente cualquiera que sea el capital social ordinario suscrito y pagado, dividido en acciones serie "B" que representen los concurrentes. Las resoluciones de las asambleas ordinarias serán válidas si se toman cuando menos por la mayoría del capital social ordinario suscrito y pagado, dividido en acciones serie "B", representado en la asamblea. b). Las asambleas extraordinarias de accionistas que se celebren para tratar asuntos en los que no tengan derecho de voto los titulares de acciones serie "D" o de acciones serie "L", se instalarán legalmente en virtud de primera convocatoria, si en ellas están representadas por lo menos las tres cuartas partes del capital social ordinario, suscrito y pagado, dividido en acciones serie "B", y en caso de ulterior convocatoria, se instalarán legalmente con la presencia de accionistas que representen la mayoría de las acciones de dicho capital social ordinario, suscrito y pagado. En ambos casos, las resoluciones en asambleas extraordinarias de accionistas serán válidas si se toman por lo menos por la mayoría del capital social ordinario, suscrito y pagado, dividido en acciones serie "B". c). En las asambleas extraordinarias de accionistas que se reúnan en virtud de primera convocatoria, para tratar los asuntos en los que tengan derecho de voto los accionistas de la series "D" y "L", se considerarán legalmente instaladas si están representadas por lo menos las tres cuartas partes del capital social suscrito y pagado; en caso de segunda o ulterior convocatoria, se instalará legalmente con la presencia de accionistas que representan la mayoría de las acciones del capital social suscrito y pagado, salvo en el caso de segunda o ulterior convocatoria para asambleas extraordinarias que se reúnan para resolver sobre cualquiera de los asuntos establecidos en los incisos f) y g) del artículo 6º de estos estatutos, para lo cual siempre se requerirá la presencia de accionistas que representen por lo menos las tres cuartas partes del capital social suscrito y pagado para que la asamblea se considere legalmente instalada. En todos los casos las resoluciones serán válidas, si se adoptan cuando menos por la mayoría de las acciones del capital social suscrito y pagado. d). Para las asambleas especiales, (incluyendo cualquier asamblea especial que se reúna para elección o destitución de consejeros de la serie "D" y/o consejeros de la serie "L") se aplicarán las mismas reglas previstas en este artículo 22o. para las asambleas generales extraordinarias, pero referidas a la categoría especial de acciones de que se trate. e) En la asamblea general ordinaria que conozca de los estados financieros del ejercicio anterior, deberá presentarse también a los accionistas los informes a que se refiere la fracción IV del artículo 28 de la Ley del Mercado de Valores.

-----**ARTÍCULO 23o. DESARROLLO DE LA ASAMBLEA:** Presidirá las asambleas el presidente del consejo de administración o quien deba sustituirlo en sus funciones; en su defecto, la asamblea será presidida por el accionista que designen los concurrentes. Actuará como secretario, el del consejo o, en su defecto, la persona que designen los asistentes. El presidente nombrará escrutadores a dos de los accionistas presentes. Las votaciones serán económicas a menos que por lo menos 3 (tres) de los concurrentes, con derecho a voto en el asunto de que se trate, pidan que sean nominales. Asimismo, a solicitud de accionistas con derecho de voto, incluso limitado o restringido que reúnan el 10% (diez por ciento) del capital social de la sociedad, se aplazará para dentro de 3 (tres) días y sin necesidad de nueva convocatoria, la votación de cualquier asunto respecto del cual no se consideren suficientemente informados, sin que resulte aplicable el porcentaje señalado en el artículo 199 de la Ley General de Sociedades Mercantiles. Este derecho no podrá ejercitarse sino una sola vez para el mismo asunto.

-----**ARTÍCULO 24o. CONSEJO DE ADMINISTRACIÓN:** La dirección y administración de los asuntos sociales será confiada a un consejo de administración y a un director general. El consejo de administración estará integrado hasta por 21 (veintiún) consejeros propietarios, y los suplentes que se designen conforme a estos estatutos, de los cuales, cuando menos el 25% (veinticinco por ciento) de los consejeros deberán ser independientes.

-----**ARTÍCULO 25o. ELECCIÓN DEL CONSEJO:** Los accionistas de la Serie "B" por mayoría de votos de las acciones de dicha serie representadas en la asamblea, designarán como mínimo 9 (nueve) consejeros y los accionistas de la serie "D", por mayoría de votos de las acciones de dicha serie representadas en la asamblea respectiva designarán 5 (cinco) consejeros. Una vez que las acciones serie "D", subserie "D-L" sean convertidas en acciones serie "L", conforme a lo que establece el artículo 6o f), de estos estatutos, los accionistas de la serie "L" por mayoría de votos de las acciones de dicha serie representadas en la asamblea respectiva, designarán a 2 (dos) consejeros. Los accionistas podrán designar consejeros suplentes, quienes suplirán específicamente a los consejeros propietarios para los cuales hubieren sido designados, conforme a las disposiciones legales aplicables. Los consejeros durarán en su encargo un año, sin embargo, conforme a lo dispuesto por el artículo 24 de la Ley del Mercado de Valores, continuarán en funciones aún y cuando el término por el que fueran designados haya concluido, o por renuncia al cargo, hasta por un plazo de 30 (treinta) días naturales, a falta de designación del sustituto, o cuando éste no tome posesión de su cargo, sin estar sujetos a lo dispuesto en el artículo 154 de la Ley General de Sociedades Mercantiles. Los miembros del consejo y secretarios recibirán anualmente la remuneración que acuerde la asamblea general ordinaria que los designe, y tendrán las obligaciones y responsabilidades que señalan estos estatutos, así como aquellas aplicables de la Ley del Mercado de Valores y de la Ley General de Sociedades Mercantiles. El consejo de administración podrá designar consejeros provisionales, sin intervención de la asamblea de accionistas, cuando faltare alguno de los consejeros, o en su caso el designado no tome posesión de su cargo, y no se hubiere designado suplente, o éste no tome posesión del cargo. La asamblea de accionistas de la sociedad ratificará dichos nombramientos o designará a los consejeros sustitutos en la asamblea siguiente a que ocurra tal evento.

-----**ARTÍCULO 26o. CONVOCATORIAS PARA SESIONES DEL CONSEJO:** El presidente del consejo de administración, cualquiera de los presidentes de los comités de prácticas societarias y de auditoría, o al menos el 25% (veinticinco por ciento) de los consejeros, podrán convocar a una sesión de consejo e insertar en el orden del día los puntos que estimen convenientes. Las convocatorias para las sesiones del consejo de administración serán firmadas por quien las haga o por el presidente o, en su defecto, por el secretario, y deberán enviarse por correo, telefax o entregarse personalmente o por cualquier otro medio, por lo menos con 7 (siete) días de anticipación a la fecha de la sesión. El auditor externo de la sociedad podrá ser convocado a las sesiones del consejo de administración en calidad de invitado con voz y sin voto.

-----**ARTÍCULO 27o. FUNCIONAMIENTO DEL CONSEJO:** El consejo celebrará sesión por lo menos una vez cada 3 (tres) meses. La asamblea anual ordinaria que lo hubiere designado o el consejo de administración en su primera sesión, inmediatamente después de dicha asamblea, nombrará de entre los consejeros designados por

la serie "B", a un presidente, pudiendo también nombrar a un vicepresidente y conferir los demás cargos que estime convenientes. De igual forma, nombrará al secretario y a su suplente, en el entendido que estos dos últimos no serán consejeros. El consejo de administración designará además a las personas que ocupen los demás cargos que se crearen para el mejor desempeño de sus funciones. El presidente, también lo será en las asambleas de accionistas y será sustituido en sus funciones, en caso de ausencia, por el vicepresidente y a falta de éste por los demás consejeros propietarios de la serie "B", en el orden de su designación.

-----**ARTÍCULO 28o. INSTALACIÓN Y RESOLUCIONES DEL CONSEJO:** El consejo de administración se considerará legalmente instalado para resolver cualquier asunto con la presencia de la mayoría de sus miembros y sus resoluciones serán válidas si son aprobadas por el voto de la mayoría de sus miembros presentes.

----- El consejo de administración también podrá celebrar reuniones mediante medios de comunicación interactiva (electrónicos o de telecomunicaciones), entre los consejeros y reuniones mixtas (interactiva y presencial) debiendo en todos los casos cumplir con las mismas condiciones de instalación y votación establecidas en los presentes estatutos para las reuniones presenciales a las que se hace mención en el párrafo anterior.

----- El consejo de administración, sin necesidad de reunirse en sesión, podrá tomar resoluciones por unanimidad de sus miembros, siempre y cuando dichas resoluciones se confirmen por escrito, por todos sus miembros propietarios o sus suplentes.

----- De toda sesión se levantará acta que deberá ser aprobada por lo menos por la mayoría de los consejeros asistentes a la sesión respectiva y firmada por el presidente y secretario.

-----**ARTÍCULO 29o. FACULTADES DEL CONSEJO:** El consejo de administración tendrá las siguientes facultades y obligaciones: a). Administrar los negocios y bienes de la sociedad, con el poder más amplio para actos de administración, en los términos del Artículo 2554, párrafo segundo, del Código Civil Federal y de sus correlativos de los Códigos Civiles vigentes en el Distrito Federal y en las diversas entidades federativas de los Estados Unidos Mexicanos. b). Ejercitar actos de dominio respecto de los bienes muebles e inmuebles de la sociedad, así como sus derechos reales y personales, en los términos del párrafo tercero del Artículo 2554 del Código Civil Federal, y de sus correlativos de los Códigos Civiles vigentes en el Distrito Federal y en las diversas entidades federativas de los Estados Unidos Mexicanos, otorgar garantías de cualquier clase respecto a obligaciones contraídas o de los títulos emitidos o aceptados por terceros. c). Representar a la sociedad con el más amplio poder, ante toda clase de autoridades administrativas o judiciales, ya sea federales, estatales o municipales, así como ante autoridades del trabajo o de cualquier otra índole o ante árbitros o amigables componedores, con el poder más amplio incluyendo las facultades que requieran cláusula especial conforme a la ley, para articular y absolver posiciones, aún para desistirse del juicio de amparo, en los términos del párrafo primero del Artículo 2554 del Código Civil Federal y de sus correlativos de los Códigos Civiles vigentes en el Distrito Federal y en las diversas entidades federativas de los Estados Unidos Mexicanos, así como representar a la sociedad ante toda clase de autoridades penales, federales y de los Estados y formular y presentar acusaciones, denuncias y querellas por delitos cometidos en perjuicio de la misma, para representar y constituir a la sociedad como parte civil coadyuvante del Ministerio Público en los procesos de esta índole y para otorgar el perdón. d). Otorgar, suscribir, avalar y endosar títulos de crédito en nombre de la sociedad, emitir obligaciones con o sin garantía real específica; aportar bienes muebles o inmuebles de la sociedad a otras sociedades y suscribir acciones o tomar participaciones o partes de interés en otras empresas y, en general, ejecutar los actos, celebrar los contratos y realizar las demás operaciones que sean necesarias o conducentes al objeto principal de la sociedad. e). Constituir a la sociedad en deudora solidaria y otorgar avales, fianzas o cualquier otra garantía de pago de cualquier clase, respecto de las obligaciones contraídas o de los títulos emitidos o aceptados por la sociedad o por terceros. f). Aprobar, con la previa opinión del Comité que sea competente, el nombramiento, elección y, en su caso, destitución del director general de la sociedad y su retribución integral, así como las políticas para la designación y retribución integral de los demás directivos

relevantes, asignándoles sus respectivas obligaciones y designar los comités que establece la ley, estos estatutos y los que crea convenientes, señalándoles sus atribuciones y reglas de funcionamiento; en su defecto, se registrarán por las disposiciones previstas en estos estatutos, para el comité ejecutivo. g). Otorgar y revocar los poderes que se crean convenientes, con o sin facultades de sustitución, pudiendo otorgar en ellos las facultades que se consideren oportunas de las que estos estatutos confieren al consejo de administración. h). Ejecutar los acuerdos de la asamblea y, en general, llevar a cabo los actos y operaciones que sean necesarios o convenientes para el objeto de la sociedad hecha excepción de los expresamente reservados por la ley y por estos estatutos a la asamblea. i) Las demás facultades y obligaciones establecidas en estos estatutos y en la Ley del Mercado de Valores.

-----**ARTÍCULO 29o. BIS FACULTADES Y OBLIGACIONES DEL DIRECTOR GENERAL:** Las funciones de gestión, conducción y ejecución de los negocios de la sociedad, y de las personas morales que ésta controle, serán responsabilidad del director general, sujetándose para ello a las estrategias, políticas y lineamientos aprobados por el consejo de administración, y teniendo las facultades y obligaciones que señalan estos estatutos y la Ley del Mercado de Valores.

-----**ARTÍCULO 30o. CAUCIÓN:** No se requerirá que los administradores, secretarios, gerentes y demás funcionarios en ejercicio otorguen caución para garantizar su gestión, salvo en los casos en que la asamblea general de accionistas lo considere conveniente y, en igual forma, el consejo de administración, cuando se trate de gerentes y demás funcionarios designados por este órgano social.

-----**ARTÍCULO 31o. COMITÉ EJECUTIVO:** La asamblea general ordinaria de accionistas podrá designar los comités que estime conveniente; asimismo, podrá designar un comité ejecutivo que estará compuesto por el número impar de miembros del consejo de administración o sus suplentes que éstos determinen, los cuales se constituirán y actuarán invariablemente como órgano colegiado delegado del consejo de administración. La asamblea general ordinaria o el consejo de administración podrá designar además, para el caso de ausencia de algún miembro propietario, a un suplente por cada miembro del comité ejecutivo. Los miembros del comité ejecutivo durarán en su cargo un año, a menos que sean relevados por la asamblea general ordinaria o por el consejo de administración pero, en todo caso, continuarán en su puesto por el término de 30 (treinta) días naturales, mientras no se hicieren nuevas designaciones y las personas designadas para sustituirlos tomen posesión de sus cargos; podrán ser reelectos y recibirán la remuneración que determine la asamblea general ordinaria o el consejo de administración. El comité ejecutivo sesionará con la periodicidad que se determine en la primera sesión que celebre en un año calendario, en el entendido de que podrá sesionar asimismo, cuando sea convocado por el secretario, a petición de su presidente o cualesquiera dos de sus miembros. Las sesiones del comité ejecutivo serán convocadas y el comité operará siguiendo el mismo procedimiento que para las sesiones del consejo de administración prevén los artículos 26o. y 28o. de estos estatutos, pero referidas a los miembros del propio comité ejecutivo. El comité ejecutivo sesionará válidamente con la asistencia de la mayoría de sus miembros y tomará sus resoluciones por mayoría de votos de los presentes. El presidente del comité ejecutivo deberá ser uno de sus miembros y será designado por el propio comité. En ausencia del presidente, las sesiones del comité serán presididas por el miembro del comité designado por los miembros que estuvieren presentes. El comité ejecutivo podrá nombrar un secretario, que podrá ser el secretario del consejo de administración y no necesitara ser consejero. El auditor externo podrá ser invitado a las sesiones del comité, a las cuales podrá concurrir con voz, pero sin voto. El comité ejecutivo tendrá las facultades que se establecen en los incisos a), b), c), d), y e), del artículo 29o. de estos estatutos, las cuales no podrán ser delegadas, sin perjuicio de que el comité designe a alguna persona o personas para la ejecución de actos concretos. El presidente o el secretario del comité ejecutivo informarán de las actividades de éste al consejo de administración, en la sesión del propio consejo siguiente a la sesión correspondiente del comité, o bien cuando se susciten hechos o actos de trascendencia para la sociedad, que a juicio del comité, lo ameriten. De cada sesión el secretario levantará un acta que se transcribirá en el libro especial respectivo, en la cual constará la asistencia, así como las resoluciones adoptadas, y deberá ser firmada por el presidente y secretario de la reunión.

-----**ARTÍCULO 32o. VIGILANCIA DE LA SOCIEDAD:** La vigilancia de la gestión, conducción y ejecución de los negocios de la sociedad y de las personas morales que ésta controle en los términos de la Ley del Mercado de Valores, estará a cargo del consejo de administración. El consejo de administración, para el desempeño de sus funciones de vigilancia, se auxiliará de los comités de prácticas societarias y de auditoría, que constituya, así como por conducto de la persona moral que realice la auditoría externa de la sociedad, cada uno en el ámbito de sus respectivas competencias, según lo señalado por la Ley del Mercado de Valores. Los comités de auditoría y de prácticas societarias desarrollarán las actividades que le establecen la Ley del Mercado de Valores y estarán integrados exclusivamente con consejeros independientes y por un mínimo de 3 (tres) miembros, designados por la asamblea general ordinaria de accionistas o por el consejo de administración, a propuesta de su presidente.

----- Los presidentes de los comités de auditoría y de prácticas societarias, serán designados y/o removidos de su cargo, exclusivamente por la asamblea general de accionistas. Dichos presidentes no podrán presidir el consejo de administración y deberán ser seleccionadas por su experiencia, por su reconocida capacidad y por su prestigio profesional.

-----**ARTÍCULO 33o. EJERCICIO SOCIAL:** El ejercicio social será de doce meses, comenzará el día 1o.(primero) de enero y terminará el día 31 (treinta y uno) de diciembre del mismo año.

-----**ARTÍCULO 34o. APLICACIÓN DE UTILIDADES:** Las utilidades netas anuales, una vez deducido el monto del impuesto sobre la renta y demás conceptos que conforme a la ley deban deducirse o separarse, se aplicarán en la siguiente forma: a). Se separará un mínimo del 5% (cinco por ciento) para constituir el fondo de reserva legal, hasta que éste ascienda cuando menos al 20% (veinte por ciento) del capital social. b). El resto se podrá distribuir como dividendo entre los accionistas, en los términos de estos estatutos y en proporción al número de sus acciones, o si así lo acuerda la asamblea, se llevará total o parcialmente a fondos de previsión, de reserva (incluyendo, en su caso, la reserva para adquisición de acciones propias a que se refiere la Ley del Mercado de Valores), de reinversión, especiales y otros que la misma asamblea decida formar.

-----**ARTÍCULO 35o. DERECHOS DE LOS FUNDADORES:** Los fundadores no se reservan participación especial en las utilidades de la sociedad.

-----**ARTÍCULO 36o. APLICACIÓN DE PERDIDAS:** Si hubiere pérdidas, serán reportadas por los accionistas, en proporción al número de sus acciones, teniéndose en cuenta lo que previene la parte final del artículo 87 de la Ley General de Sociedades Mercantiles.

-----**ARTÍCULO 37o. DISOLUCIÓN ANTICIPADA:** La sociedad se disolverá anticipadamente en los casos a que se refieren las fracciones II, III, IV y V del artículo 229 de la Ley General de Sociedades Mercantiles.

-----**ARTÍCULO 38o. DESIGNACIÓN DE LIQUIDADOR:** Disuelta la sociedad, la asamblea extraordinaria de accionistas designará, a mayoría de votos, uno o más liquidadores, fijándoseles plazo para el ejercicio de su cargo, y la retribución que habrá de corresponderles.

-----**ARTÍCULO 39o. PROCEDIMIENTO PARA LA LIQUIDACIÓN:** El o los liquidadores practicarán la liquidación de la sociedad con arreglo a las resoluciones de la asamblea extraordinaria y, en su defecto, con sujeción a las siguientes bases: a). Concluirá los negocios de la manera que juzgue más conveniente, cobrando los créditos, pagando las deudas y enajenando los bienes de la sociedad, que sea necesario vender al efecto. b) Formulará los estados financieros de la liquidación y los sujetará a la aprobación de la asamblea extraordinaria de accionistas. c). Distribuirá entre los accionistas, en los términos de la ley y de estos estatutos, y contra la entrega y cancelación de los títulos de acciones, el activo líquido que resulte, conforme a los estados financieros aprobados por la asamblea extraordinaria.

-----**ARTÍCULO 40o. FUNCIONES DEL LIQUIDADOR CON RESPECTO A ASAMBLEAS:** Durante la liquidación se reunirá la asamblea, en los términos que previene el capítulo relativo a las asambleas generales de accionistas de estos estatutos, desempeñando respecto a ella el o los liquidadores, las funciones que en la vida normal de la sociedad corresponden al consejo de administración.

-----**ARTÍCULO 41o. DISPOSICIONES GENERALES:** En todo lo no previsto expresamente en estos estatutos, regirán las disposiciones de la Ley del Mercado de Valores y, en lo no previsto en dicha ley, lo señalado en la Ley General de Sociedades Mercantiles. Los términos utilizados en estos estatutos que se encuentren definidos en la Ley del Mercado de Valores, tendrán el significado que se les atribuye en dicho ordenamiento legal

Consent of Independence Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form F-3, No. 333-267667) of Fomento Económico Mexicano, S.A.B. de C.V., of our reports dated April 21, 2023, with respect to consolidated financial statements of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries, and the effectiveness of internal control over financial reporting of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries included in this Annual Report (Form 20-F) for the year ended December 31, 2022.

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

/s/ MANCERA, S.C.
San Pedro Garza García, Mexico
April 21, 2023

DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT

As of December 31, 2022, Fomento Económico Mexicano, S.A.B. de C.V. (“FEMSA,” “the Company,” “we,” “us” and “our”) had the following series of securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class:	Trading symbol:	Name of each exchange on which registered:
[American Depositary Shares, each representing 10 BD Units, and each BD Unit consisting of one Series B Share, two Series D-B Shares and two Series D-L Shares, without par value]	FMX	New York Stock Exchange
2.875% Senior Notes due 2023	FMX23	New York Stock Exchange
4.375% Senior Notes due 2043	FMX43	New York Stock Exchange
3.500% Senior Notes due 2050	FMX50	New York Stock Exchange

Disclosures under the following items are not applicable to us and have been omitted: warrants and rights (Item 12.B of Form 20-F) and other securities (Item 12.C of Form 20-F).

DESCRIPTION OF OUR CAPITAL STOCK

Below is a brief summary of certain significant provisions of our current bylaws and Mexican law relating to the AA Shares, A Shares and L Shares. It does not purport to be complete and is qualified by reference to the bylaws themselves. An English translation of our bylaws has been filed with the SEC as an exhibit to our annual report.

Type and Class of Securities (Item 9.A.5 of Form 20-F)

We have three series of capital stock, each with no par value: Series B shares, Series D-B shares and Series D-L shares. Series B Shares have full voting rights, and Series D-B and D-L Shares have limited voting rights. The shares of the Company are not separable and may be transferred only in the following forms: B Units, consisting of five Series B Shares; and BD Units, consisting of one Series B Share, two Series D-B Shares and two Series D-L Shares. The amount of B Units and BD Units issued as of the last of day of the financial year covered by the annual report to which this exhibit is attached is given on the cover page of the annual report.

Preemptive Rights (Item 9.A.3 of Form 20-F)

See “Item 10—Additional Information—Shareholders Meetings—Preemptive Rights” in the annual report to which this exhibit is attached.

Limitations or Qualifications (Item 9.A.6 of Form 20-F)

See “Item 10—Additional Information—Shareholders Meetings—Limitations on Share Ownership” in the annual report to which this exhibit is attached.

Other rights (Item 9.A.7 of Form 20-F)

Not applicable.

Rights of the Shares (Item 10.B.3 of Form 20-F)

See “Item 10—Additional Information—Bylaws—Voting Rights and Certain Minority Rights” and “Item 10—Additional Information—Shareholders Meetings” in the annual report to which this exhibit is attached.

Requirements for Amendments (Item 10.B.4 of Form 20-F)

The rights of holders are set in our bylaws. A general shareholders’ extraordinary meeting (in which all holders of BD Units and B Units are entitled to attend and to vote on matters) is necessary for the amendment of our bylaws.

Limitations on the Rights to Own Our Shares (Item 10.B.6 of Form 20-F)

See “Item 10—Additional Information—Shareholders Meetings—Limitations on Share Ownership” in the annual report to which this exhibit is attached.

Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)

There are no provisions in our bylaws which may have the effect of delaying, deferring or preventing a change in control of FEMSA and that would only operate with respect to a merger, acquisition or corporate restructuring involving FEMSA or any of its subsidiaries.

Ownership Threshold (Item 10.B.8 of Form 20-F)

There are no provisions in our bylaws governing the ownership threshold above which shareholder ownership must be disclosed.

Differences Between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)

Not applicable.

Changes in Our Capital (Item 10.B.10 of Form 20-F)

See “Item 10—Additional Information—Shareholders Meetings—Change in Capital” in the annual report to which this exhibit is attached.

**AMERICAN DEPOSITARY SHARES
(Item 12.D.1 and 12.D.2 of Form 20-F)**

This summary of the general terms and provisions of FEMSA’s American Depositary Shares (“ADSs”) does not purport to be complete and is qualified in its entirety by reference to the Deposit Agreement, as further amended and restated as of May 11, 2007, among FEMSA, The Bank of New York Mellon (formerly The Bank of New York), as depositary (the “Depositary”) and all owners and holders from time to time of American Depositary Receipts issued thereunder (the “Deposit Agreement”), including the form of American Depositary Receipt (“ADR”). Please refer to Exhibit 1 to FEMSA’s registration statement on Form F-6 filed on April 30, 2007 (File No. 333-142469) filed with the U.S. Securities and Exchange Commission (“SEC”). Capitalized terms used in this section but not defined herein have the meanings given to them in the Deposit Agreement.

General

Each ADS represents an ownership interest in 10 BD Units of FEMSA, and each BD Unit consists of one Series B share, two Series D-B Shares and two Series D-L Shares, without par value. The principal executive office of the Depositary is 240 Greenwich Street, New York, New York 10286.

Procedures for Voting

Upon receipt from the Company of notice of any meeting of holders of Units or Shares or other Deposited Securities, if requested in writing by the Company, the Depositary shall, as soon as practicable thereafter, mail to the

Owners of Receipts a notice, which shall contain (a) such information as is contained in such notice of meeting received by the Depositary from the Company, (b) a statement that the Owners of Receipts as of the close of business on a specified record date will be entitled, subject to any applicable provision of Mexican law and of the By-laws of the Company, to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the amount of Units or Shares or other Deposited Securities represented by their respective American Depositary Shares and (c) a statement as to the manner in which such instructions may be given, including an express indication that such instructions may be given or deemed given in accordance with the last sentence of this paragraph if no instruction is received, to the Depositary to give a discretionary proxy to a person designated by the Company. Upon the written request of an Owner of a Receipt on such record date, received on or before the Instruction Date, the Depositary shall endeavor, in so far as practicable to vote or cause to be voted the amount of Units, Shares or other Deposited Securities represented by the American Depositary Shares evidenced by such Receipt in accordance with the instructions set forth in such request. The Depositary shall not vote or attempt to exercise the right to vote that attaches to the Units or Shares or other Deposited Securities, other than in accordance with such instructions or deemed instructions. If no instructions are received by the Depositary from any Owner with respect to any of the Deposited Securities represented by the American Depositary Shares evidenced by such Owner's Receipts on or before the date established by the Depositary for such purpose, the Depositary shall deem such Owner to have instructed the Depositary to give a discretionary proxy to a person designated by the Company with respect to such Deposited Securities and the Depositary shall give a discretionary proxy to a person designated by the Company to vote such Deposited Securities, provided, that no such instruction shall be given with respect to any matter as to which the Company informs the Depositary (and the Company agrees to provide such information as promptly as practicable in writing) that (x) the Company does not wish such proxy given, (y) substantial opposition exists or (z) such matter materially and adversely affects the rights of holders of Units or Shares. In the event that the Company does so inform the Depositary in writing of the existence of any of the foregoing circumstances (x), (y) or (z), then the Depositary shall deem such Owner to have so instructed the Depositary to vote or to give voting instructions with respect to or cause the Custodian to vote or give voting instructions with respect to such Deposited Securities in the same manner as holders of the majority of the class of Deposited Securities voted at the relevant meeting.

Subject to the rules of any securities exchange or market on which American Depositary Shares or the Deposited Securities represented thereby are listed or traded, at least two (2) Business Days prior to the date of such meeting or date for giving such instructions, the Depositary shall if requested by the Company deliver to the Company, to the attention of its secretary, copies of all instructions received from Owners in accordance with which the Depositary will vote, or cause to be voted, or give voting instructions with respect to, the Deposited Securities. Delivery of instructions will be made at the expense of the Company provided that payment of such expense shall not be a condition precedent to the obligations of the Depositary under this section.

Notwithstanding anything else contained under the Deposit Agreement, the Depositary shall, if so requested in writing by the Company, represent all Deposited Securities (whether or not voting instructions have been received in respect of such Deposited Securities from holders as of the record date) for the sole purpose of establishing a quorum at a meeting of shareholders.

There can be no assurance that Owners generally or any Owner in particular will receive the notice described in the preceding paragraph sufficiently prior to the Instruction Date to ensure that the Depositary will vote the Units, Shares or Deposited Securities in accordance with the provisions set forth in the preceding paragraph.

Dividends and Distributions

Whenever the Depositary shall receive any cash dividend or other cash distribution on any Deposited Securities, the Depositary shall, if at the time of receipt thereof any amounts received in a foreign currency can in the judgment of the Depositary be converted on a reasonable basis into United States dollars transferable to the United States, and subject to the Deposit Agreement, convert such dividend or distribution into Dollars and shall distribute as promptly as practicable the amount thus received (net of the fees and expenses of the Depositary as provided in the Deposit Agreement, if applicable) to the Owners of Receipts entitled thereto, provided, however, that in the event that the Company or the Depositary shall be required to withhold and does withhold from such cash dividend or such other cash distribution in respect of any Deposited Securities an amount on account of taxes, the amount distributed to the Owners of the Receipts evidencing American Depositary Shares representing such Deposited Securities shall be reduced accordingly.

Subject to the provisions of Sections 4.11 (Withholding) and 5.9 (Charges to Depositary) of the Deposit Agreement, whenever the Depositary shall receive any distribution other than a distribution described in Sections 4.1 (Cash Distributions), 4.3 (Distributions in Units or Shares) or 4.4 (Rights) of the Deposit Agreement, the Depositary shall cause the securities or property received by it to be distributed to the Owners of Receipts entitled thereto, after deduction or upon payment of any fees and expenses of the Depositary or any taxes or other governmental charges in proportion to the number of American Depositary Shares representing such Deposit Securities held by them respectively, in any manner that the Depositary may deem equitable and practicable for accomplishing such distribution; provided, however, that if in the opinion of the Depositary such distribution cannot be made proportionately among the Owners of Receipts entitled thereto, or if for any other reason the Depositary deems such distribution not to be feasible, the Depositary may adopt such method as it may deem equitable and practicable for the purpose of effecting such distribution, including, but not limited to, the public or private sale of the securities or property thus received, or any part thereof, and the net proceeds of any such sale (net of the fees of the Depositary as provided in Section 5.9 (Charges of Depositary) of the Deposit Agreement) shall be distributed by the Depositary to the Owners of Receipts entitled thereto as in the case of a distribution received in cash.

If any distribution upon any Deposited Securities consists of a dividend in, or free distribution of, Units or Shares, the Depositary may, after Consultation with the Company and shall if the Company shall so request, distribute as promptly as practicable to the Owners of outstanding Receipts entitled thereto, additional Receipts evidencing an aggregate number of American Depositary Shares representing the amount of Units or Shares received as such dividend or free distribution, subject to the terms and conditions of the Deposit Agreement with respect to the deposit of Units or Shares and the issuance of American Depositary Shares evidenced by Receipts, including the withholding of any tax or other governmental charge as provided in Section 4.11 (Withholding) of the Deposit Agreement and the payment of the fees of the Depositary as provided in Section 5.9 (Charges of Depositary) of the Deposit Agreement. In lieu of delivering Receipts for fractional American Depositary Shares in any such case, the Depositary shall sell the amount of Units or Shares represented by the aggregate of such fractions and distribute the net proceeds, all in the manner and subject to the conditions set forth in the Deposit Agreement. If additional Receipts are not so distributed, each American Depositary Share shall thenceforth also represent the additional Units or Shares distributed upon the Deposited Securities represented thereby.

In the event that the Depositary determines that any distribution in property (including Units or Shares and rights to subscribe therefor) is subject to any tax or other governmental charge which the Depositary is obligated to withhold, the Depositary may by public or private sale dispose of all or a portion of such property (including Units or Shares and rights to subscribe therefor) in such amounts and in such manner as the Depositary deems necessary and practicable to pay any such taxes or charges and the Depositary shall distribute the net proceeds of any such sale after deduction of such taxes or charges to the Owners of Receipts entitled thereto.

The Depositary will forward to the Company or its agent such information from its records as the Company may reasonably request to enable the Company or its agents to file necessary reports with governmental authorities or agencies. The Depositary, the Custodian or the Company and its agents may, but shall not be obligated to, file such reports as are necessary to reduce or eliminate applicable taxes on dividends and on other distributions in respect of Deposited Securities under applicable tax treaties or laws for the Owners. Owners of American Depositary Shares may be required from time to time, and in a timely manner, to file such proof of taxpayer status, residence and beneficial ownership (as applicable), to execute such certificates and to make such representations and warranties, or to provide any other information or documents, as the Depositary or the Custodian may deem necessary or proper to fulfill the Depositary's or the Custodian's obligations under applicable law. The Owners shall indemnify the Depositary, the Company, the Custodian and any of their respective directors, employees, agents and affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

The Depositary is under no obligation to provide the holders and Owners with any information about the tax status of the Company. The Depositary shall not incur any liability for any tax consequences that may be incurred by holders and Owners on account of their ownership of the American Depositary Shares, including without limitation, tax consequences resulting from the Company (or any of its subsidiaries) being treated as a "Foreign Personal Holding Company," or as a "Passive Foreign Investment Company" (in each case as defined in the U.S. Internal Revenue Code and the regulations issued thereunder) or otherwise.

Notices, Reports and Proxy Soliciting Material; Rights of Inspection

The Company is subject to the periodic reporting requirements of the Securities Exchange Act of 1934 and, accordingly, files certain reports with the SEC.

Such reports and communications will be available for inspection and copying at the public reference facilities maintained by the SEC located at 100 F Street, N.E., Washington, D.C. 20549.

The Depository will make available for inspection by Owners of Receipts at its Corporate Trust Office any reports and communications, including any proxy soliciting material, received from the Company which are both (a) received by the Depository as the holder of the Deposited Securities and (b) made generally available to the holders of such Deposited Securities by the Company. The Depository shall also, upon written request, send to the Owners of Receipts copies of such reports furnished by the Company pursuant to the Deposit Agreement. Any such reports and communications, including any such proxy soliciting material, furnished to the Depository by the Company shall be furnished in English.

The Depository shall keep books at its Corporate Trust Office for the registration of Receipts and transfers of Receipts which at all reasonable times shall be open for inspection by the Owners of Receipts, provided that such inspection shall not be for the purpose of communicating with Owners of Receipts in the interest of a business or object other than the business of the Company or a matter related to the Deposit Agreement or the Receipts.

Sale or Exercise of Rights

In the event that the Company shall offer or cause to be offered to the holders of any Deposited Securities any rights to subscribe for additional Units or Shares or any rights of any other nature, the Depository after Consultation with the Company shall have discretion as to the procedure to be followed in making such rights available to any Owners or in disposing of such rights on behalf of any Owners and making the net proceeds available to such Owners or, if by the terms of such rights offering or for any other reason, the Depository may not either make such rights available to any Owners or dispose of such rights and make the net proceeds available to such Owners, then the Depository shall allow the rights to lapse. If at the time of the offering of any rights the Depository determines in its discretion that it is lawful and feasible to make such rights available to all Owners or to certain Owners but not to other Owners, the Depository may distribute, to any Owner to whom it determines the distribution to be lawful and feasible, in proportion to the number of American Depositary Shares held by such Owner, warrants or other instruments therefor in such form as it deems appropriate.

In circumstances in which rights would otherwise not be distributed, if an Owner of Receipts requests the distribution of warrants or other instruments in order to exercise the rights allocable to the American Depositary Shares of such Owner under the Deposit Agreement, the Depository will make such rights available to such Owner upon written notice from the Company to the Depository that (a) the Company has elected in its sole discretion to permit such rights to be exercised and (b) such Owner has executed such documents as the Company has determined in its sole discretion are reasonably required under applicable law.

If the Depository has distributed warrants or other instruments for rights to all or certain Owners, then upon instruction from such an Owner pursuant to such warrants or other instruments to the Depository from such Owner to exercise such rights, upon payment by such Owner to the Depository for the account of such Owner of an amount equal to the purchase price of the Units or Shares to be received upon the exercise of the rights, and upon payment of the fees and expenses of the Depository and any other charges as set forth in such warrants or other instruments, the Depository shall, on behalf of such Owner, exercise the rights and purchase the Units or Shares, and the Company shall cause the Units or Shares so purchased to be delivered to the Depository on behalf of such Owner. As agent for such Owner, the Depository will cause the Units or Shares so purchased to be deposited pursuant to Section 2.2 (Deposit of Units or Shares) of the Deposit Agreement, and shall, pursuant to Section 2.3 (Execution and Delivery of Receipts) of the Deposit Agreement, execute and deliver Receipts to such Owner. In the case of a distribution pursuant to the foregoing paragraph, such Receipts shall be legended in accordance with applicable U.S. laws, and shall be subject to the appropriate restrictions on sale, deposit, cancellation and transfer under such laws.

If the Depositary determines in its discretion that it is not lawful and feasible to make such rights available to all or certain Owners, it may sell the rights, warrants or other instruments in proportion to the number of American Depositary Shares held by the Owners to whom it has determined it may not lawfully or feasibly make such rights available, and allocate the net proceeds of such sales (net of the fees and expenses of the Depositary as provided in Section 5.9 (Charges of Depositary) of the Deposit Agreement and all taxes and governmental charges payable in connection with such rights and subject to the terms and conditions of the Deposit Agreement) for the account of such Owners otherwise entitled to such rights, warrants or other instruments, upon an averaged or other practical basis without regard to any distinctions among such Owners because of exchange restrictions or the date of delivery of any Receipt or otherwise.

The Depositary will not offer rights to Owners unless both the rights and the securities to which such rights relate are either exempt from registration under the Securities Act with respect to a distribution to Owners or are registered under the provisions of the Securities Act. If an Owner of Receipts requests distribution of warrants or other instruments, notwithstanding that there has been no such registration under such the Securities Act, the Depositary shall not effect such distribution unless it has received an opinion from recognized counsel in the United States for the Company upon which the Depositary may rely that such distribution to such Owner is exempt from such registration.

Neither the Depositary nor the Company shall be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Owners in general or any Owner in particular.

Deposit or Sale of Securities Resulting from Splits or Plans of Reorganization

In circumstances where the provisions of Section 4.3 (Distributions in Units or Shares) of the Deposit Agreement do not apply, upon any change in nominal value, change in par value, split-up, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger or consolidation, or sale of assets affecting the Company or to which it is a party, any securities which shall be received by the Depositary or a Custodian in exchange for or in conversion of or in respect of Deposited Securities shall be treated as new Deposited Securities under the Deposit Agreement, and American Depositary Shares shall thenceforth represent, in addition to the existing Deposited Securities, if any, the new Deposited Securities so received in exchange or conversion, unless additional Receipts are delivered pursuant to the following sentence. In any such case the Depositary may, and shall if the Company shall so request, execute and deliver additional Receipts as in the case of a dividend in Units or Shares, or call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing such new Deposited Securities.

Amendment or Termination of the Deposit Arrangements

The form of the Receipts and any provisions of the Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depositary without the consent of Owners and holders in any respect which they may deem necessary or desirable. Any amendment which shall impose or increase any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or which shall otherwise prejudice any substantial existing right of Owners of Receipts, shall, however, not become effective as to outstanding Receipts until the expiration of thirty days after notice of such amendment shall have been given to the Owners of outstanding Receipts. Every Owner of a Receipt at the time any amendment so becomes effective shall be deemed, by continuing to hold such Receipt, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby. In no event shall any amendment impair the right of the Owner of any Receipt to surrender such Receipt and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law.

The Depositary shall at any time at the direction of the Company terminate the Deposit Agreement by mailing notice of such termination to the Owners of all Receipts then outstanding at least 30 days prior to the date fixed in such notice for such termination. The Depositary may likewise terminate the Deposit Agreement by mailing notice of such termination to the Company and the Owners of all Receipts then outstanding if at any time 60 days shall have expired after the Depositary shall have delivered to the Company a written notice of its election to resign and a successor depositary shall not have been appointed and accepted its appointment as provided in Section 5.4 (Resignation and Removal of the Depositary) of the Deposit Agreement. On and after the date of termination, the

Owner of a Receipt will, upon (a) surrender of such Receipt at the Corporate Trust Office of the Depositary, (b) payment of the fee of the Depositary for the surrender of Receipts referred to in Section 2.5 (Surrender of Receipts and Withdrawal of Units or Shares) of the Deposit Agreement and (c) payment of any applicable taxes or governmental charges, be entitled to delivery, to him or upon his order, of the amount of Deposited Securities represented by the American Depositary Shares evidenced by such Receipt. If any Receipts shall remain outstanding after the date of termination, the Depositary thereafter shall discontinue the registration of transfers of Receipts, shall suspend the distribution of dividends to the Owners thereof, and shall not give any further notices or perform any further acts under the Deposit Agreement, except that the Depositary shall continue to collect dividends and other distributions pertaining to Deposited Securities, shall sell rights and other property as provided in the Deposit Agreement, and shall continue to deliver Deposited Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, in exchange for Receipts surrendered to the Depositary (after deducting, in each case, the fee of the Depositary for the surrender of a Receipt, any expenses for the account of the Owner of such Receipt in accordance with the terms and conditions of the Deposit Agreement, and any applicable taxes or governmental charges). At any time after the expiration of 6 months from the date of termination, the Depositary may sell the Deposited Securities then held under the Deposit Agreement and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it thereunder, unsegregated and without liability for interest, for the pro rata benefit of the Owners of Receipts which have not theretofore been surrendered, such Owners thereupon becoming general creditors of the Depositary with respect to such net proceeds. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement, except to account for such net proceeds and other cash (after deducting, in each case, the fee of the Depositary for the surrender of a Receipt, any expenses for the account of the Owner of such Receipt in accordance with the terms and conditions of the Deposit Agreement, and any applicable taxes or governmental charges). Upon the termination of the Deposit Agreement, the Company shall be discharged from all obligations under the Deposit Agreement except for its obligations to the Depositary under Sections 5.8 (Indemnification) and 5.9 (Charges of Depositary) of the Deposit Agreement.

Restrictions on the Right to Transfer or Withdraw the Underlying Securities

Notwithstanding any other provision of the Deposit Agreement or the form of ADR, the surrender of outstanding Receipts and withdrawal of Deposited Securities may be suspended only for (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the deposit of Units or Shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes and similar charges and (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the Receipts or to the withdrawal of the Deposited Securities.

The delivery of Receipts against deposits of Units or Shares generally or against deposits of particular Units or Shares may be suspended, or the transfer of Receipts in particular instances may be refused, or the registration of transfer of outstanding Receipts generally may be suspended, during any period when the transfer books of the Depositary are closed, or if any such action is deemed necessary or advisable by the Depositary or the Company at any time or from time to time because of any requirement of law or of any government or governmental body or commission, or any securities exchange on which the Units, Shares or American Depositary Shares are listed, or under any provision of the Deposit Agreement or the form of ADR, or for any other reason, subject to the provisions of Section 7.7 (Compliance with U.S. Securities Laws) of the Deposit Agreement.

Without limitation of the foregoing, the Depositary shall not knowingly accept for deposit under the Deposit Agreement any Units or Shares required to be registered under the provisions of the Securities Act, unless a registration statement is in effect as to such Units or Shares.

If any tax or other governmental charge shall become payable with respect to any Receipt or any Deposited Securities represented hereby, such tax or other governmental charge shall be payable by the Owner hereof to the Depositary. The Depositary may refuse to effect any transfer of the ADR or any withdrawal of Deposited Securities represented by American Depositary Shares evidenced by such Receipt until such payment is made, and may withhold any dividends or other distributions, or may sell for the account of the Owner hereof any part or all of the Deposited Securities represented by the American Depositary Shares evidenced by the ADR, and may apply such dividends or other distributions or the proceeds of any such sale in payment of such tax or other governmental charge and the Owner hereof shall remain liable for any deficiency.

Any person presenting Units or Shares for deposit or any Owner or holder of a Receipt may be required from time to time to file with the Depositary or the Custodian such proof of citizenship or residence, exchange control approval, or such information relating to the registration on the books of the Company or the Foreign Registrar, if applicable, to execute such certificates and to make such representations and warranties, as the Depositary may deem necessary or proper or as the Company may reasonably require by written request to the Depositary. The Depositary may withhold the delivery or registration of transfer of any Receipt or the distribution of any dividend or sale or distribution of rights or of the proceeds thereof or the delivery of any Deposited Securities until such proof or other information is filed or such certificates are executed or such representations and warranties made. The Depositary shall provide the Company, upon the Company's reasonable written request, in a timely manner, with copies of any such proofs of citizenship or residence, or exchange control approval that it receives, unless that disclosure is not permitted under applicable law. No Unit or Share shall be accepted for deposit unless accompanied by evidence satisfactory to the Depositary that any necessary approval has been granted by any governmental body in Mexico which is then performing the function of the regulation of currency exchange.

The Company agrees to pay the fees, reasonable expenses and out-of-pocket charges of the Depositary and those of any Registrar only in accordance with agreements in writing entered into between the Depositary and the Company from time to time. The Depositary shall present its statement for such charges and expenses to the Company once every three months. The charges and expenses of the Custodian are for the sole account of the Depositary.

The following charges shall be incurred by any party depositing or withdrawing Units or Shares or by any party surrendering Receipts or to whom Receipts are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding the Receipts or Deposited Securities or a distribution of Receipts pursuant to Section 4.3 (Distributions in Units or Shares) of the Deposit Agreement), or by Owners, as applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of Units or Shares generally on the Unit or Share register of the Company or Foreign Registrar and applicable to transfers of Units or Shares to or from the name of the Depositary or its nominee or the Custodian or its nominee on the making of deposits or withdrawals under the Deposit Agreement, (3) such cable, telex and facsimile transmission expenses as are expressly provided in the Deposit Agreement, (4) such expenses as are incurred by the Depositary in the conversion of foreign currency pursuant to Section 4.5 (Conversion of Foreign Currency) of the Deposit Agreement, (5) a fee of \$5.00 or less per 100 American Depositary Shares (or portion thereof) for the execution and delivery of Receipts pursuant to Section 2.3 (Execution and Delivery of Receipts), 4.3 (Distributions in Units or Shares) or 4.4 (Rights) of the Deposit Agreement and the surrender of Receipts pursuant to Section 2.5 (Surrender of Receipts and Withdrawal of Units or Shares) or 6.2 (Termination) of the Deposit Agreement, (6) a fee of \$.02 or less per American Depositary Share (or portion thereof) for any cash distribution made pursuant to the Deposit Agreement, including, but not limited to Sections 4.1 (Cash Distributions), 4.2 (Distributions Other Than Cash, Units, Shares or Rights), 4.3 (Distributions in Units or Shares) and 4.4 (Rights) of the Deposit Agreement, to the extent permitted by the rules of any securities exchange on which the American Depositary Shares may be listed for trading, (7) a fee for the distribution of securities pursuant to Section 4.2 (Distributions Other Than Cash, Units, Shares or Rights) of the Deposit Agreement, such fee being in an amount equal to the fee for the execution and delivery of American Depositary Shares referred to above which would have been charged as a result of the deposit of such securities (for purposes of this clause 7 treating all such securities as if they were Units or Shares) but which securities are instead distributed by the Depositary to Owners and (8) any other charge payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents in connection with the servicing of Units or Shares or other Deposited Securities (which charge shall be assessed against Owners as of the date or dates set by the Depositary in accordance with Section 4.6 (Fixing of Record Date) of the Deposit Agreement and shall be payable at the sole discretion of the Depositary by billing such Owners for such charge or by deducting such charge from one or more cash dividends or other cash distributions).

Notwithstanding any other provision in the Deposit Agreement, the Company may restrict transfers of the Units or Shares, as the case may be, where such transfer might result in ownership of Units or Shares exceeding limits imposed by applicable law or the By-laws of the Company. The Company may also restrict, in such manner as it deems appropriate, transfers of the American Depositary Shares where such transfer may result in the total number of Units or Shares represented by the American Depositary Shares owned by a single Owner exceeding such limits. The Company may, in its sole discretion but subject to applicable law, instruct the Depositary to take such reasonable and practicable actions with respect to the ownership interest of any Owner in excess of the limits set

forth in the preceding sentence, including, but not limited to, the imposition of restrictions on the transfer of American Depositary Shares, the removal or limitation of voting rights or mandatory sale or disposition on behalf of an Owner of the Units or the Shares (as the case may be) represented by the American Depositary Shares held by such Owner in excess of such limitations, if and to the extent such disposition is reasonable and practicable and permitted by applicable law and the By-laws of the Company. The Depositary shall, at the sole expense of the Company, use its reasonable efforts to comply with the reasonable and practicable written instructions of the Company as provided in Article 25 (Ownership Restrictions) of the form of ADR. The Depositary shall have no liability for any action taken by it pursuant to Article 25 (Ownership Restrictions) of the form of ADR and Section 3.5 (Ownership Restrictions) of the Deposit Agreement.

Limitation of Depositary's Liability

Neither the Depositary nor the Company nor any of their respective directors, employees, agents or affiliates shall incur any liability to any Owner or holder of any Receipt, if by reason of any provision of any present or future law or regulation of the United States or any other country, or of any governmental or regulatory authority or stock exchange, or by reason of any provision, present or future, of the By-laws of the Company, or by reason of any provision of any Securities issued or distributed by the Company, or any offering or distribution thereof or by reason of any act of God or war or terrorism or other circumstances beyond its control, the Depositary or the Company shall be prevented, delayed or forbidden from, or be subject to any civil or criminal penalty on account of, doing or performing any act or thing which by the terms of the Deposit Agreement or Deposited Securities it is provided shall be done or performed; nor shall the Depositary or the Company incur any liability to any Owner or holder of a Receipt by reason of any non-performance or delay, caused as aforesaid, in the performance of any act or thing which by the terms of the Deposit Agreement it is provided shall or may be done or performed, or by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement. Where, by the terms of a distribution pursuant to Sections 4.1 (Cash Distributions), 4.2 (Distributions Other Than Cash, Units, Shares or Rights) or 4.3 (Distributions in Units or Shares) of the Deposit Agreement, or an offering or distribution pursuant to Section 4.4 (Rights) of the Deposit Agreement, or for any other reason, such distribution or offering may not be made available to Owners of Receipts, and the Depositary may not dispose of such distribution or offering on behalf of such Owners and make the net proceeds available to such Owners, then the Depositary shall not make such distribution or offering, and shall allow any rights, if applicable, to lapse. Neither the Company nor the Depositary assumes any obligation or shall be subject to any liability under the Deposit Agreement to Owners or holders of Receipts, except that they agree to perform their obligations specifically set forth in the Deposit Agreement without negligence or bad faith. The Depositary shall not be subject to any liability with respect to the validity or worth of the Deposited Securities. Neither the Depositary nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or in respect of the Receipts, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense and liability shall be furnished as often as may be required, and the Custodian shall not be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depositary. Neither the Depositary nor the Company shall be liable for any action or nonaction by it in reliance upon the advice of or information from legal counsel, accountants, any governmental authority, any person presenting Units or Shares for deposit, any Owner or holder of a Receipt, or any other person believed by it in good faith to be competent to give such advice or information. The Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary. The Depositary shall not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any such vote is cast or the effect of any such vote, provided that any such action or nonaction is in good faith. The Company agrees to indemnify the Depositary, its directors, employees, agents and affiliates and any Custodian against, and hold each of them harmless from, any liability or expense (including, but not limited to, the fees and expenses of counsel) which may arise out of any registration with the SEC of Receipts, American Depositary Shares or Deposited Securities or the offer or sale thereof in the United States or out of acts performed or omitted, in accordance with the provisions of the Deposit Agreement and of the Receipts, as the same may be amended, modified or supplemented from time to time, (i) by either the Depositary or a Custodian or their respective directors, employees, agents and affiliates, except for any liability or expense arising out of the negligence or bad faith of either of them, or (ii) by the Company or any of its directors, employees, agents and affiliates. The Depositary agrees to indemnify the Company, its directors,

employees, agents and affiliates and hold them harmless from any liability or expense which may arise out of acts performed or omitted by the Depository or its Custodian or their respective directors, employees, agents and affiliates due to their negligence or bad faith. No disclaimer of liability under the Securities Act is intended by any provision of the Deposit Agreement. Any person seeking indemnification under the Deposit Agreement shall notify the person from whom it is seeking indemnification of the commencement of any indemnifiable action or claim promptly after such indemnified person becomes aware of such commencement (provided that the failure to make such notification shall not affect such indemnified person's rights to seek indemnification except to the extent the indemnifying person is materially prejudiced by such failure) and shall consult in good faith with the indemnifying person as to the conduct of the defense of such action or claim that may give rise to an indemnity hereunder, which defense shall be reasonable in the circumstances. No indemnified person shall compromise or settle any action or claim that may give rise to an indemnity hereunder without the consent of the indemnifying person, which consent shall not be unreasonably withheld.

DEBT SECURITIES
(Item 12.A of Form 20-F)

The following description of the 2023 Notes, 2043 Notes and 2050 Notes (each as defined herein) is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to (i) the Prospectus and Prospectus Supplement, dated April 9, 2013, in relation to the 2023 and 2043 Notes and (ii) the Prospectus, dated September 26, 2019, the Prospectus Supplement, dated January 14, 2020, and the Prospectus Supplement, dated February 7, 2020, in relation to the 2050 Notes, each of which contain a detailed summary of additional provisions of the notes and of the relevant indentures under which the notes are issued.

We encourage you to read the above referenced prospectus, as supplemented, and the relevant indentures for additional information. Capitalized terms used but not defined herein have the meanings given to them in the relevant indentures. Section references included herein refer to sections in the relevant indentures.

A. 2.875% Senior Notes due 2023 and 4.375% Senior Notes due 2043

General

The 2.875% Senior Notes due 2023 ("2023 Notes") were issued in an aggregate principal amount of \$300,000,000, will bear interest at the rate of 2.875% per year and will mature on May 10, 2023. The 4.375% Senior Notes due 2043 ("2043 Notes") were issued in an aggregate principal amount of \$700,000,000, will bear interest at the rate of 4.375 % per year and will mature on May 10, 2043. All payments of principal and premium, if any, and interest on the 2023 Notes and 2043 Notes will be made in U.S. dollars.

The 2023 Notes and 2043 Notes were issued pursuant to the indenture, dated as of April 8, 2013, as supplemented by the a first supplemental indenture, dated May 10, 2013, among FEMSA, The Bank of New York Mellon, as trustee, registrar, paying agent and transfer agent, and The Bank of New York Mellon SA/NV, Dublin Branch, as Irish paying agent (collectively, the "2023 and 2043 Notes Indenture"). The paying agent's office is located at 240 Greenwich Street, New York, New York 10286 (formerly, 101 Barclay Street, Floor 4 East, New York, New York 10286). The Irish paying agent's office is located at Hanover Building, Windmill Lane Dublin 2, Ireland.

The 2023 Notes and 2043 Notes are not guaranteed by any of our subsidiaries.

Interest on the 2023 Notes and 2043 Notes will be payable on May 10 and November 10 of each year, beginning on November 10, 2013, to the holders in whose names the 2023 Notes and 2043 Notes are registered at the close of business on April 26 or October 27 immediately preceding the related interest payment date.

We will pay interest on the 2023 Notes and 2043 Notes on the interest payment dates stated above and at maturity. Each payment of interest due on an interest payment date or at maturity will include interest accrued from and including the last date to which interest has been paid or made available for payment, or from the issue date, if none has been paid or made available for payment, to but excluding the relevant payment date. We will compute interest on the 2023 Notes and 2043 Notes on the basis of a 360-day year consisting of twelve 30-day months.

“Business day” means each Monday, Tuesday, Wednesday, Thursday and Friday that is (a) not a day on which banking institutions in New York City or Mexico City generally are authorized or obligated by law, regulation or executive order, as applicable, to close and (b) in the case of 2023 Notes and 2043 Notes issued in certificated form, a day on which banks and financial institutions are generally open for business in the location of each office of a paying agent, but only with respect to a payment to be made at the office of such paying agent.

If any payment is due on the 2023 Notes or 2043 Notes on a day that is not a business day, we will make the payment on the next business day. Payments postponed to the next business day in this situation will be treated under the 2023 and 2043 Notes Indenture as if they were made on the original payment date. Postponement of this kind will not result in a default under the 2023 Notes, 2043 Notes or the 2023 and 2043 Notes Indenture, and no interest will accrue on the postponed amount from the original payment date to the next business day.

We are a holding company and our principal assets are shares that we hold in our subsidiaries. The 2023 Notes and 2043 Notes are not secured by any of our assets or properties. As a result, an owner of the 2023 Notes or 2043 Notes is one of our unsecured creditors. The 2023 Notes and 2043 Notes are not subordinated to any of our other unsecured obligations. In the event of a bankruptcy or liquidation proceeding against us, the 2023 Notes and 2043 Notes would rank equally in right of payment with all our other unsecured and unsubordinated obligations. The 2023 Notes and 2043 Notes do not restrict our ability or the ability of our subsidiaries to incur additional indebtedness in the future.

Unless otherwise specified in the applicable prospectus supplement, we reserve the right, from time to time without the consent of holders of either the 2023 Notes or 2043 Notes, to issue additional debt securities on terms and conditions substantially identical to those of the 2023 Notes or 2043 Notes (except as to denomination and as may otherwise be provided in any applicable prospectus supplement). (*Section 301*)

Payment of Additional Interest

We are required by Mexican law to deduct Mexican withholding taxes from payments of interest (or amounts deemed interest) to holders of the 2023 Notes and 2043 Notes who are not residents of Mexico for tax purposes as described under “Taxation—Mexican Tax Considerations” in the applicable prospectus supplement for the 2023 Notes and 2043 Notes.

Subject to the limitations and exceptions described below, we will pay to holders of the 2023 Notes and 2043 Notes all additional interest that may be necessary so that every net payment of interest or principal or premium to the holder will not be less than the amount provided for in the 2023 Notes and 2043 Notes. By net payment, we mean the amount that we or our paying agent will pay the holder after we deduct or withhold an amount for or on account of any present or future taxes, duties, assessments or other governmental charges imposed or levied with respect to that payment (or the payment of such additional interest) by a Mexican taxing authority or the taxing authority of any other country under whose laws we or any successor of us (assuming the obligations of the 2023 Notes and 2043 Notes, the 2023 and 2043 Notes Indenture and any applicable supplemental indenture following a merger, consolidation or transfer, lease or conveyance of substantially all of our assets and properties) are organized at the time of payment, except for the United States (each, a “Taxing Jurisdiction”).

Our obligation to pay additional interest is, however, subject to several important exceptions. We will not pay additional interest to or on behalf of any holder or beneficial owner, or to the trustee, for or on account of any of the following:

- any taxes, duties, assessments or other governmental charges imposed solely because at any time there is or was a connection between the holder and the Taxing Jurisdiction (other than the mere receipt of a payment or the ownership or holding of a debt security or the enforcement of rights with respect to a debt security);

- any estate, inheritance, gift, sales, transfer, personal property or other similar tax, assessment or other governmental charge imposed with respect to the debt securities;

any taxes, duties, assessments or other governmental charges imposed solely because the holder or any other person fails to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Taxing Jurisdiction of the holder or any beneficial owner of the debt security if compliance is required by law, regulation or by an applicable income tax treaty to which such Taxing Jurisdiction is a party and which is effective, as a precondition to exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and we have given the holders at least 30 calendar days' notice prior to the first payment date with respect to which such certification, identification or reporting requirement is required to the effect that holders will be required to provide such information and identification;

any tax, duty, assessment or other governmental charge payable otherwise than by deduction or withholding from payments on the debt securities;

any taxes, duties, assessments or other governmental charges with respect to a debt security presented for payment more than 15 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to holders, whichever occurs later, except to the extent that the holders of such debt security would have been entitled to such additional interest on presenting such debt security for payment on any date during such 15-day period;

any payment on a debt security to a holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the additional interest had the beneficiary, settlor, member or beneficial owner been the holder of such debt security;

any taxes, duties, assessments or other governmental charges that are imposed on a payment to an individual and are required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any other directive implementing the conclusions of the ECOFIN Council meetings of November 26 and 27, 2000, December 13, 2001, and January 21, 2003, or any law or agreement implementing or complying with, or introduced in order to conform to, such a directive; and

any combination of the items in the bullet points above. (*Section 1008*)

The limitations on our obligations to pay additional interest described in the third bullet point above will not apply if the provision of information, documentation or other evidence described in the applicable bullet point would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a debt security, taking into account any relevant differences between U.S. and Mexican law, regulation or administrative practice, or the laws, regulations or administrative practices of any other Taxing Jurisdiction, than comparable information or other reporting requirements imposed under U.S. tax law (including the United States/Mexico Income Tax Treaty), regulations (including proposed regulations) and administrative practice. (*Section 1008(a)*)

Applicable Mexican regulations currently allow us to withhold at a reduced rate, provided that we comply with certain information reporting requirements. Accordingly, the limitations on our obligations to pay additional interest described in the third bullet point above also will not apply with respect to any Mexican withholding taxes unless (a) the provision of the information, documentation or other evidence described in the applicable bullet point is expressly required by the applicable Mexican regulations, (b) we cannot obtain the information, documentation or other evidence necessary to comply with the applicable Mexican regulations on our own through reasonable diligence and (c) we otherwise would meet the requirements for application of the applicable Mexican regulations.

In addition, the limitation described in the third bullet point above does not require that any person that is not a resident of Mexico for tax purposes, including any non-Mexican pension fund, retirement fund or financial institution, register with the *Secretaría de Hacienda y Crédito Público* (the Ministry of Finance and Public Credit, or the "SHCP") or with the *Servicio de Administración Tributaria* (the Tax Administration Service or "SAT") to establish eligibility for an exemption from, or a reduction of, Mexican withholding tax.

We will remit the full amount of any taxes withheld to the applicable taxing authorities in accordance with the applicable law of the Taxing Jurisdiction. We will also provide the trustee with documentation (which may consist of copies of such documentation) reasonably satisfactory to the trustee evidencing the payment of taxes in respect of which we have paid any additional interest. We will provide copies of such documentation to the holders of the debt securities or the relevant paying agent upon request. (*Section 1008(a)*)

In the event that additional interest actually paid with respect to the debt securities pursuant to the preceding paragraphs is based on rates of deduction or withholding of taxes in excess of the appropriate rate applicable to the holder of such debt securities, and as a result thereof such holder is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such debt securities, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to us. However, by making such assignment, the holder makes no representation or warranty that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto. (*Section 1008(d)*)

Any reference in the applicable prospectus supplement for the 2023 Notes and 2043 Notes, the 2023 and 2043 Notes Indenture, any applicable supplemental indenture or the debt securities to principal, premium, if any, interest or any other amount payable in respect of the debt securities by us will be deemed also to refer to any additional interest that may be payable with respect to that amount under the obligations referred to therein. (*Section 1008(e)*)

Redemption

We are not permitted to redeem the 2023 Notes or 2043 Notes before their stated maturity, except as set forth below in the sections “Optional Redemption with ‘Make-Whole’ Amount” and “Tax Redemption” in the applicable prospectus supplement for the 2023 Notes and 2043 Notes. The 2023 Notes and 2043 Notes are not entitled to the benefit of any sinking fund (meaning that we will not deposit money on a regular basis into any separate account to repay the 2023 Notes or 2043 Notes). In addition, holders are not entitled to require us to repurchase their 2023 Notes or 2043 Notes from them before the stated maturity.

Optional Redemption with “Make-Whole” Amount

We will have the right at our option to redeem either the 2023 Notes or 2043 Notes in whole or in part, at any time or from time to time prior to their maturity, on at least 30 days’ but not more than 60 days’ notice, at a redemption price equal to the greater of (1) 100% of the principal amount of the 2023 Notes or 2043 Notes to be redeemed and (2) the sum of the present values of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 30 basis points, plus in each case accrued interest on the principal amount of the 2023 Notes or 2043 Notes being redeemed to the redemption date.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

“Comparable Treasury Issue” means the U.S. Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the 2023 Notes or 2043 Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of the 2023 Notes or 2043 Notes.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by us.

“Comparable Treasury Price” means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations quoted to an entity selected by us for such redemption date, after excluding the highest and lowest

such Reference Treasury Dealer Quotation or (2) if such entity obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Reference Treasury Dealer” means each of Citigroup Global Markets Inc. and Goldman, Sachs & Co. or their respective affiliates which are primary U.S. government securities dealers; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a “Primary Treasury Dealer”), we will substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by an entity selected by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to an entity selected by us by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the third business day preceding such redemption date.

On and after the redemption date, interest will cease to accrue on the 2023 Notes and 2043 Notes or any portion of the 2023 Notes and 2043 Notes called for redemption (unless we default in the payment of the redemption price and accrued interest). On or before the redemption date, we will deposit with the trustee money sufficient to pay the redemption price of and (unless the redemption date shall be an interest payment date) accrued interest to the redemption date on the 2023 Notes or 2043 Notes to be redeemed on such date. If less than all of the 2023 Notes or 2043 Notes are to be redeemed, the 2023 Notes or 2043 Notes to be redeemed shall be selected by the trustee by such method as the trustee shall deem fair and appropriate or in accordance with the applicable procedures of The Depository Trust Company (“DTC”).

Tax Redemption

We will have the right to redeem the 2023 Notes and 2043 Notes, in whole but not in part, at any time at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, if, as a result of certain changes in tax laws applicable to payments under the 2023 Notes or 2043 Notes, there is an increase in the additional interest we are obligated to pay under the 2023 Notes or 2043 Notes. See “Description of Debt Securities—Optional Redemption—Redemption for Taxation Reasons” in the applicable prospectus for the 2023 Notes and 2043 Notes.

Covenants

The following covenants will apply to us and our subsidiaries for so long as any debt security remains outstanding. These covenants restrict our ability and the ability of our subsidiaries to enter into certain transactions. However, these covenants do not limit our ability to incur indebtedness or require us to comply with financial ratios or to maintain specified levels of net worth or liquidity. In addition, these covenants and the 2023 and 2043 Notes Indenture generally do not limit the ability of our principal shareholders to reduce their ownership interest in us.

Limitation on Liens

We may not, and we may not allow any of our significant subsidiaries to, create, incur, issue or assume any liens on our property to secure debt where the debt secured by such liens would exceed an aggregate amount equal to the greater of (1) U.S. \$2,800.00 million and (2) 16% of our Consolidated Net Tangible Assets less, in each case, the aggregate amount of attributable debt of us and our significant subsidiaries pursuant to the first bullet point under “—Limitation on Sales and Leasebacks” in the applicable prospectus for the 2023 Notes and 2043 Notes unless we secure the debt securities equally with, or prior to, the debt secured by such liens. This restriction will not, however, apply to the following:

liens on property acquired and existing on the date the property was acquired or arising after such acquisition pursuant to contractual commitments entered into prior to such acquisition and not in contemplation of such acquisition;

liens on any property securing debt incurred or assumed for the purpose of financing its purchase price or the cost of its construction, improvement or repair; *provided* that such lien attaches to the property within 12 months of its acquisition or the completion of its construction, improvement or repair and does not attach to any other property;

liens existing on any property of any subsidiary prior to the time that the subsidiary became a subsidiary of ours or liens arising after that time under contractual commitments entered into prior to and not in contemplation of that event;

liens on any property securing debt owed by a subsidiary of ours to us or to another of our subsidiaries;

liens existing on the date the debt securities are issued;

liens resulting from the deposit of funds or evidence of debt in trust for the purpose of defeasing our debt or the debt of any of our subsidiaries;

any (i) liens for taxes, assessments and other governmental charges and (ii) attachment or judgment liens, in each case, the payment of which is being contested in good faith by appropriate proceedings for which such reserves or other appropriate provision, if any, as may be required by International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") shall have been made;

liens on accounts receivable, inventory, or bottles and cases to secure working capital or revolving credit debt incurred in the ordinary course of business;

liens resulting from a direct or indirect pledge of any or all of our shares in Heineken N.V. or Heineken Holdings N.V. or any holding company the principal assets of which consist of such shares;

any liens on real estate related to retail or commercial locations operated by us or our subsidiaries that is contributed to a trust (a "Real Estate Trust"); and

liens arising out of the refinancing, extension, renewal or refunding of any debt described above, provided that the aggregate principal amount of such debt is not increased and such lien does not extend to any additional property. (*Section 1006*)

"Consolidated Net Tangible Assets" means at any time the total assets (stated net of properly deductible items, to the extent not already deducted in the computation of total assets) appearing on our consolidated balance sheet less all goodwill and intangible assets appearing on such balance sheet, all determined on a consolidated basis at such time in accordance with IFRS. (*Section 101*)

For purposes of this covenant, the covenant set forth under "—Limitation on Sale and Leaseback Transactions" in the applicable prospectus for the 2023 Notes and 2043 Notes and the events of default set forth under "—Default, Remedies and Waiver of Default—Events of Default" in the applicable prospectus for the 2023 Notes and 2043 Notes, "significant subsidiary" means any of our subsidiaries that meets the definition of significant subsidiary under Regulation S-X as promulgated by the SEC. As of December 31, 2012, our significant subsidiaries consisted of Coca-Cola FEMSA, S.A.B. de C.V., FEMSA Comercio, S.A. de C.V. and CB Equity LLP. (*Section 101*)

Limitation on Sales and Leasebacks

We may not, and we may not allow any of our significant subsidiaries to, enter into any sale and leaseback transaction without effectively providing that the debt securities will be secured equally and ratably with or prior to the sale and leaseback transaction, unless:

the aggregate amount of attributable debt of us and our significant subsidiaries pursuant to this bullet point would not exceed an aggregate amount equal to the greater of
(1) U.S. \$2,800.00 million or (2) 16% of our

Consolidated Net Tangible Assets less, in each case, any secured indebtedness permitted under “—Limitation on Liens” in the applicable prospectus for the 2023 Notes and 2043 Notes that does not secure the debt securities equally with, or prior to, the debt secured by such liens;

we or one of our subsidiaries, within 12 months of the sale and leaseback transaction, retire debt not owed to us or any of our subsidiaries that is not subordinated to the debt securities or invest in equipment, plant facilities or other fixed assets used in the operations of us or any of our subsidiaries, in an aggregate amount equal to the greater of (1) the net proceeds of the sale or transfer of the property or other assets that are the subject of the sale and leaseback transaction and (2) the fair market value of the property leased (Section 1007); or

the transaction involves the lease by us or our subsidiaries of real estate contributed to a Real Estate Trust.

Notwithstanding the foregoing, we and/or our subsidiaries may enter into sale and leaseback transactions that solely refinance, extend, renew or refund sale and leaseback transactions permitted under the bullet points above and the restriction described in the preceding paragraph will not apply to such sale and leaseback transactions.

“Sale and leaseback transaction” means a transaction or arrangement between us or one of our subsidiaries and a bank, insurance company or other lender or investor where we or our subsidiary leases property for an initial term of three years or more that was or will be sold by us or our significant subsidiary to that lender or investor for a sale price of U.S. \$5 million (or its equivalent in other currencies) or more. (Section 101)

“Attributable debt” means, with respect to any sale and leaseback transaction, the lesser of (1) the fair market value of the asset subject to such transaction and (2) the present value, discounted at a rate per annum equal to the discount rate of a capital lease obligation with a like term in accordance with IFRS, of the obligations of the lessee for net rental payments (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments and similar charges and contingent rents) during the term of the lease. (Section 101)

Defaults, Remedies and Waiver of Defaults

Holders will have special rights if an event of default with respect to the debt securities they hold occurs and is not cured, as described below.

Events of Default

Each of the following will be an “event of default” with respect to any series of the debt securities:

we fail to pay interest on any debt security within 30 days after its due date;

we fail to pay the principal or premium, if any, of any debt security on its due date;

we remain in breach of any covenant in the 2023 and 2043 Notes Indenture for the benefit of holders of the debt securities of any series, for 90 days after we receive a notice of default (sent by the trustee at the written request of holders of a majority in principal amount of the debt securities of that series to us or by the holders of a majority in principal amount of the debt securities of that series to us and the trustee) stating that we are in breach;

we or any of our significant subsidiaries experience a default or event of default under any instrument relating to debt, prior to its maturity, that results in the failure to pay principal, or in the acceleration, of an aggregate principal amount equal to or greater than U.S. \$100 million (or its equivalent in other currencies);

a final judgment is rendered against us or any of our significant subsidiaries in an aggregate amount in excess of U.S. \$50 million (or its equivalent in other currencies) that is not discharged or bonded in full within 90 days, for 10 days after we receive a notice of this default (sent by the trustee at the written

request of holders of a majority in principal amount of the debt securities of such series to us or by the holders of a majority in principal amount of the debt securities of such series to us and the trustee); or

we or any of our significant subsidiaries file for bankruptcy, or other events of bankruptcy, insolvency or reorganization or similar proceedings occur relating to us or any of our significant subsidiaries.

Remedies Upon Event of Default

If an event of default with respect to any series of the debt securities occurs and is not cured or waived, the trustee, at the written request of holders of a majority in principal amount of the debt securities of such series, may declare the entire principal amount of all the debt securities to be due and payable immediately, and upon any such declaration the principal, any accrued interest and any additional interest shall become due and payable. If, however, an event of default with respect to any series of debt securities occurs because of a bankruptcy, insolvency or reorganization relating to us or any of our significant subsidiaries, the entire principal amount of all the debt securities of such series and any accrued interest and any additional interest will be automatically accelerated, without any action by the trustee or any holder and any principal, interest or additional interest will become immediately due and payable. *(Section 502)*

Each of the situations described in the preceding paragraph is called an acceleration of the maturity of the debt securities. If at any time after a declaration of acceleration with respect to any series of debt securities is made and before a judgment for payment has been obtained, the holders of a majority in aggregate principal amount of the outstanding debt securities of such series (except in the event of an event of default arising from bankruptcy, insolvency or reorganization or similar proceedings) may rescind and annul such declaration and its consequences, provided that all amounts then due (other than amounts due solely because of such acceleration) have been paid and all other defaults with respect to such series of debt securities have been cured or waived. *(Section 502)*

If any event of default occurs, the trustee will be obligated to use those of its rights and powers under the 2023 and 2043 Notes Indenture, and to use the same degree of care and skill in doing so, that a prudent person would use under the circumstances in conducting his or her own affairs.

The trustee is not required to take any action under the 2023 and 2043 Notes Indenture at the request of any holders unless the holders offer the trustee reasonable protection, known as an indemnity, from expenses and liability. Subject to the trustee's right to receive an indemnity that is reasonably satisfactory to it, the holders of a majority in principal amount of the applicable series of outstanding debt securities may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in writing in performing any other action under the 2023 and 2043 Notes Indenture with respect to the debt securities. *(Sections 512 and 603(e))*

Before a holder of any debt securities of any series bypasses the trustee and brings its own lawsuit or other formal legal action or takes other steps to enforce its rights or protect its interests relating to the debt securities, the following must occur:

the holder must give the trustee written notice that an event of default has occurred with respect to the debt securities of such series and the event of default has not been cured or waived;

the holders of a majority in aggregate principal amount of the outstanding debt securities of such series must make a written request that the trustee take action with respect to the debt securities of such series because of the default and they or other holders must offer to the trustee indemnity satisfactory to the trustee against the cost and other liabilities incurred by complying with such request;

the trustee must not have taken action for 60 days after the above steps have been taken; and

during those 60 days, the holders of a majority in aggregate principal amount of the outstanding debt securities of such series must not have given the trustee directions that are inconsistent with the written

request previously delivered by the holders of a majority in aggregate principal amount of the outstanding debt securities of such series. (Section 507)

A holder will be entitled, however, at any time to bring a lawsuit for the payment of money due on any debt securities held by that holder on or after its due date. (Section 508)

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of the maturity.

Waiver of Default

The holders of not less than a majority in principal amount of the outstanding debt securities of any series may waive a past default for all the debt securities of such series. If this happens, the default will be treated as if it had been cured. However, no holder may waive (i) a payment default on any debt security or (ii) a covenant default by which we make any of the changes in “—Modification and Waiver—Changes Requiring Each Holder’s Approval” in the applicable prospectus for the 2023 Notes and 2043 Notes without obtaining approval of each affected holder of outstanding debt securities of such series. (Section 513)

Modification and Waiver

There are three types of changes we can make to the 2023 and 2043 Notes Indenture, any supplemental indenture and the outstanding debt securities under the 2023 and 2043 Notes Indenture.

Changes Requiring Each Holder’s Approval

The following changes cannot be made without the approval of each holder of an outstanding debt security affected by the change:

- a change in the stated maturity of any principal or interest payment on a debt security;
- a reduction in the principal amount, the interest rate or the redemption price for a debt security;
- a change in our obligation to pay additional interest;
- a change in the currency of any payment on a debt security other than as permitted by the debt security;
- a change in the currency of any payment on a debt security other than as permitted by the debt security;
- a change in the place of any payment on a debt security;
- an impairment of the holder’s right to sue for payment of any amount due on its debt security;
- a reduction in the percentage in principal amount of the debt securities needed to change the 2023 and 2043 Notes Indenture or the outstanding debt securities under the 2023 and 2043 Notes Indenture; and
- a reduction in the percentage in principal amount of the outstanding debt securities needed to waive our compliance with the 2023 and 2043 Notes Indenture, any supplemental indenture or to waive defaults. (Section 902)

Changes Not Requiring Approval

Some changes will not require the approval of holders of debt securities. These changes are limited to specific kinds of changes, like the addition of covenants, events of default or security, and other clarifications and changes that would not adversely affect the holders of outstanding debt securities under the 2023 and 2043 Notes Indenture in any material respect. (Section 901)

Changes Requiring Majority Approval

Any other change to the 2023 and 2043 Notes Indenture or the debt securities of any series will be required to be approved by the holders of a majority in principal amount of the outstanding debt securities of such series affected by the change or waiver. The required approval must be given by written consent. *(Section 902)*

The same majority approval will be required for us to obtain a waiver of certain of our covenants in the 2023 and 2043 Notes Indenture and any supplemental indenture. Our covenants include the promises we make about merging, creating liens on our interests and entering into sale and leaseback transactions, which we describe under “—Merger, Consolidation or Sale of Assets” and “—Covenants” in the applicable prospectus for the 2023 Notes and 2043 Notes. If the holders approve a waiver of a covenant, we will not have to comply with it. The holders, however, cannot approve a waiver of any provision in a particular debt security, the 2023 and 2043 Notes Indenture or any supplemental indenture, as it affects that debt security, that we cannot change without the approval of the holder of that debt security as described under in “—Changes Requiring Each Holder’s Approval” in the applicable prospectus for the 2023 Notes and 2043 Notes, unless that holder approves the waiver. *(Section 1010)*

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the 2023 and 2043 Notes Indenture, any supplemental indenture or the debt securities or request a waiver.

Defeasance

We may, at our option, elect to terminate (1) all of our obligations with respect to the debt securities (“legal defeasance”), except for certain obligations, including those regarding any trust established for defeasance and obligations relating to the transfer and exchange of the debt securities, the replacement of mutilated, destroyed, lost or stolen debt securities, the maintenance of agencies with respect to the debt securities and the rights, powers, trusts, duties, immunities, and indemnities and other provisions in respect of the trustee *(Sections 1201 and 1202)* or (2) our obligations under certain covenants in the 2023 and 2043 Notes Indenture, so that any failure to comply with such obligations will not constitute an event of default (“covenant defeasance”) in respect of a particular series of debt securities. *(Sections 1201 and 1203)* In order to exercise either legal defeasance or covenant defeasance, we must irrevocably deposit with the trustee U.S. dollars or such other currency in which the debt securities are denominated (the “securities currency”), government obligations of the United States or a government, governmental agency or central bank of the country whose currency is the securities currency, or any combination thereof, in such amounts as will be sufficient to pay the principal, premium, if any, and interest (including additional interest) in respect of the debt securities then outstanding on the maturity date of the debt securities, and comply with certain other conditions, including, without limitation, the delivery of opinions of counsel as to specified tax and other matters. *(Sections 1201, 1204 and 1205)*

If we elect either legal defeasance or covenant defeasance with respect to any series of debt securities, we must so elect it with respect to all of the outstanding debt securities of such series. *(Section 1201)*

Currency Indemnity

Our obligations under the debt securities will be discharged only to the extent that the trustee or the relevant holder is able to purchase the securities currency with any other currency paid to the trustee or that holder in accordance with any judgment or otherwise. If the trustee or the holder cannot purchase the securities currency in the amount originally to be paid, we have agreed to pay the difference. The holder, however, agrees that, if the amount of the securities currency purchased exceeds the amount originally to be paid to such holder, the holder will reimburse the excess to us. *(Section 1009)*

Other Relationships with Trustee

The trustee or its affiliates may have other business relationships with us from time to time.

Governing Law

The 2023 Notes and 2043 Notes, the 2023 and 2043 Notes Indenture and any supplemental indenture will be governed by, and construed in accordance with, the laws of the State of New York, United States of America. *(Section 113)*

B. 3.500% Senior Notes due 2050

The 3.500% Senior Notes due 2050 (the “2050 Notes”) were issued in an aggregate principal amount of \$2,500,000,000, will bear interest at the rate of 3.500% per year and will mature on January 16, 2050. All payments of principal and premium, if any, and interest on the 2050 Notes will be made in U.S. dollars.

The 2050 Notes were issued pursuant to the indenture, dated as of April 8, 2013, as supplemented by a third supplemental indenture, dated January 16, 2020, and a fourth supplemental indenture, dated February 12, 2020, among FEMSA and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent (collectively, the “2050 Notes Indenture.”) The paying agent’s office is located at 240 Greenwich Street, New York, New York 10286 (formerly, 101 Barclay Street, Floor 4 East, New York, New York 10286).

The 2050 Notes are not guaranteed by any of our subsidiaries.

Interest on the 2050 Notes will be payable on January 16 and July 16 of each year, beginning on July 16, 2020, to the holders in whose names the 2050 Notes are registered at the close of business on January 1 or July 1 immediately preceding the related interest payment date.

We will pay interest on the 2050 Notes on the interest payment dates stated above and at maturity. Each payment of interest due on an interest payment date or at maturity will include interest accrued from and including the last date to which interest has been paid or made available for payment, or from the issue date, if none has been paid or made available for payment, to but excluding the relevant payment date. We will compute interest on the 2050 Notes on the basis of a 360-day year consisting of twelve 30-day months.

Unless otherwise specified in the applicable prospectus supplement, “business day” means each Monday, Tuesday, Wednesday, Thursday and Friday that is (a) not a day on which banking institutions in New York City or Mexico City generally are authorized or obligated by law, regulation or executive order, as applicable, to close and (b) in the case of 2050 Notes issued in certificated form, a day on which banks and financial institutions are generally open for business in the location of each office of a paying agent, but only with respect to a payment to be made at the office of such paying agent. (*Section 101*)

If any payment is due on the 2050 Notes on a day that is not a business day, we will make the payment on the next business day. Payments postponed to the next business day in this situation will be treated under the 2050 Notes Indenture as if they were made on the original payment date. Postponement of this kind will not result in a default under the 2050 Notes or the 2050 Notes Indenture, and no interest will accrue on the postponed amount from the original payment date to the next business day.

If any payment is due on the 2050 Notes on a day that is not a business day, we will make the payment on the next business day. Payments postponed to the next business day in this situation will be treated under the 2050 Notes Indenture as if they were made on the original payment date. Postponement of this kind will not result in a default under the 2050 Notes or the 2050 Notes Indenture, and no interest will accrue on the postponed amount from the original payment date to the next business day.

We are a holding company and our principal assets are shares that we hold in our subsidiaries. The 2050 Notes will be our unsecured and unsubordinated obligations. As a result, the 2050 Notes are not secured by any of our assets or properties and will be effectively subordinated to all of our existing and future secured obligations to the extent of the value of the assets securing such obligations. The 2050 Notes are not guaranteed by any of our subsidiaries. As a result, the 2050 Notes will be structurally subordinated to all existing and future indebtedness and other obligations, including trade payables, of our subsidiaries in respect of assets of and revenue generated by such subsidiaries. In the event of a bankruptcy, *concurso mercantil*, *quiebra*, liquidation or other similar proceeding by or against us, the 2050 Notes would rank equally in right of payment with all our other existing and future unsecured and unsubordinated obligations, and junior to certain obligations given preference under applicable law, including tax, labor and social security obligations. The 2050 Notes do not restrict our ability or the ability of our subsidiaries to incur additional indebtedness in the future.

Unless otherwise specified in the applicable prospectus supplement, we reserve the right, from time to time without the consent of holders of the 2050 Notes, to issue additional debt securities on terms and conditions identical to those of the 2050 Notes (except for the issue date and issue price), which additional debt securities will increase the aggregate principal amount of, and will be consolidated and form a single series with, the 2050 Notes. The additional debt securities will be treated as a single class for all purposes under the 2050 Notes Indenture and will vote together as one class on all matters with respect to the debt securities, *provided* that any additional debt securities shall be issued under a separate CUSIP number, ISIN and Common Code unless the additional debt securities are issued pursuant to a “qualified reopening” of the original series, are otherwise treated as part of the same “issue” of debt instruments as the original series or the original 2050 Notes were, and the additional debt securities are, are issued with no more than a *de minimis* amount of original discount, in each case for U.S. federal income tax purposes. Unless the context otherwise requires, for all purposes of the 2050 Notes Indenture and the description of debt securities contained in the applicable prospectus supplement for the 2050 Notes, references to the debt securities include any additional debt securities. (*Section 301*)

Payment of Additional Interest

We are required by Mexican law to deduct Mexican withholding taxes from payments of interest (or amounts deemed interest) to holders of the 2050 Notes who are not residents of Mexico for tax purposes as described under “Taxation—Mexican Tax Considerations” in the applicable prospectus for the 2050 Notes.

Subject to the limitations and exceptions described below, we will pay to holders of the 2050 Notes all additional interest that may be necessary so that every net payment of interest or principal or premium to the holder will not be less than the amount provided for in the 2050 Notes. By net payment, we mean the amount that we or our paying agent will pay the holder after we deduct or withhold an amount for or on account of any present or future taxes, duties, assessments or other governmental charges imposed or levied with respect to that payment (or the payment of such additional interest) by a Mexican taxing authority or the taxing authority of any other country under whose laws we or any successor of us (assuming the obligations of the 2050 Notes, the 2050 Notes Indenture and any applicable supplemental indenture following a merger, consolidation or transfer, lease or conveyance of substantially all of our assets and properties) are organized at the time of payment, except for the United States (each, a “Taxing Jurisdiction”).

Our obligation to pay additional interest is, however, subject to several important exceptions. We will not pay additional interest to or on behalf of any holder or beneficial owner, or to the trustee, for or on account of any of the following:

any taxes, duties, assessments or other governmental charges imposed solely because at any time there is or was a connection between the holder and the Taxing Jurisdiction (other than the mere receipt of a payment or the ownership or holding of a debt security or the enforcement of rights with respect to a debt security);

any estate, inheritance, gift, sales, transfer, personal property or other similar tax, assessment or other governmental charge imposed with respect to the debt securities;

any taxes, duties, assessments or other governmental charges imposed solely because the holder or any other person fails to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Taxing Jurisdiction of the holder or any beneficial owner of the debt security if compliance is required by law, regulation or by an applicable income tax treaty to which such Taxing Jurisdiction is a party and which is effective, as a precondition to exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and we have given the holders at least 30 calendar days’ notice prior to the first payment date with respect to which such certification, identification or reporting requirement is required to the effect that holders will be required to provide such information and identification;

any tax, duty, assessment or other governmental charge payable otherwise than by deduction or withholding from payments on the debt securities;

any taxes, duties, assessments or other governmental charges with respect to a debt security presented for payment more than 15 days after the date on which the payment became due and payable or the date on which payment thereof is duly provided for and notice thereof given to holders, whichever occurs later, except to the extent that the holders of such debt security would have been entitled to such additional interest on presenting such debt security for payment on any date during such 15-day period;

any payment on a debt security to a holder that is a fiduciary or partnership or a person other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of the payment would not have been entitled to the additional interest had the beneficiary, settlor, member or beneficial owner been the holder of such debt security;

any taxes, duties, assessments or other governmental charges that are imposed on a payment to an individual and are required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any other directive implementing the conclusions of the ECOFIN Council meetings of November 26 and 27, 2000, December 13, 2001, and January 21, 2003, or any law or agreement implementing or complying with, or introduced in order to conform to, such a directive; and

any combination of the items in the bullet points above. (*Section 1008*)

The limitations on our obligations to pay additional interest described in the third bullet point above will not apply if the provision of information, documentation or other evidence described in the applicable bullet point would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a debt security, taking into account any relevant differences between U.S. and Mexican law, regulation or administrative practice, or the laws, regulations or administrative practices of any other Taxing Jurisdiction, than comparable information or other reporting requirements imposed under U.S. tax law (including the United States/Mexico Income Tax Treaty), regulations (including proposed regulations) and administrative practice. (*Section 1008(a)*)

Applicable Mexican regulations currently allow us to withhold at a reduced rate, provided that we comply with certain information reporting requirements. Accordingly, the limitations on our obligations to pay additional interest described in the third bullet point above also will not apply with respect to any Mexican withholding taxes unless (a) the provision of the information, documentation or other evidence described in the applicable bullet point is expressly required by the applicable Mexican regulations, (b) we cannot obtain the information, documentation or other evidence necessary to comply with the applicable Mexican regulations on our own through reasonable diligence and (c) we otherwise would meet the requirements for application of the applicable Mexican regulations.

In addition, the limitation described in the third bullet point above does not require that any person that is not a resident of Mexico for tax purposes, including any non-Mexican pension fund, retirement fund, tax exempt organization, financial institution or any other holder or beneficial owner of a debt security, register with, or provide information to, the SHCP or with the SAT) to establish eligibility for an exemption from, or a reduction of, Mexican withholding tax.

We will remit the full amount of any taxes withheld to the applicable taxing authorities in accordance with the applicable law of the Taxing Jurisdiction. We will also provide the trustee with documentation (which may consist of copies of such documentation) reasonably satisfactory to the trustee evidencing the payment of taxes in respect of which we have paid any additional interest. We will provide copies of such documentation to the holders of the debt securities or the relevant paying agent upon request. (*Section 1008(a)*)

In the event that additional interest actually paid with respect to the debt securities pursuant to the preceding paragraphs is based on rates of deduction or withholding of taxes in excess of the appropriate rate applicable to the holder of such debt securities, and as a result thereof such holder is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such debt securities, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to us. However, by making such assignment, the holder makes no representation or warranty

that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto.(Section 1008(d))

Any reference in the applicable prospectus supplement for the 2050 Notes, the 2050 Notes Indenture, any applicable supplemental indenture or the debt securities to principal, premium, if any, interest or any other amount payable in respect of the debt securities by us will be deemed also to refer to any additional interest that may be payable with respect to that amount under the obligations referred to therein. (Section 1008(e))

Redemption

We are not permitted to redeem the 2050 Notes before their stated maturity, except as set forth below. The 2050 Notes are not entitled to the benefit of any sinking fund (meaning that we will not deposit money on a regular basis into any separate account to repay the 2050 Notes). In addition, holders are not entitled to require us to repurchase their 2050 Notes from them before the stated maturity.

Optional Redemption With "Make-Whole" Amount

We will have the right at our option to redeem the outstanding 2050 Notes in whole at any time or in part from time to time prior to July 16, 2049 (the date that is six months prior to the maturity date of the 2050 Notes or the "Par Call Date"), on at least 15 days' but not more than 60 days' notice, at a redemption price equal to the greater of (1) 100% of the principal amount of the 2050 Notes to be redeemed and (2) the sum of the present values of each remaining scheduled payment of principal and interest thereon through the Par Call Date as if the 2050 Notes were redeemed on the Par Call Date (exclusive of accrued and unpaid interest to the redemption date on the principal amount of the 2050 Notes being redeemed on such redemption date and additional interest thereon) discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points, plus in each case accrued and unpaid interest to the redemption date on the principal amount of the 2050 Notes being redeemed on such redemption date and additional interest thereon.

"Comparable Treasury Issue" means the U.S. Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the period from redemption date to the Par Call Date that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the period from the redemption date to the Par Call Date.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations quoted to an entity selected by us for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if such entity obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by us.

"Reference Treasury Dealer" means each of BofA Securities, Inc., J.P. Morgan Securities LLC and Goldman Sachs & Co. LLC or their respective affiliates which are primary U.S. government securities dealers; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer"), we will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by an entity selected by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to an entity selected by us by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Par Redemption

On and after the Par Call Date, we will have the right, at our option, to redeem the 2050 Notes in whole at any time or in part from time to time, on at least 15 days' but not more than 60 days' notice, at a redemption price equal to 100% of the outstanding principal amount of the 2050 Notes to be redeemed plus accrued and unpaid interest and additional interest to the redemption date on the principal amount of the 2050 Notes being redeemed on such redemption date.

General Provisions for Optional Redemption

On and after the redemption date, interest will cease to accrue on the 2050 Notes or any portion of the 2050 Notes called for redemption (unless we default in the payment of the redemption price and accrued interest). On or before the redemption date, we will deposit with the trustee money sufficient to pay the redemption price of and (unless the redemption date shall be an interest payment date) accrued and unpaid interest to the redemption date on the 2050 Notes to be redeemed on such date and additional interest thereon. If less than all of the outstanding 2050 Notes are to be redeemed, the 2050 Notes to be redeemed shall be selected by the trustee by such method as the trustee shall deem fair and appropriate or in accordance with the applicable procedures of DTC.

Tax Redemption

We will have the right to redeem the 2050 Notes, in whole but not in part, at any time at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the redemption date and additional interest, if, as a result of certain changes in tax laws applicable to payments under the 2050 Notes, there is an increase in the additional interest we are obligated to pay under the 2050 Notes. See "Description of Debt Securities—Redemption of Debt Securities—Redemption for Taxation Reasons" in the applicable prospectus for the 2050 Notes.

Covenants

The following covenants will apply to us and our subsidiaries for so long as any debt security remains outstanding. These covenants restrict our ability and the ability of our subsidiaries to enter into certain transactions. However, these covenants do not limit our ability to incur indebtedness or require us to comply with financial ratios or to maintain specified levels of net worth or liquidity. In addition, these covenants and the 2050 Notes Indenture generally do not limit the ability of our principal shareholders to reduce their ownership interest in us.

Limitation on Liens

We may not, and we may not allow any of our significant subsidiaries to, create, incur, issue or assume any liens on our property to secure debt where the debt secured by such liens would exceed an aggregate amount equal to the greater of (1) U.S. \$2,800.00 million and (2) 16% of our Consolidated Net Tangible Assets less, in each case, the aggregate amount of attributable debt of us and our significant subsidiaries pursuant to the first bullet point under "—Limitation on Sales and Leasebacks" in the applicable prospectus for the 2050 Notes unless we secure the debt securities equally with, or prior to, the debt secured by such liens. This restriction will not, however, apply to the following:

liens on property acquired and existing on the date the property was acquired or arising after such acquisition pursuant to contractual commitments entered into prior to such acquisition and not in contemplation of such acquisition;

liens on any property securing debt incurred or assumed for the purpose of financing its purchase price or the cost of its construction, improvement or repair; *provided* that such lien attaches to the property within 12 months of its acquisition or the completion of its construction, improvement or repair and does not attach to any other property;

liens existing on any property of any subsidiary prior to the time that the subsidiary became a subsidiary of ours or liens arising after that time under contractual commitments entered into prior to and not in contemplation of that event;

liens on any property securing debt owed by a subsidiary of ours to us or to another of our subsidiaries;

liens existing on the date the debt securities are issued;

liens resulting from the deposit of funds or evidence of debt in trust for the purpose of defeasing our debt or the debt of any of our subsidiaries;

any (i) liens for taxes, assessments and other governmental charges and (ii) attachment or judgment liens, in each case, the payment of which is being contested in good faith by appropriate proceedings for which such reserves or other appropriate provision, if any, as may be required by International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) shall have been made;

liens on accounts receivable, inventory, or bottles and cases to secure working capital or revolving credit debt incurred in the ordinary course of business;

liens resulting from a direct or indirect pledge of any or all of our shares in Heineken N.V. or Heineken Holdings N.V. or any holding company the principal assets of which consist of such shares;

any liens on real estate related to retail or commercial locations operated by us or our subsidiaries that is contributed to a trust (a “Real Estate Trust”); and

liens arising out of the refinancing, extension, renewal or refunding of any debt described above, provided that the aggregate principal amount of such debt is not increased and such lien does not extend to any additional property. (*Section 1006*)

“Consolidated Net Tangible Assets” means at any time the total assets (stated net of properly deductible items, to the extent not already deducted in the computation of total assets) appearing on our consolidated balance sheet less all goodwill and intangible assets appearing on such balance sheet, all determined on a consolidated basis at such time in accordance with IFRS. (*Section 101*)

For purposes of this covenant, the covenant set forth under “—Limitation on Sale and Leaseback Transactions” in the applicable prospectus for the 2050 Notes and the events of default set forth under “—Default, Remedies and Waiver of Default—Events of Default” in the applicable prospectus for the 2050 Notes, “significant subsidiary” means any of our subsidiaries that meets the definition of significant subsidiary under Regulation S-X as promulgated by the SEC. As of December 31, 2012, our significant subsidiaries consisted of Coca-Cola FEMSA, S.A.B. de C.V., FEMSA Comercio, S.A. de C.V. and CB Equity LLP. (*Section 101*)

Limitation on Sales and Leasebacks

We may not, and we may not allow any of our significant subsidiaries to, enter into any sale and leaseback transaction without effectively providing that the debt securities will be secured equally and ratably with or prior to the sale and leaseback transaction, unless:

the aggregate amount of attributable debt of us and our significant subsidiaries pursuant to this bullet point would not exceed an aggregate amount equal to the greater of (1) U.S. \$2,800.00 million or (2) 16% of our Consolidated Net Tangible Assets less, in each case, any secured indebtedness permitted under “—Limitation on Liens” in the applicable prospectus for the 2050 Notes that does not secure the debt securities equally with, or prior to, the debt secured by such liens;

we or one of our subsidiaries, within 12 months of the sale and leaseback transaction, retire debt not owed to us or any of our subsidiaries that is not subordinated to the debt securities or invest in equipment, plant facilities or other fixed assets used in the operations of us or any of our subsidiaries, in an aggregate amount equal to the greater of (1) the net proceeds of the sale or transfer of the property or other assets that are the subject of the sale and leaseback transaction and (2) the fair market value of the property leased (Section 1007); or

the transaction involves the lease by us or our subsidiaries of real estate contributed to a Real Estate Trust.

Notwithstanding the foregoing, we and/or our subsidiaries may enter into sale and leaseback transactions that solely refinance, extend, renew or refund sale and leaseback transactions permitted under the bullet points above and the restriction described in the preceding paragraph will not apply to such sale and leaseback transactions.

“Sale and leaseback transaction” means a transaction or arrangement between us or one of our subsidiaries and a bank, insurance company or other lender or investor where we or our subsidiary leases property for an initial term of three years or more that was or will be sold by us or our significant subsidiary to that lender or investor for a sale price of U.S. \$5 million (or its equivalent in other currencies) or more. (Section 101)

“Attributable debt” means, with respect to any sale and leaseback transaction, the lesser of (1) the fair market value of the asset subject to such transaction and (2) the present value, discounted at a rate per annum equal to the discount rate of a capital lease obligation with a like term in accordance with IFRS, of the obligations of the lessee for net rental payments (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments and similar charges and contingent rents) during the term of the lease. (Section 101)

Defaults, Remedies and Waiver of Defaults

Holders will have special rights if an event of default with respect to the debt securities they hold occurs and is not cured, as described below.

Events of Default

Each of the following will be an “event of default” with respect to any series of the debt securities:

we fail to pay interest on any debt security within 30 days after its due date;

we fail to pay the principal or premium, if any, of any debt security on its due date;

we remain in breach of any covenant in the 2050 Notes Indenture for the benefit of holders of the debt securities of any series, for 90 days after we receive a notice of default (sent by the trustee at the written request of holders of a majority in principal amount of the debt securities of that series to us or by the holders of a majority in principal amount of the debt securities of that series to us and the trustee) stating that we are in breach;

we or any of our significant subsidiaries experience a default or event of default under any instrument relating to debt, prior to its maturity, that results in the failure to pay principal, or in the acceleration, of an aggregate principal amount equal to or greater than U.S. \$100 million (or its equivalent in other currencies);

a final judgment is rendered against us or any of our significant subsidiaries in an aggregate amount in excess of U.S. \$50 million (or its equivalent in other currencies) that is not discharged or bonded in full within 90 days, for 10 days after we receive a notice of this default (sent by the trustee at the written request of holders of a majority in principal amount of the debt securities of such series to us or by the holders of a majority in principal amount of the debt securities of such series to us and the trustee); or

we or any of our significant subsidiaries file for bankruptcy, or other events of bankruptcy, insolvency or reorganization or similar proceedings occur relating to us or any of our significant subsidiaries.

Remedies Upon Event of Default

If an event of default with respect to any series of the debt securities occurs and is not cured or waived, the trustee, at the written request of holders of a majority in principal amount of the debt securities of such series, may declare the entire principal amount of all the debt securities to be due and payable immediately, and upon any such declaration the principal, any accrued interest and any additional interest shall become due and payable. If, however, an event of default with respect to any series of debt securities occurs because of a bankruptcy, insolvency or reorganization relating to us or any of our significant subsidiaries, the entire principal amount of all the debt securities of such series and any accrued interest and any additional interest will be automatically accelerated, without any action by the trustee or any holder and any principal, interest or additional interest will become immediately due and payable. *(Section 502)*

Each of the situations described in the preceding paragraph is called an acceleration of the maturity of the debt securities. If at any time after a declaration of acceleration with respect to any series of debt securities is made and before a judgment for payment has been obtained, the holders of a majority in aggregate principal amount of the outstanding debt securities of such series (except in the event of an event of default arising from bankruptcy, insolvency or reorganization or similar proceedings) may rescind and annul such declaration and its consequences, provided that all amounts then due (other than amounts due solely because of such acceleration) have been paid and all other defaults with respect to such series of debt securities have been cured or waived. *(Section 502)*

If any event of default occurs, the trustee will be obligated to use those of its rights and powers under the 2050 Notes Indenture, and to use the same degree of care and skill in doing so, that a prudent person would use under the circumstances in conducting his or her own affairs.

The trustee is not required to take any action under the 2050 Notes Indenture at the request of any holders unless the holders offer the trustee reasonable protection, known as an indemnity, from expenses and liability. Subject to the trustee's right to receive an indemnity that is reasonably satisfactory to it, the holders of a majority in principal amount of the applicable series of outstanding debt securities may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in writing in performing any other action under the 2050 Notes Indenture with respect to the debt securities. *(Sections 512 and 603(e))*

Before a holder of any debt securities of any series bypasses the trustee and brings its own lawsuit or other formal legal action or takes other steps to enforce its rights or protect its interests relating to the debt securities, the following must occur:

the holder must give the trustee written notice that an event of default has occurred with respect to the debt securities of such series and the event of default has not been cured or waived;

the holders of a majority in aggregate principal amount of the outstanding debt securities of such series must make a written request that the trustee take action with respect to the debt securities of such series because of the default and they or other holders must offer to the trustee indemnity satisfactory to the trustee against the cost and other liabilities incurred by complying with such request;

the trustee must not have taken action for 60 days after the above steps have been taken; and

during those 60 days, the holders of a majority in aggregate principal amount of the outstanding debt securities of such series must not have given the trustee directions that are inconsistent with the written request previously delivered by the holders of a majority in aggregate principal amount of the outstanding debt securities of such series. *(Section 507)*

A holder will be entitled, however, at any time to bring a lawsuit for the payment of money due on any debt securities held by that holder on or after its due date (Section 508)

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of the maturity.

Waiver of Default

The holders of not less than a majority in principal amount of the outstanding debt securities of any series may waive a past default for all the debt securities of such series. If this happens, the default will be treated as if it had been cured. However, no holder may waive (i) a payment default on any debt security or (ii) a covenant default by which we make any of the changes in “—Modification and Waiver – Changes Requiring Each Holder’s Approval” in the applicable prospectus for the 2050 Notes without obtaining approval of each affected holder of outstanding debt securities of such series. (Section 513)

Modification and Waiver

There are three types of changes we can make to the 2050 Notes Indenture, any supplemental indenture and the outstanding debt securities under the 2050 Notes Indenture.

Changes Requiring Each Holder’s Approval

The following changes cannot be made without the approval of each holder of an outstanding debt security affected by the change:

- a change in the stated maturity of any principal or interest payment on a debt security;
- a reduction in the principal amount, the interest rate or the redemption price for a debt security;
- a change in our obligation to pay additional interest;
- a change in the currency of any payment on a debt security other than as permitted by the debt security;
- a change in the currency of any payment on a debt security other than as permitted by the debt security;
- a change in the place of any payment on a debt security;
- an impairment of the holder’s right to sue for payment of any amount due on its debt security;
- a reduction in the percentage in principal amount of the debt securities needed to change the 2050 Notes Indenture or the outstanding debt securities under the 2050 Notes Indenture; and
- a reduction in the percentage in principal amount of the outstanding debt securities needed to waive our compliance with the 2050 Notes Indenture, any supplemental indenture or to waive defaults. (Section 902)

Changes Not Requiring Approval

Some changes will not require the approval of holders of debt securities. These changes are limited to specific kinds of changes, like the addition of covenants, events of default or security, and other clarifications and changes that would not adversely affect the holders of outstanding debt securities under the 2050 Notes Indenture in any material respect. (Section 901)

Changes Requiring Majority Approval

Any other change to the 2050 Notes Indenture or the debt securities of any series will be required to be approved by the holders of a majority in principal amount of the outstanding debt securities of such series affected by the change or waiver. The required approval must be given by written consent. (Section 902)

The same majority approval will be required for us to obtain a waiver of certain of our covenants in the 2050 Notes Indenture and any supplemental indenture. Our covenants include the promises we make about merging, creating liens on our interests and entering into sale and leaseback transactions, which we describe under “—Merger, Consolidation or Sale of Assets” and “—Covenants” in the applicable prospectus for the 2050 Notes. If the holders approve a waiver of a covenant, we will not have to comply with it. The holders, however, cannot approve a waiver of any provision in a particular debt security, the 2050 Notes Indenture or any supplemental indenture, as it affects that debt security, that we cannot change without the approval of the holder of that debt security as described under in “—Changes Requiring Each Holder’s Approval,” unless that holder approves the waiver. *(Section 1010)*

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the 2050 Notes Indenture, any supplemental indenture or the debt securities or request a waiver.

Defeasance

We may, at our option, elect to terminate (1) all of our obligations with respect to the debt securities (“legal defeasance”), except for certain obligations, including those regarding any trust established for defeasance and obligations relating to the transfer and exchange of the debt securities, the replacement of mutilated, destroyed, lost or stolen debt securities, the maintenance of agencies with respect to the debt securities and the rights, powers, trusts, duties, immunities, and indemnities and other provisions in respect of the trustee *(Sections 1201 and 1202)* or (2) our obligations under certain covenants in the 2050 Notes Indenture, so that any failure to comply with such obligations will not constitute an event of default (“covenant defeasance”) in respect of a particular series of debt securities. *(Sections 1201 and 1203)* In order to exercise either legal defeasance or covenant defeasance, we must irrevocably deposit with the trustee U.S. dollars or such other currency in which the debt securities are denominated (the “securities currency”), government obligations of the United States or a government, governmental agency or central bank of the country whose currency is the securities currency, or any combination thereof, in such amounts as will be sufficient to pay the principal, premium, if any, and interest (including additional interest) in respect of the debt securities then outstanding on the maturity date of the debt securities, and comply with certain other conditions, including, without limitation, the delivery of opinions of counsel as to specified tax and other matters. *(Sections 1201, 1204 and 1205)*

If we elect either legal defeasance or covenant defeasance with respect to any series of debt securities, we must so elect it with respect to all of the outstanding debt securities of such series. *(Section 1201)*

Currency Indemnity

Our obligations under the debt securities will be discharged only to the extent that the trustee or the relevant holder is able to purchase the securities currency with any other currency paid to the trustee or that holder in accordance with any judgment or otherwise. If the trustee or the holder cannot purchase the securities currency in the amount originally to be paid, we have agreed to pay the difference. The holder, however, agrees that, if the amount of the securities currency purchased exceeds the amount originally to be paid to such holder, the holder will reimburse the excess to us. *(Section 1009)*

Other Relationships with Trustee

The trustee or its affiliates may have other business relationships with us from time to time.

Governing Law

The 2050 Notes, the 2050 Notes Indenture and any supplemental indenture will be governed by, and construed in accordance with, the laws of the State of New York, United States of America. *(Section 113)*

Significant Subsidiaries

The following table sets forth our significant subsidiaries as of December 31, 2022:

Name of Company	Jurisdiction of Establishment	Percentage Owned
CIBSA:	Mexico	100.0 %
Coca-Cola FEMSA	Mexico	47.2 %
Emprex⁽¹⁾:	Mexico	100.0 %
FEMSA Comercio	Mexico	100.0 %
CB Equity	United Kingdom	100.0 %

(1) Grupo Industrial Emprex, S. de R.L. de C.V.

Certification

I, Daniel Alberto Rodríguez Cofré, certify that:

I have reviewed this annual report on Form 20-F of Fomento Económico Mexicano, S.A.B. de C.V.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results from operations and cash flows of the company as of, and for, the periods presented in this report;

The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 21, 2023

By: /s/ Daniel Alberto Rodríguez Cofré
Daniel Alberto Rodríguez Cofré
Chief Executive Officer

Certification

I, Eugenio Garza y Garza, certify that:

1. I have reviewed this annual report on Form 20-F of Fomento Económico Mexicano, S.A.B. de C.V.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results from operations and cash flows of the company as of, and for, the periods presented in this report;

The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 21, 2023

By: /s/ Eugenio Garza y Garza
Eugenio Garza y Garza
Chief Financial Officer

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Fomento Económico Mexicano, S.A.B. de C.V. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on form 20-F for the year ended December 31, 2022 (the "Form 20-F") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results from operations of the Company.

Date: April 21, 2023

By: /c/ Daniel Alberto Rodríguez Cofré
Daniel Alberto Rodríguez Cofré
Chief Executive Officer

Date: April 21, 2023

By: /c/ Eugenio Garza y Garza
Eugenio Garza y Garza
Chief Financial Officer



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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-267667 on Form F-3 of our report dated February 14, 2023, relating to the financial statements of Heineken N.V. appearing in this Annual Report on Form 20-F for the year ended December 31, 2022.

/s/ Deloitte Accountants B.V.

Amsterdam, The Netherlands April 21, 2023

CB-EB-dt/21042023-C

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