MEXICAN ECONOMIC DEVELOPMENT INC
Form 20-F
April 21, 2016
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As filed with the Securities and Exchange Commission on April 21, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

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)

Juan F. Fonseca

General Anaya No. 601 Pte.

Colonia Bella Vista

Monterrey, NL 64410 Mexico

(52-818) 328-6167

investor@femsa.com.mx

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

address of company contact person)

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

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

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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.

x 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 x No

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

¨ Yes ¨ No

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

x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

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

U.S. GAAP ¨ IFRS x 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 x No

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INTRODUCTION

This annual report contains information materially consistent with the information presented in the audited consolidated financial statements and is free of material misstatements of fact that are not material inconsistencies with the information in the audited consolidated financial statements.

References

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

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

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

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

Currency Translations and Estimates

This annual report contains translations of certain Mexican peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from Mexican pesos at an exchange rate of Ps. 17.1950 to US$ 1.00, the noon buying rate for Mexican pesos on December 31, 2015, as published by the U.S. Federal Reserve Board in its H.10 Weekly Release of Foreign Exchange Rates. On April 15, 2016, this exchange rate was Ps. 17.5580 to US$ 1.00. **See Item 3. Key Information Exchange Rate Information** for information regarding exchange rates since 2011.

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

Forward-Looking Information

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

ITEMS 1-2. NOT APPLICABLE

ITEM 3. KEY INFORMATION

Selected Consolidated Financial Data

This annual report includes (under Item 18) our audited consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated income statements, consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015, 2014 and 2013. Our audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Our date of transition to IFRS was January 1, 2011.

Pursuant to IFRS, the information presented in this annual report presents financial information for 2015, 2014, 2013, 2012 and 2011 in nominal terms in Mexican pesos, taking into account local inflation of any hyperinflationary economic environment and converting from local currency to Mexican pesos using the official exchange rate at the end of the period published by the local central bank of each country categorized as a hyperinflationary economic environment (for this annual report, only Venezuela). Furthermore, for our Venezuelan entities we were able to convert local currency using one of the three legal exchange rates in that country. For further information, see Notes 3.3 and 3.4 to our audited consolidated financial statements. For each non-hyperinflationary economic environment, local currency is converted to Mexican pesos using the year-end exchange rate for assets and liabilities, the historical exchange rate for equity and the average exchange rate for the income statement. See Note 3.3 to our audited consolidated financial statements.

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

Except when specifically indicated, information in this annual report on Form 20-F is presented as of December 31, 2015 and does not give effect to any transaction, financial or otherwise, subsequent to that date.

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

	Year Ended December 31,					
	2015[(1)]	2015[(2)-(3)]	2014	2013[(4)]	2012[(5)]	2011[(6)]
	(in millions of Mexican pesos or millions of U.S. dollars, except percentages and share and per share data)					
Income Statement Data:						
Total revenues	$ 18,121	Ps. 311,589	Ps. 263,449	Ps. 258,097	Ps. 238,309	Ps. 201,540
Gross Profit	7,164	123,179	110,171	109,654	101,300	84,296
Income before Income Taxes and Share of the Profit of Associates and Joint Ventures Accounted for Using the Equity Method	1,463	25,163	23,744	25,080	27,530	23,552
Income taxes	461	7,932	6,253	7,756	7,949	7,618
Consolidated net income	1,354	23,276	22,630	22,155	28,051	20,901
Controlling interest net income	1,029	17,683	16,701	15,922	20,707	15,332
Non-controlling interest net income	325	5,593	5,929	6,233	7,344	5,569
Basic controlling interest net income:						
Per Series B Share	0.05	0.88	0.83	0.79	1.03	0.77
Per Series D Share	0.06	1.10	1.04	1.00	1.30	0.96
Diluted controlling interest net income:						
Per Series B Share	0.05	0.88	0.83	0.79	1.03	0.76
Per Series D Share	0.06	1.10	1.04	0.99	1.29	0.96
Weighted average number of shares outstanding (in millions):						
Series B Shares	9,246.4	9,246.4	9,246.4	9,246.4	9,246.4	9,246.4
Series D Shares	8,644.6	8,644.6	8,644.7	8,644.7	8,644.7	8,644.7
Allocation of earnings:						
Series B Shares	46.11%	46.11%	46.11%	46.11%	46.11%	46.11%
Series D Shares	53.89%	53.89%	53.89%	53.89%	53.89%	53.89%
Financial Position Data:						
Total assets	$ 23,805	Ps. 409,332	Ps. 376,173	Ps. 359,192	Ps. 295,942	Ps. 263,362
Current liabilities	3,800	65,346	49,319	48,869	48,516	39,325
Long-term debt[(7)]	5,000	85,969	82,935	72,921	28,640	23,819
Other long-term liabilities	940	16,161	13,797	14,852	8,625	8,047
Capital stock	195	3,348	3,347	3,346	3,346	3,345
Total equity	14,065	241,856	230,122	222,550	210,161	192,171
Controlling interest	10,556	181,524	170,473	159,392	155,259	144,222
Non-controlling interest	3,509	60,332	59,649	63,158	54,902	47,949
Other Information						
Depreciation	$ 568	Ps. 9,761	Ps. 9,029	Ps. 8,805	Ps. 7,175	Ps. 5,694
Capital expenditures[(8)]	1,098	18,885	18,163	17,882	15,560	12,666
Gross margin[(9)]	40%	40%	42%	42%	43%	42%

(1) Translation to U.S. dollar amounts at an exchange rate of Ps. 17.19 to US$ 1.00 solely for the convenience of the reader.

(2) The exchange rate used to translate our operations in Venezuela as of and for the year ended on December 31, 2015 was the SIMADI rate of 198.70 bolivars to US$ 1.00 compared to the year ended on December 31, 2014 of 49.99 bolivars to US$ 1.00 and compared to the year ended on December 31, 2013 of 6.3 bolivars to US$ 1.00. See Note 3.3 of our audited consolidated financial statements.

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

(4) Includes results of Coca-Cola FEMSA Philippines, Inc., or CCFPI (formerly Coca-Cola Bottlers Philippines, Inc.), from February 2013 using the equity method, Grupo Yoli, S.A. de C.V. (Group Yoli) from June 2013, Companhia Fluminense de Refrigerantes (Companhia Fluminense) from September 2013, Spaipa S.A. Indústria Brasileira de Bebidas (Spaipa) from November 2013 and other business acquisitions. **See Item 4. Information on the Company The Company Corporate Background.** Note 10 and Note 4 to our audited consolidated financial statements.

(5) Includes results of Grupo Fomento Queretano, S.A.P.I. de C.V. (Grupo Fomento Queretano) from May 2012. **See Item 4. Information on the Company The Company Corporate Background.** and Note 4 to our audited consolidated financial statements.

(6) Includes results of Administradora de Acciones del Noreste, S.A.P.I. de C.V. (Grupo Tampico) from October 2011 and from Corporación de los Ángeles, S.A. de C.V. (Grupo CIMSA) from December 2011. **See Item 4. Information on the Company The Company Corporate Background.**

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

(8) Includes investments in property, plant and equipment, intangible and other assets, net of cost of long lived assets sold, and write-off.

(9) Gross margin is calculated by dividing gross profit by total revenues.

Dividends

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

The following table sets forth for each year the nominal amount of dividends per share that we declared in Mexican peso and U.S. dollar amounts and their respective payment dates for the 2011 to 2015 fiscal years:

Date Dividend Paid	Fiscal Year with Respect to which Dividend was Declared	Aggregate Amount of Dividend Declared	Per Series B Share Dividend	Per Series B Share Dividend(7)	Per Series D Share Dividend	Per Series D Share Dividend(7)
May 4, 2011 and November 2, 2011(1)	2010	Ps. 4,600,000,000	Ps. 0.2294	$ 0.0199	Ps. 0.28675	$ 0.0249
May 4, 2011			Ps. 0.1147	$ 0.0099	Ps. 0.14338	$ 0.0124
November 2, 2011			Ps. 0.1147	$ 0.0085	Ps. 0.14338	$ 0.0106
	2011	Ps. 6,200,000,000	Ps. 0.3092	$ 0.0231	Ps. 0.3865	$ 0.0288

May 3, 2012 and November 6, 2012[(2)]										
May 3, 2012			Ps.	0.1546	$	0.0119	Ps.	0.1932	$	0.0149
November 6, 2012			Ps.	0.1546	$	0.0119	Ps.	0.1932	$	0.0149
May 7, 2013 and November 7, 2013[(3)]	2012	Ps. 6,684,103,000	Ps.	0.3333	$	0.0264	Ps.	0.4166	$	0.0330
May 7, 2013			Ps.	0.1666	$	0.0138	Ps.	0.2083	$	0.0173
November 7, 2013			Ps.	0.1666	$	0.0126	Ps.	0.2083	$	0.0158
December 18, 2013[(4)]	2012	Ps. 6,684,103,000	Ps.	0.3333	$	0.0257	Ps.	0.4166	$	0.0321
May 7, 2015 and November 5, 2015 [(5)]	2014	Ps. 7,350,000,000	Ps.	0.3665	$	0.0230	Ps.	0.4581	$	0.0287
May 7, 2015			Ps.	0.1833	$	0.0120	Ps.	0.2291	$	0.0149
November 5, 2015			Ps.	0.1833	$	0.0110	Ps.	0.2291	$	0.01318
May 5, 2016 and November 3, 2016[(6)]	2015	Ps. 8,355,000,000	Ps.	0.4167		N/A	Ps.	0.5208		N/A
May 5, 2016			Ps.	0.2083		N/A	Ps.	0.2604		N/A
November 3, 2016			Ps.	0.2083		N/A	Ps.	0.2604		N/A

(1) The dividend payment for 2010 was divided into two equal payments in Mexican pesos. The first payment was payable on May 4, 2011, with a record date of May 3, 2011, and the second payment was payable on November 2, 2011, with a record date of November 1, 2011.

(2) The dividend payment for 2011 was divided into two equal payments in Mexican pesos. The first payment was payable on May 3, 2012 with a record date of May 2, 2012, and the second payment was payable on November 6, 2012 with a record date of November 5, 2012.

(3) The dividend payment for 2012 was divided into two equal payments in Mexican pesos. The first payment was payable on May 7, 2013 with a record date of May 6, 2013, and the second payment was payable on November 7, 2013 with a record date of November 6, 2013.

(4) The dividend payment declared in December 2013 was payable on December 18, 2013 with a record date of December 17, 2013.

(5) The dividend payment for 2014 was divided into two equal payments in Mexican pesos. The first payment was payable on May 7, 2015 with a record date of May 6, 2015, and the second payment was payable on November 5, 2015 with a record date of November 4, 2015. The dividend payment for 2014 was derived from the balance of the net tax profit account for the fiscal year ended December 31, 2013. **See Item 4. Information on the Company Regulatory Matters Mexican Tax Reform.**

(6) The dividend payment for 2015 will be divided into two equal payments. The first payment will become payable on May 5, 2016 with a record date of May 4, 2016, and the second payment will become payable on November 3, 2016 with a record date of November 1, 2016. The dividend payment for 2015 was derived from the balance of the net tax profit account for the fiscal year ended December 31, 2013. **See Item 4. Information on the Company Regulatory Matters Mexican Tax Reform.**

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

At the annual ordinary general shareholders meeting, or AGM, the board of directors submits the 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. As of the date of this report, the legal reserve of our company is fully constituted. Thereafter, the holders of Series B Shares may determine and allocate a certain percentage of net profits to any general or special reserve, including a reserve for open-market purchases of our shares. The remainder of net profits is available for distribution in the form of dividends to our shareholders. Dividends may only be paid if net profits are sufficient to offset losses from prior fiscal years.

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

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

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Exchange Rate Information

The following table sets forth, for the periods indicated, the high, low, average and year-end noon exchange rate, expressed in Mexican pesos per US$ 1.00, as published by the U.S. Federal Reserve Board in its H.10 Weekly Release of Foreign Exchange Rates. The rates have not been restated in constant currency units and therefore represent nominal historical figures.

Year ended December 31,	Exchange Rate			
	High	Low	Average(1)	Year End
2011	14.25	11.51	12.46	13.95
2012	14.37	12.63	13.14	12.96
2013	13.43	11.98	12.86	13.10
2014	14.79	12.84	13.37	14.75
2015	17.63	14.56	15.97	17.20

(1) Average month-end rates.

	Exchange Rate		
	High	Low	Period End
2014:			
First Quarter	Ps. 13.51	Ps. 13.00	Ps. 13.06
Second Quarter	13.14	12.85	12.97
Third Quarter	13.48	12.93	13.43
Fourth Quarter	14.79	13.39	14.75
2015:			
First Quarter	Ps. 15.58	Ps. 14.56	Ps. 15.25
Second Quarter	15.69	14.80	15.69
Third Quarter	17.10	15.67	16.90
Fourth Quarter	17.35	16.37	17.20
October	16.89	16.38	16.53
November	16.85	16.37	16.60
December	17.36	16.53	17.20
2016:			
January	Ps. 18.59	Ps. 17.36	Ps. 18.21
February	19.19	14.75	18.07
March	17.94	17.21	17.21
First Quarter	19.19	17.21	17.21

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RISK FACTORS

Risks Related to Our Company

Coca-Cola FEMSA

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

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

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

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

Coca-Cola FEMSA depends on The Coca-Cola Company to continue with 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. 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 the relationship with The Coca-Cola Company would have an adverse effect on Coca-Cola FEMSA s business, financial condition, results of operations and prospects.

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

The Coca-Cola Company has substantial influence on the conduct of Coca-Cola FEMSA s business. As of April 8, 2016, The Coca-Cola Company indirectly owned 28.1% of Coca-Cola FEMSA s outstanding capital stock, representing 37% of Coca-Cola FEMSA s shares with full voting rights. The Coca-Cola Company is entitled to appoint five of Coca-Cola FEMSA s maximum of 21 directors and the vote of at least two of them is required to approve certain actions by Coca-Cola FEMSA s board of directors. As of April 8, 2016, we indirectly owned 47.9% of Coca-Cola FEMSA s outstanding capital stock, representing 63% of Coca-Cola FEMSA s capital stock with full voting rights. We are entitled to appoint 13 of Coca-Cola FEMSA s maximum of 21 directors and all of its executive officers. We and The Coca-Cola Company together, or only we in certain circumstances, have the power to determine the outcome of all actions requiring the approval of Coca-Cola FEMSA s board of directors, and we and The Coca-Cola Company together, or only we in certain circumstances, have the power to determine the outcome of all actions requiring the approval of Coca-Cola FEMSA s shareholders. The interests of The Coca-Cola Company may be different from the interests of Coca-Cola FEMSA s other shareholders or its creditors, which may result in Coca-Cola FEMSA taking actions contrary to the interests of such other shareholders or its creditors.

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

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

The reputation of Coca-Cola trademarks and trademark infringement could adversely affect Coca-Cola FEMSA s business.

Substantially all of Coca-Cola FEMSA s sales are derived from sales of *Coca-Cola* trademark beverages owned by The Coca-Cola Company. 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 essential 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 Coca-Cola FEMSA s business, financial condition, results of operations and prospects.

Competition could adversely affect Coca-Cola FEMSA s business, financial condition, results of operations and prospects.

The beverage industry in the territories where Coca-Cola FEMSA operates is highly competitive. Coca-Cola FEMSA faces competition from other bottlers of sparkling beverages, such as *Pepsi* trademark products and other bottlers and distributors of local beverage brands, and from producers of low-cost beverages or B brands. Coca-Cola FEMSA also competes in beverage categories other than sparkling beverages, such as water, juice-based beverages, teas, sport drinks and value-added dairy products. Coca-Cola FEMSA expects that it will continue to face strong competition in its beverage categories in all of its territories and anticipates that existing or new competitors may broaden their product lines and extend their geographic scope.

Although competitive conditions are different in each of its territories, Coca-Cola FEMSA competes principally 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 Coca-Cola FEMSA Competition.** Lower pricing and activities by competitors and changes in consumer preferences may have an adverse effect on Coca-Cola FEMSA s business, financial condition, results of operations and prospects.

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

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 the vast majority 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 fees in full, having complied with applicable obligations and receiving approval for renewal from local and/or federal water authorities. **See Item 4. Information on the Company Regulatory Matters Water Supply.** In some of its other territories, Coca-Cola FEMSA s 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.

Water supply in the Sao Paulo region in Brazil has been reduced in recent years by low rainfall, which has affected the main water reservoir that serves the greater Sao Paulo area (Cantareira). Although Coca-Cola FEMSA s Jundiai plant does not obtain water from this water reservoir, water shortages or changes in governmental regulations aimed at rationalizing water in such region could affect Coca-Cola FEMSA s water supply in its Jundiai plant. We cannot assure you 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, results of operations and prospects.

Increases in the prices of raw materials would increase Coca-Cola FEMSA s cost of goods sold and may adversely affect its business, financial condition, results of operations and prospects.

In addition to water, Coca-Cola FEMSA s most significant raw materials are (i) concentrate, which is acquired from affiliates of The Coca-Cola Company, (ii) sweeteners and (iii) packaging materials.

Prices for *Coca-Cola* trademark beverages concentrate are determined by The Coca-Cola Company as a percentage of the weighted average retail price in local currency, net of applicable taxes. The Coca-Cola Company has the right to unilaterally change concentrate prices or change the manner in which such prices are calculated. In the past, The Coca-Cola Company has increased concentrate prices for *Coca-Cola* trademark beverages in some of the countries where Coca-Cola FEMSA operates. Coca-Cola FEMSA may not be successful in negotiating or implementing measures to mitigate the negative effect this may have in the pricing of its products or its results.

The prices for other Coca-Cola FEMSA s raw materials are driven by market prices and local availability, the imposition of import duties and restrictions and fluctuations in exchange rates. Coca-Cola FEMSA is also required to meet all of its supply needs (including sweeteners and packaging materials) from suppliers approved by The Coca-Cola Company, which may limit the number of suppliers available to it. Coca-Cola FEMSA s sales prices are denominated in the local currency in each country where it operates, while the prices of certain materials, including those used in the bottling of its products, mainly resin, preforms to make plastic bottles, finished plastic bottles, aluminum cans, HFCS and certain sweeteners, are paid in or determined with reference to the U.S. dollar, and therefore may increase if the U.S. dollar appreciates against the applicable local currency. We cannot anticipate whether the U.S. dollar will appreciate or depreciate with respect to such local currencies in the future. **See Item 4. Information on the Company Coca-Cola FEMSA Raw Materials.**

Coca-Cola FEMSA s most significant packaging raw material costs arise from the purchase of resin and plastic preforms to make plastic bottles and from the purchase of finished plastic bottles, the prices of which are related to crude oil prices and global resin supply. The average prices that Coca-Cola FEMSA paid for resin and plastic preforms in U.S. dollars in 2015 decreased 24% as compared to 2014 in all Coca-Cola FEMSA s territories; however, given that high currency volatility has affected and continues to affect most of Coca-Cola FEMSA s territories, the average prices for resin and plastic preforms in local currencies were higher in 2015 in Mexico, Colombia, Venezuela and Brazil. In 2015, average sweetener prices were lower in Guatemala, and were higher in the rest of Coca-Cola FEMSA s territories, in each case as compared to 2014. From 2010 through 2015, international sugar prices were volatile due to various factors, including shifting demand, availability and climate issues affecting production and distribution. In all of the countries where Coca-Cola FEMSA operates, other than Brazil, sugar prices are subject to local regulations and other barriers to market entry that cause Coca-Cola FEMSA to purchase for sugar above international market prices. **See Item 4. Information on the Company Coca-Cola FEMSA Raw Materials.** We cannot assure you that Coca-Cola FEMSA s raw material prices will not further increase in the future. Increases in the prices of raw materials would increase Coca-Cola FEMSA s cost of goods sold and adversely affect its business, financial conditions, results of operations and prospects.

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Taxes could adversely affect Coca-Cola FEMSA s business, financial condition, results of operations and prospects.

The countries where Coca-Cola FEMSA operates may adopt new tax laws or modify existing tax laws to increase taxes applicable to Coca-Cola FEMSA s business or products. Coca-Cola FEMSA s products are subject to certain taxes in many of the countries where it operates, which impose taxes on sparkling beverages. **See Item 4. Information on the Company Regulatory Matters Taxation of Sparkling Beverages.** The imposition of new taxes, increases in existing taxes or changes in the interpretation of tax laws and regulation by tax authorities may have a material adverse effect on Coca-Cola FEMSA s business, financial condition, results of operations and prospects.

Tax legislation in some of the countries where Coca-Cola FEMSA operates has recently been subject to major changes. **See Item 4. Information on the Company Regulatory Matters Mexican Tax Reform** and **Information on the Company Regulatory Matters Other Recent Tax Reforms**. We cannot assure you that these reforms or other reforms adopted by governments in the countries where Coca-Cola FEMSA operates will not have a material adverse effect on its business, financial condition, results of operations and prospects.

Regulatory developments may adversely affect Coca-Cola FEMSA s business, financial condition, results of operations and prospects.

Coca-Cola FEMSA is subject to several laws and regulations in each of the territories where it operates. The principal areas in which Coca-Cola FEMSA is subject to laws and regulations are water, environment, labor, taxation, health and antitrust. Laws and regulations can also affect Coca-Cola FEMSA s ability to set prices for its products. **See Item 4. Information on the Company Regulatory Matters.** Changes in existing laws and regulations, the adoption of new laws or regulations or a stricter interpretation or enforcement thereof in the countries where Coca-Cola FEMSA operates may increase its operating and compliance costs or impose restrictions on its operations which, in turn, may adversely affect Coca-Cola FEMSA s business, financial condition, results of operations and prospects. In particular, environmental standards are becoming more stringent in several of the countries where Coca-Cola FEMSA operates. There is no assurance that Coca-Cola FEMSA will be able to comply with changes in environmental laws and regulations within the timelines established by the relevant regulatory authorities. **See Item 4. Information on the Company Regulatory Matters Environmental Matters.**

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries where Coca-Cola FEMSA operates. Currently, there are no price controls on Coca-Cola FEMSA s products in any of the territories where it has operations, except for those in Argentina, where authorities directly supervise five of Coca-Cola FEMSA s products sold through supermarkets as a measure to control inflation, and Venezuela, where price controls have been imposed on certain of Coca-Cola FEMSA s products, including bottled water, and a limit has been imposed on profits earned on the sale of goods, including Coca-Cola FEMSA s products, in an effort to seek price stability of, and equal access to, goods and services. If Coca-Cola FEMSA exceeds such limit on profits, it may be forced to reduce the prices of its products in Venezuela, which would in turn adversely affect its business, financial condition, results of operations and prospects. In addition, consumer protection laws in Venezuela are subject to continuing review and changes, and any such changes may have an adverse impact on Coca-Cola FEMSA. We cannot assure you that existing or future laws and regulations in the countries where Coca-Cola FEMSA operates relating to goods and services (in particular, laws and regulations imposing statutory price controls) will not affect Coca-Cola FEMSA s products or that Coca-Cola FEMSA will not need to implement voluntary price restraints, which could have a negative effect on its business, financial condition, results of operations and prospects. **See Item 4. Information on the Company Regulatory Matters Price Controls.**

Unfavorable results of legal proceedings could have an adverse effect on Coca-Cola FEMSA s business, financial condition, results of operations and prospects.

Coca-Cola FEMSA s operations have from time to time been and may continue to be subject to investigations and proceedings by antitrust authorities, and litigation relating to alleged anticompetitive practices. Coca-Cola FEMSA also has been subject to investigations and proceedings on tax, consumer protection, environmental and labor matters. We cannot assure you that these investigations and proceedings will not have an adverse effect on Coca-Cola FEMSA s business, financial condition, results of operations and prospects.

Weather conditions may adversely affect Coca-Cola FEMSA s business, financial condition, results of operations and prospects.

Lower temperatures, higher rainfall and other adverse weather conditions such as typhoons and hurricanes may negatively impact consumer patterns, which may result in reduced sales of Coca-Cola FEMSA s beverage offerings. Additionally, such adverse weather conditions may affect plant installed capacity, road infrastructure and points of sale in the territories where Coca-Cola FEMSA operates and limit Coca-Cola FEMSA s ability to produce, sell and distribute its products, thus affecting its business, financial condition, results of operations and prospects.

Coca-Cola FEMSA may not be able to successfully integrate its acquisitions and achieve the expected operational efficiencies and/or synergies.

Coca-Cola FEMSA has and may continue to acquire bottling operations and other businesses. Key elements to achieving the benefits and expected synergies of Coca-Cola FEMSA s acquisitions and/or mergers are the integration of acquired or merged businesses operations into its own in a timely and effective manner and the retention of qualified and experienced key personnel. Coca-Cola FEMSA may incur unforeseen liabilities in connection with acquiring, taking control of, or managing bottling operations and other businesses and may encounter difficulties and unforeseen or additional costs in restructuring and integrating them into its operating structure. We cannot assure you that these efforts will be successful or completed as expected by Coca-Cola FEMSA, and Coca-Cola FEMSA s business, financial condition, results of operations and prospects could be adversely affected if it is unable to do so.

Political and social events in the countries where Coca-Cola FEMSA operates and changes in governmental policies may have an adverse effect on Coca-Cola FEMSA s business, financial condition, results of operations and prospects.

In recent years, some of the governments in the countries where Coca-Cola FEMSA operates have implemented and may continue to implement significant changes in laws, public policy and/or regulations that could affect the political and social conditions in these countries. Any such changes may have an adverse effect on Coca-Cola FEMSA s business, financial condition, results of operations and prospects. We cannot assure you that political or social developments in any of the countries where Coca-Cola FEMSA operates, such as the election of new administrations, political disagreements, civil disturbances and the rise in violence and perception of violence, over which Coca-Cola FEMSA has no control, will not have a corresponding adverse effect on the local or global markets or on Coca-Cola FEMSA s business, financial condition, results of operations and prospects.

FEMSA Comercio

Competition from other retailers in Mexico could adversely affect FEMSA Comercio Retail Division s business, financial condition, results of operations and prospects.

The Mexican retail sector is highly competitive. FEMSA participates in the retail sector primarily through FEMSA Comercio Retail Division. Its OXXO stores face competition from small-format stores like 7-Eleven, Extra, Super City, Círculo K stores and other numerous chains of retailers across Mexico, from other regional small-format retailers to small informal neighborhood stores. In particular, small informal neighborhood stores can sometimes avoid regulatory oversight and taxation, enabling them to sell certain products at prices below average market prices. In addition, these small informal neighborhood stores could improve their technological capabilities so as to enable credit card transactions and electronic payment of utility bills, which would diminish one of FEMSA Comercio Retail Division s competitive advantages. FEMSA Comercio Retail Division may face additional competition from new market participants. Increased competition may limit the number of new store locations available and require FEMSA Comercio Retail Division to modify its product offering or pricing structure. As a consequence, FEMSA Comercio Retail Division s business, financial condition, results of operations and prospects may be adversely affected by competition in the future.

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Sales of OXXO small-format stores may be adversely affected by changes in economic conditions in Mexico.

Small-format stores often sell certain products at a premium. The small-format store market is thus highly sensitive to economic conditions, since an economic slowdown is often accompanied by a decline in consumer purchasing power, which in turn results in a decline in the overall consumption of FEMSA Comercio Retail Division s main product categories. During periods of economic slowdown, OXXO stores may experience a decline in traffic per store and average ticket per customer, which may result in a decline in FEMSA Comercio Retail Division s overall performance.

Regulatory changes may adversely affect FEMSA Comercio Retail Division s business.

In Mexico, FEMSA Comercio Retail Division is subject to regulation in areas such as labor, taxation, zoning, operations and related local permits and health and safety 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 FEMSA Comercio Retail Division operates may increase its operating and compliance costs or impose restrictions on its operations which, in turn, may adversely affect FEMSA Comercio Retail Division s business, financial condition, results of operations and prospects. 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 FEMSA Comercio Retail Division s business, financial condition, results of operations and prospects.

FEMSA Comercio Retail Division may not be able to maintain its historic growth rate.

FEMSA Comercio Retail Division increased the number of OXXO stores at a compound annual growth rate of 10.1% from 2011 to 2015. The growth in the number of OXXO stores has driven growth in total revenue and results at FEMSA Comercio Retail Division over the same period. As the overall number of stores increases, 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, FEMSA Comercio Retail Division s 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. In Colombia, OXXO stores may not be able to maintain historic growth rates similar to those in Mexico. We cannot assure you that FEMSA Comercio Retail Division s future retail stores will generate revenues and cash flow comparable with those generated by its existing retail stores.

FEMSA Comercio Retail Division s business depends heavily on information technology and a failure, interruption, or breach of its IT systems could adversely affect it.

FEMSA Comercio Retail Division s business relies heavily on advanced information technology (which we refer to as IT) systems to effectively manage its data, communications, connectivity, and other business processes. FEMSA Comercio Retail Division invests aggressively in IT to maximize its value generation potential. Given the rapid speed at which such division adds new services and products to its commercial offerings, the development of IT systems, hardware and software needs to keep pace with the growth of the business. If these systems become obsolete or if planning for future IT investments is inadequate, FEMSA Comercio Retail Division s business could be adversely affected.

Although FEMSA Comercio Retail Division constantly improves its IT systems and protects them with advanced security measures, they may still be subject to defects, interruptions, or security breaches such as viruses or data theft. Such a defect, interruption, or breach could adversely affect FEMSA Comercio Retail Division s business, financial condition, results of operations and prospects.

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FEMSA Comercio Retail Division s business may be adversely affected by an increase in the price of electricity.

The performance of FEMSA Comercio Retail Division s stores would be adversely affected by increases in the price of utilities on which the stores depend, such as electricity. In recent years the price of electricity in Mexico has remained stable, and particularly the price was reduced last year, although it could potentially increase as a result of inflation, shortages, interruptions in supply, or other reasons, and such an increase could adversely affect FEMSA Comercio Retail Division s business, financial condition, results of operations and prospects.

FEMSA Comercio Retail Division s expansion strategy and entry into new markets and retail formats may lead to decreased profit margins.

FEMSA Comercio Retail Division has recently entered into new markets through the acquisition of other small-format retail businesses such as drugstores and quick-service restaurants. FEMSA Comercio Retail Division continued with this strategy in 2015 and may continue with it in the future. These new businesses are currently less profitable than OXXO, and might therefore marginally dilute FEMSA Comercio Retail Division s margins in the short to medium term.

Taxes could adversely affect FEMSA Comercio s business.

The imposition of new taxes or increases in existing taxes, or changes in the interpretation of tax laws and regulations by tax authorities, may have a material adverse effect on FEMSA Comercio s business, financial condition, results of operations and prospects.

Energy regulatory changes may impact fuel prices and therefore adversely affect FEMSA Comercio Fuel Division s business.

FEMSA Comercio Fuel Division sells mainly gasoline and diesel through owned or leased retail service stations. Currently, the prices of these products are regulated in Mexico by the *Comisión Reguladora de Energía* (Energy Regulatory Commission), a government agency. Changes in how these prices may be determined or controlled may adversely affect FEMSA Comercio Fuel Division s business, financial condition, results of operations and prospects. In the future and in accordance with what is envisioned by the current regulations in Mexico, fuel prices will follow the dynamics of the international fuel market, which may also adversely affect FEMSA Comercio Fuel Division s business, financial condition, results of operations and prospects.

Uncertainty in Mexican legislation and regulation of the energy sector could affect FEMSA Comercio Fuel Division s business.

Mexican legislation and regulation of the energy sector in general, and of fuel distribution in particular, is in transition or has not been fully implemented (through secondary legislation and rules) given the recent passing of energy reforms. The authorities have certain discretion to implement the energy reform and, in the future, new rules, additional requirements or steps or interpretations could adversely affect FEMSA Comercio Fuel Division s business, financial condition, results of operations and prospects.

FEMSA Comercio Fuel Division s business could be affected by new safety and environmental regulations enforced by government, global environmental regulations and new energy technologies.

Federal, state and municipal laws and regulations for the installation of new service stations are becoming or may become 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 traditional fuel vehicles and increased popularity of alternative fuel vehicles, such as electric and liquefied petroleum gas (LPG) vehicles, have caused a significant reduction in fuel consumption. Other new technologies could further reduce the sale of traditional fuels, all of which could adversely affect FEMSA Comercio Fuel Division s results or financial position.

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Competition from new players in Mexico could adversely affect FEMSA Comercio Fuel Division s business.

The opening of the Mexican fuel distribution market is expected to alter the competitive dynamics of the industry. The Mexican fuel distribution and retail market is expected to enter into a consolidation process as large companies and international competitors enter the market or gain market share at the expense of small, independently owned and operated service stations. Consolidation may occur rapidly and materially alter the market dynamics in Mexico which may affect our ability to take advantage of existing opportunities. Such changes could adversely affect FEMSA Comercio Fuel Division s business, financial condition, and results of operations and prospects. We cannot assure you that any further market consolidation will not be detrimental to FEMSA Comercio Fuel Division s market position or competitiveness or will not materially and adversely affect its business, financial condition, results of operations and prospects.

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, 2015, 70% of our consolidated total revenues were attributable to Mexico. During 2012, 2013 and 2014 the Mexican gross domestic product, or GDP, increased by approximately 4%, 1.4% and 2.1%, respectively, and in 2015 it increased by approximately 2.5% on an annualized basis compared to 2014, due to stronger performance in the services and primary sectors, which were partially offset by lower volumes and cheaper prices in the oil and gas industries. We cannot assure you that such conditions will not have a material adverse effect on our business, financial condition, results of operations and prospects 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 recovery of, the U.S. economy may hinder any recovery in Mexico. 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 our products, lower real pricing of our products or a shift to lower margin products. 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) constituted 39% of our total debt as of December 31, 2015.

Depreciation of the Mexican peso and of our other local currencies relative to the U.S. dollar could adversely affect our financial position and results.

Depreciation of the Mexican peso and of our other local currencies relative to the U.S. dollar 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 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. During 2014, 2013 and 2012, the Mexican peso experienced fluctuations relative to the U.S. dollar consisting of 7.1% of recovery, 1% of depreciation and 12.6% of depreciation respectively, compared to the years of 2013, 2012 and 2011. During 2015, the Mexican peso depreciated relative to the U.S. dollar by approximately 16.6% compared to 2014. Through April 15, 2016, the Mexican peso has depreciated 2.1% since December 31, 2015.

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.

Political events in Mexico could adversely affect our operations.

Mexican political events may significantly affect our operations. Presidential elections in Mexico occur every six years, with the most recent one occurring in July 2012. Enrique Peña Nieto, a member of the *Partido Revolucionario Institucional,* was elected as the president of Mexico and took office on December 1, 2012. In addition, the Mexican Congress has approved a number of structural reforms intended to modernize certain sectors of and foster growth in the Mexican economy, and is continuing to approve further reforms. President Peña Nieto continues to face significant challenges as the structural reforms approved by the Mexican Congress could have an effect on the Mexican economy. Furthermore, no single party has a majority in the Senate or the *Cámara de Diputados* (House of Representatives), and the absence of a clear majority by a single party could result in government gridlock and political uncertainty. We cannot provide any assurances that political developments in Mexico, over which we have no control, will not have an adverse effect on our business, financial condition, results of operations and prospects.

Security risks in Mexico could increase, and this could adversely affect our results.

The presence of violence among drug cartels, and between these and the Mexican law enforcement and armed forces, pose a risk to our business. Organized criminal activity and related violent incidents have decreased in 2015 compared to 2014 and 2013, but remain prevalent in some parts of Mexico. These incidents are relatively concentrated along the northern Mexican border, as well as in certain other Mexican states such as Sinaloa, Morelos, Michoacan and Guerrero. The north of Mexico is an important region for our retail operations, and an increase in crime rates could negatively affect our sales and customer traffic, increase our security expenses, and result in higher turnover of personnel or damage to the perception of our brands. This situation could worsen and 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-premise consumption to off-premise consumption of food and beverages on certain social occasions.

Depreciation of local currencies in other Latin American countries where we operate may adversely affect our financial position.

The devaluation of the local currencies against the U.S. dollar in our non-Mexican territories can increase our operating costs in these countries, and depreciation of the local currencies against the Mexican peso can negatively affect our results for these countries. In recent years, the value of the currency in the countries where we operate has been relatively stable relative to the Mexican peso, except in Venezuela. During 2015, in addition to the Venezuelan currency, the currencies of Brazil and Argentina also depreciated against the Mexican peso. Future currency devaluation or the imposition of exchange controls in any of these countries, or in Mexico, would have an adverse effect on our financial position and results.

We have operated under exchange controls in Venezuela since 2003, which limits our ability to remit dividends abroad or make payments other than in local currency and that may increase the real price paid for raw materials and services purchased in local currency. Prior to 2014, we had historically used the official exchange rate to translate our Venezuelan operations. However, since the beginning of 2014, the Venezuelan government has announced a series of changes to the Venezuelan exchange control regime.

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In January 2014, the Venezuelan government announced an exchange rate determined by the state-run system known as the *Sistema Complementario de Administración de Divisas*, or SICAD. In March 2014, the Venezuelan government announced a new law that authorized an alternative method of exchanging Venezuelan bolivars to U.S. dollars known as SICAD II. In February 2015, the Venezuelan government announced that it was replacing SICAD II with a new market-based exchange rate determined by the system known as the *Sistema Marginal de Divisas*, or SIMADI. In February 2016, the Venezuelan government announced a 37% devaluation of the official exchange rate and changed the existing three-tier exchange rate system into a dual system. The official exchange rate (6.30 bolivars per US$ 1.00 as of December 31, 2015) and the SICAD exchange rate (13.50 bolivars per US$ 1.00 as of December 31, 2015) were merged into a single official exchange rate of 10.00 bolivars per U.S. dollar. The decision was part of a package of economic policies intended to mitigate the economic crisis of the member countries of the Organization of the Petroleum Exporting Countries (OPEC).

In March 2016, the Venezuelan government announced that it was replacing the SIMADI exchange rate with a new market-based exchange rate known as *Divisas Complementarias*, or DICOM, and the official exchange rate with a preferential exchange rate denominated *Divisa Protegida*, or DIPRO. The DIPRO exchange rate is determined by the Venezuelan government and may be used to settle imports of a list of goods and raw materials, which has not been published as of the date of this annual report. The DICOM exchange rate is determined based on supply and demand of U.S. dollars. As of April 15, 2016, the DIPRO and DICOM exchange rates were 10 bolivars and 339.45 bolivars per US$ 1.00, respectively.

We translated our results of operations in Venezuela for the full year ended December 31, 2015 into our reporting currency, the Mexican peso, using the SIMADI exchange rate of 198.70 bolivars to US$ 1.00, which was the exchange rate in effect as of such date. As a result, in 2015, we recognized a reduction in equity of Ps. 2,687 million. Coca-Cola FEMSA will closely monitor any further developments that may affect the exchange rates to translate the financial statements of its Venezuelan subsidiary in the future.

Based upon our specific facts and circumstances, we anticipate using the DICOM exchange rate to translate our future results of operations in Venezuela into our reporting currency, the Mexican peso. This will further adversely affect our comprehensive income and financial position. The Venezuelan government may announce further changes to the exchange rate system in the future. To the extent a higher exchange rate is applied to our investment in Venezuela in future periods as a result of changes to existing regulations, subsequently adopted regulations or otherwise, our comprehensive income in Venezuela and financial condition could be further adversely affected. More generally, future currency devaluations or the imposition of exchange controls in any of the countries where we operate may potentially increase our operating costs, which could have an adverse effect on our financial position, results of operations and comprehensive income.

Risks Related to Our Holding of Heineken N.V. and Heineken Holding N.V. Shares

FEMSA does not control Heineken N.V. s and Heineken Holding N.V. s decisions.

On April 30, 2010, FEMSA announced the closing of the transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in Heineken N.V. and Heineken Holding N.V. (which, together with their respective subsidiaries, we refer to as Heineken or the Heineken Group). As a consequence of this transaction, which we refer to as the Heineken transaction, FEMSA now participates in the Heineken Holding N.V. Board of Directors, which we refer to as the Heineken Holding Board, and in the Heineken N.V. Supervisory Board, which we refer to as the Heineken Supervisory Board. However, FEMSA is not a majority or controlling shareholder of Heineken N.V. or Heineken Holding N.V., nor does it control the decisions of the Heineken Holding Board or the Heineken Supervisory Board. Therefore, the decisions made by the majority or controlling shareholders of Heineken N.V. or Heineken Holding N.V. or the Heineken Holding Board or the Heineken Supervisory Board may not be consistent with or may not consider the interests of FEMSA s shareholders or may be adverse to the interests of FEMSA s shareholders. Additionally, FEMSA has agreed not to disclose non-public information and decisions taken by Heineken.

Heineken operates in a large number of countries.

Heineken is a global brewer and distributor of beer in a large number of countries. Because of FEMSA s investment in Heineken, FEMSA shareholders are indirectly exposed to the political, economic and social circumstances affecting the markets in which Heineken is present, which may have an adverse effect on the value of FEMSA s interest in Heineken, and, consequently, the value of FEMSA shares.

The Mexican peso may strengthen compared to the Euro.

In the event of a depreciation of the euro against the Mexican peso, the fair value of FEMSA s investment in Heineken s shares will be adversely affected. Furthermore, the cash flow that is expected to be received in the form of dividends from Heineken will be in euros, and therefore, in the event of a depreciation of the euro against the Mexican peso, the amount of expected cash flow will be adversely affected.

Heineken N.V. and Heineken Holding N.V. are publicly listed companies.

Heineken N.V. and Heineken Holding N.V. are listed companies whose stock trades publicly and is subject to market fluctuation. A reduction in the price of Heineken N.V. or Heineken Holding N.V. shares would result in a reduction in the economic value of FEMSA s participation in Heineken.

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 8, 2016, a voting trust, of which the participants are members of seven families, 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 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, or NYSE, in the form of ADSs. We cannot assure you that holders of our shares in the form of ADSs will receive notice of shareholders meetings from our ADS depositary in sufficient time to enable such holders to return voting instructions to the ADS depositary in a timely manner. In the event that instructions are not received with respect to any shares underlying ADSs, the ADS depositary will, subject to certain limitations, grant a proxy to a person designated by us in respect of these shares. In the event that this proxy is not granted, the ADS depositary will vote these shares in the same manner as the majority of the shares of each class for which voting instructions are received.

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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 a sufficient number of 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 located 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, which we refer to as the 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 rights offering. In addition, under current Mexican law, the sale by the ADS depositary 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 Bylaws 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.

Developments in other countries may adversely affect the market for our securities.

The market value of securities of Mexican companies is, to varying degrees, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions are different in each country, investors reaction to developments in one country can have effects on the securities of issuers in other countries, including Mexico. We cannot assure you that events elsewhere, especially in emerging markets, will not adversely affect the market value of our securities.

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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 March 31, 2016, we had no restrictions on our ability to pay dividends. Further, our non-controlling shareholder position in Heineken means that we will be unable to require payment of dividends with respect to the Heineken shares.

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ITEM 4. INFORMATION ON THE COMPANY

The Company

Overview

We are a Mexican company headquartered in Monterrey, Mexico, and our origin dates back to 1890. Our company was incorporated on May 30, 1936 and has a duration of 99 years. The duration can be extended indefinitely by resolution of our shareholders. 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. Our website is www.femsa.com. We are organized as a *sociedad anónima bursátil de capital variable* under the laws of Mexico.

We conduct our operations through the following principal holding companies:

- Coca-Cola FEMSA, which produces, distributes and sells beverages and is the largest franchise bottler of *Coca-Cola* products in the world;

- FEMSA Comercio, comprising a Retail Division operating various small-format chain stores, including OXXO, the largest and fastest-growing chain in Latin America, and a Fuel Division operating the OXXO GAS chain of retail service stations for fuels, motor oils and other car care products. As of December 31, 2015, the Fuel Division is treated as a separate business segment; and

- CB Equity LLP, which holds our equity investment in Heineken, one of the world s leading brewers, with operations in over 70 countries.

Corporate Background

FEMSA traces its origins to the establishment of Mexico s first brewery, Cervecería Cuauhtémoc, S.A., which was founded in 1890 by four Monterrey businessmen: Francisco G. Sada, José A. Muguerza, Isaac Garza and José M. Schneider. Descendants of certain of the founders of Cervecería Cuauhtémoc, S.A. are participants of the voting trust that controls the management of our company.

The strategic integration of the company dates back to 1936 when its packaging operations were established to supply crown caps to the brewery. During this period, these operations were part of what was known as the Monterrey Group, which also included interests in banking and steel businesses and other packaging operations.

In 1974, the Monterrey Group was split between two branches of the descendants of the founding families of Cervecería Cuauhtémoc, S.A. The steel and other packaging operations formed the basis for the creation of Corporación Siderúrgica, S.A. (now Alfa, S.A.B. de C.V.), controlled by the Garza Sada family, and the beverage and banking operations were consolidated under the Valores Industriales, S.A. de C.V. (the corporate predecessor of FEMSA) corporate umbrella controlled by the Garza Lagüera family. FEMSA s shares were first listed on what is now the Bolsa Mexicana de Valores, S.A.B. de C.V. (which we refer to as the Mexican Stock Exchange) on September 19, 1978. Between the decades of 1970 and 1980, FEMSA diversified its operations through acquisitions in the soft drinks and mineral water industries, the establishment of the first stores under the trade name OXXO and other investments in the hotel, construction, auto parts, food and fishing industries, which were considered non-core businesses and were subsequently divested.

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In the 1990s, we began a series of strategic transactions to strengthen the competitive positions of our operating subsidiaries. These transactions included the sale of a 30% strategic interest in Coca-Cola FEMSA to a wholly-owned subsidiary of The Coca-Cola Company and a subsequent public offering of Coca-Cola FEMSA shares, both of which occurred in 1993. Coca-Cola FEMSA listed its L shares on the Mexican Stock Exchange and, in the form of American Depositary Shares, or ADSs, on the New York Stock Exchange, or NYSE.

In 1998, we completed a reorganization that changed our capital structure by converting our outstanding capital stock at the time of the reorganization into BD Units and B Units, and united the shareholders of FEMSA and the former shareholders of Grupo Industrial Emprex, S.A. de C.V. (which we refer to as Emprex) at the same corporate level through an exchange offer that was consummated on May 11, 1998. As part of the reorganization, FEMSA listed ADSs on the NYSE representing BD Units, and listed the BD Units and its B Units on the Mexican Stock Exchange.

In May 2003, our subsidiary Coca-Cola FEMSA expanded its operations throughout Latin America by acquiring 100% of Panamerican Beverages, Inc. (which we refer to as Panamco), then the largest soft drink bottler in Latin America in terms of sales volume in 2002. Through its acquisition of Panamco, Coca-Cola FEMSA began producing and distributing *Coca-Cola* trademark beverages in additional territories in Mexico, Central America, Colombia, Venezuela and Brazil, along with bottled water, beer and other beverages in some of these territories.

In April 2008, FEMSA shareholders approved a proposal to amend our bylaws in order to preserve the unit structure for our shares that has been in place since May 1998, and to maintain our existing share structure beyond May 11, 2008. Our bylaws previously provided that on May 11, 2008 our Series D-B Shares would convert into Series B Shares and our Series D-L Shares would convert into Series L Shares with limited voting rights. In addition, our bylaws provided that, on May 11, 2008, our current unit structure would cease to exist and each of our B Units would be unbundled into five Series B Shares, while each BD Unit would unbundle into three Series B Shares and two newly issued Series L Shares. Following the April 22, 2008 shareholder approvals, the automatic conversion of our share and unit structures no longer exist, and, absent shareholder action, our share structure will continue to be composed of Series B Shares, which must represent not less than 51% of our outstanding capital stock, and Series D-B and Series D-L Shares, which together may represent up to 49% of our outstanding capital stock. Our Unit structure, absent shareholder action, will continue to consist of B Units, which bundle five Series B Shares, and BD Units, which bundle one Series B Share, two Series D-B Shares and two Series D-L Shares. **See Item 9. The Offer and Listing Description of Securities.**

In January 2010, FEMSA announced that its board of directors unanimously approved a definitive agreement under which FEMSA would exchange its brewery business of Cuauhtémoc Moctezuma for a 20% economic interest in Heineken Group, one of the world s leading brewers. In April 2010, FEMSA announced the closing of the transaction, after Heineken N.V., Heineken Holding N.V. and FEMSA approved the transaction. Under the terms of the agreement, FEMSA received 43,018,320 shares of Heineken Holding N.V. and 43,009,699 shares of Heineken N.V., with an additional 29,172,504 shares of Heineken N.V. (which shares we refer to as the Allotted Shares) delivered pursuant to an allotted share delivery instrument, or the ASDI, with the final installment delivered in October 2011. As of December 31, 2015, FEMSA s interest in Heineken N.V. represented 12.53% of Heineken N.V. s outstanding capital and 14.94% of Heineken Holding N.V. s outstanding capital, resulting in our 20% economic interest in the Heineken Group. The principal terms of the Heineken transaction documents are summarized below in **Item 10. Additional Information Material Contracts.**

In January 2013, as part of Coca-Cola FEMSA s efforts to expand its geographic reach, it acquired a 51% non-controlling majority stake in CCFPI from The Coca-Cola Company. Coca-Cola FEMSA has an option to acquire the remaining 49% stake in CCFPI at any time during the seven years following the closing date. Coca-Cola FEMSA also has a put option to sell its ownership in CCFPI to The Coca-Cola Company commencing on the fifth anniversary of the closing date and ending on the sixth anniversary of the closing date. Coca-Cola FEMSA currently manages the day-to-day operations of the business; however, pursuant to its shareholders agreement with The Coca-Cola Company (a) during a four-year period ending January 25, 2017 all decisions must be approved jointly with The Coca-Cola Company, (b) following this four-year period, all decisions related to the annual normal operations plan and any other ordinary matters will be approved only by Coca-Cola FEMSA (c) The Coca-Cola Company has the right to appoint (and may remove) CCFPI s chief financial officer, and (d) Coca-Cola FEMSA has the right to appoint (and may remove) the chief executive officer and all other officers of CCFPI. Coca-Cola FEMSA currently records its investment in CCFPI using the equity method.

In May 2013, Coca-Cola FEMSA closed its merger with Grupo Yoli, a Mexican bottler operating mainly in the state of Guerrero as well as in parts of the state of Oaxaca.

In May 2013, FEMSA Comercio through one of its subsidiaries, Cadena Comercial de Farmacias, S.A.P.I. de C.V. (which we refer to as CCF), closed the acquisition of Farmacias YZA, a leading drugstore operator in Southeast Mexico, headquartered in Merida, Yucatan. The founding shareholders of Farmacias YZA hold a 25% stake in CCF. In a separate transaction, on May 13, 2013, CCF acquired Farmacias FM Moderna, a leading drugstore operator in the western state of Sinaloa.

In August 2013, Coca-Cola FEMSA closed its acquisition of Companhia Fluminense, a franchise that operates in parts of the states of Sao Paulo, Minas Gerais and Rio de Janeiro in Brazil.

In October 2013, our Board of Directors agreed to separate the roles of chairman of the Board and Chief Executive Officer, ratifying José Antonio Fernández Carbajal as Executive Chairman of the Board and naming Carlos Salazar Lomelín as Chief Executive Officer of FEMSA.

In October 2013, Coca-Cola FEMSA closed its acquisition of Spaipa, a Brazilian bottler with operations in the state of Parana and in parts of the state of Sao Paulo. For more information on Coca-Cola FEMSA s recent transactions, **see Item 4. Information on the Company Coca-Cola FEMSA Corporate History .**

In December 2013, FEMSA Comercio, through one of its subsidiaries, purchased the operating assets and trademarks of Doña Tota, a leading quick-service restaurant operator in Mexico. The founding shareholders of Doña Tota hold a 20% stake in the FEMSA Comercio subsidiary that now operates the Doña Tota business.

Since 1995, FEMSA Comercio has provided services to retail service stations for fuels, motor oils and other car care products through agreements with third parties that own Petroleos Mexicanos (PEMEX) franchises. In March 2015, following changes to the legal framework and considering the potential expansion and synergies arising from this business as part of Mexico s energy reform, FEMSA Comercio began to acquire PEMEX s service station franchises and to obtain permits from PEMEX to operate such service stations as franchisee.

In June 2015, CCF acquired 100% of Farmacias Farmacon, a regional pharmacy chain consisting at that time of more than 200 stores in the northwestern Mexican states of Sinaloa, Sonora, Baja California and Baja California Sur.

In September 2015, FEMSA Comercio acquired 60% of Grupo Socofar (which we refer to as Socofar), a leading South American drugstore operator based in Santiago, Chile. Socofar operated at that time, directly and through franchises, more than 600 drugstores and 150 beauty stores throughout Chile and over 150 drugstores throughout Colombia. FEMSA Comercio has the right to appoint the majority of the members of Socofar s board of directors and exercises day-to-day operating control over Socofar. As part of the shareholders agreement entered into with the former controlling shareholder, such minority shareholder has the right to appoint two members of the board of directors of Socofar. In connection with the acquisition of 60% of Socofar, FEMSA Comercio entered into option transactions regarding the remaining 40% non-controlling interest not held by FEMSA Comercio. The former controlling shareholders of Socofar may be able to put some or all of that interest to FEMSA Comercio beginning (i) 42 months after the acquisition, upon the occurrence of certain events and (ii) 60 months after the initial acquisition, in any event, FEMSA Comercio can call the remaining 40% non-controlling interest beginning on the seventh anniversary of the initial acquisition date. Both of these options would be exercisable at the then fair value of the interest and shall remain indefinitely.

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Ownership Structure

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

Principal Sub-holding Companies Ownership Structure

As of March 31, 2016

(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 (63% of Coca-Cola FEMSA s capital stock with full voting rights). **See Item 4. Information on the Company Coca-Cola FEMSA Capital Stock.**

(3) Ownership in CB Equity held through various FEMSA subsidiaries.

(4) Combined economic interest in Heineken N.V. and Heineken Holding N.V.

(5) Includes FEMSA Comercio Retail Division and FEMSA Comercio Fuel Division.

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

Operations by Segment Overview

Year Ended December 31, 2015 and % of growth (decrease) vs. previous year

	Coca-Cola FEMSA		FEMSA Comercio Retail Division		FEMSA Comercio Fuel Division[4]		CB Equity[1]	
	(in millions of Mexican pesos, except for employees and percentages)							
Total revenues	Ps. 152,360	3%	Ps. 132,891	21%	Ps. 18,510	NA	Ps.	
Gross Profit	72,030	5%	47,291	20%	1,420	NA		
Share of the profit (loss) of associates and joint ventures accounted for using the equity method, net of taxes	155	224%[2]	(10)	(127%)[3]		NA	5,879	12%
Total assets	210,249	(1%)	67,211	54%	3,230	NA	95,502	11%
Employees	83,712	0.4%	133,748	21%	4,551	NA		

(1) CB Equity holds our Heineken N.V. and Heineken Holding N.V. shares.

(2) Reflects the percentage increase between the gain of Ps. 155 million recorded in 2015 and the loss of Ps. 125 million recorded in 2014.

(3) Reflects the percentage decrease between the loss of Ps. 10 million recorded in 2015 and the gain of Ps. 37 million recorded in 2014.

(4) The operations that compose our FEMSA Comercio Fuel Division were acquired and have been treated as a separate business segment since 2015. As such, no results of operations are available for this segment for periods prior to 2015.

Total Revenues Summary by Segment[1]

	Year Ended December 31, 2015	2014	2013
	(in millions of Mexican pesos)		
Coca-Cola FEMSA	Ps. 152,360	Ps. 147,298	Ps. 156,011
FEMSA Comercio Retail Division	132,891	109,624	97,572
FEMSA Comercio Fuel Division	18,510		
Other	22,774	20,069	17,254
Consolidated total revenues	Ps. 311,589	Ps. 263,449	Ps. 258,097

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

Total Revenues Summary by Geographic Area[1]

	Year Ended December 31, 2015	2014	2013
	(in millions of Mexican pesos)		
Mexico and Central America[2]	Ps. 228,563	Ps. 186,736	Ps. 171,726
South America[3]	74,928	69,172	55,157
Venezuela	8,904	8,835	31,601
Consolidated total revenues	Ps. 311,589	Ps. 263,449	Ps. 258,097

(1) The sum of the financial data for each geographic area differs from our consolidated financial information due to intercompany transactions, which are eliminated in consolidation.

(2) Central America includes Guatemala, Nicaragua, Costa Rica and Panama. Domestic (Mexico-only) revenues were Ps. 218,809 million, Ps. 178,125 million and Ps. 163,351 million for the years ended December 31, 2015, 2014 and 2013, respectively.

(3) South America includes Brazil, Colombia, Argentina and Chile. South America revenues include revenues from our operations in Brazil of Ps. 39,749 million, Ps. 45,799 million and Ps. 31,138 million; revenues from our operations in Colombia of Ps. 14,283 million, Ps. 14,207 million and Ps. 13,354 million; revenues from our operations in Argentina of Ps. 14,004 million, Ps. 9,714 million and Ps. 10,729 million, for the years ended December 31, 2015, 2014 and 2013, respectively and revenues from our operations in Chile of Ps. 7,586 million for the year ended December 31, 2015.

Significant Subsidiaries

The following table sets forth our significant subsidiaries as of December 31, 2015:

Name of Company	Jurisdiction of Establishment	Percentage Owned
CIBSA:	Mexico	100.0%
Coca-Cola FEMSA	Mexico	47.9%[1]
Emprex:	Mexico	100.0%
FEMSA Comercio[2]	Mexico	100.0%
CB Equity[3]	United Kingdom	100.0%

(1) Percentage of capital stock. FEMSA, through CIBSA, owns 63% of the shares of Coca-Cola FEMSA with full voting rights.

(2) Includes FEMSA Comercio Retail Division and FEMSA Comercio Fuel Division.

(3) Ownership in CB Equity held through various FEMSA subsidiaries. CB Equity holds our Heineken N.V and Heineken Holding N.V. shares.

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Business Strategy

We understand the importance of connecting with our end consumers by interpreting their needs, and ultimately delivering the right products to them for the right occasions and the optimal value proposition. We strive to achieve this by developing brand value, expanding our significant distribution capabilities and improving the efficiency of our operations while aiming to reach our full potential. We continue to improve our information gathering and processing systems in order to better know and understand what our consumers want and need, and we are improving our production and distribution by more efficiently leveraging our asset base.

Our objective is to create economic, social and environmental value for our stakeholders including our employees, our consumers, our shareholders and the enterprises and institutions within our society now and into the future.

We believe that the competencies that our businesses have developed can be replicated in other geographic regions. This underlying principle guided our consolidation and growth efforts, which led to our current continental footprint. We have presence in Mexico, Central and South America and the Philippines including some of the most populous metropolitan areas in Latin America which has provided us with opportunities to create value through both an improved ability to execute our strategies in complex markets and the use of superior marketing tools. We have also increased our capabilities to operate and succeed in other geographic regions by improving management skills in order to obtain a precise understanding of local consumer needs. Going forward, we intend to use those capabilities to continue our international expansion of both Coca-Cola FEMSA and FEMSA Comercio, expanding both our geographic footprint and our presence in the non-alcoholic beverage industry and small box retail formats, as well as taking advantage of potential opportunities across markets to leverage our skill set and key competencies. One such opportunity is our recent entry into the retail service station business for fuels, motor oils and other car care products in Mexico, through FEMSA Comercio Fuel Division, where we are applying our retail and operational capabilities to develop an attractive value proposition for consumers, while creating synergies with our OXXO stores.

Coca-Cola FEMSA

Overview

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

- Mexico a substantial portion of central Mexico, the southeast and northeast of Mexico (including the Gulf region).
- Central America Guatemala (Guatemala City and surrounding areas), Nicaragua (nationwide), Costa Rica (nationwide) and Panama (nationwide).
- Colombia most of the country.
- Venezuela nationwide.
- Brazil a major part of the states of Sao Paulo and Minas Gerais, the states of Parana and Mato Grosso do Sul and part of the states of Rio de Janeiro and Goias.
- Argentina Buenos Aires and surrounding areas.
- Philippines nationwide (through a joint venture with The Coca-Cola Company).

Coca-Cola FEMSA was incorporated 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

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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, Delegación Cuajimalpa de Morelos, 05348, Mexico City, Mexico. 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 2015.

Operations by Consolidated Reporting Segment Overview

Year Ended December 31, 2015

	Revenues		Gross Profit	
	(in millions of Mexican pesos, except percentages)			
Mexico and Central America[1]	Ps. 78,709	51.7%	Ps. 40,130	55.7%
South America[2] (excluding Venezuela)	64,752	42.5%	27,532	38.2%
Venezuela	8,899	5.8%	4,368	6.1%
Consolidated	Ps. 152,360	100.0%	Ps. 72,030	100.0%

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

(2) Includes Colombia, Brazil and Argentina.

Corporate History

Coca-Cola FEMSA commenced operations in 1979, when one of our subsidiaries acquired certain sparkling beverage bottlers in Mexico City and surrounding areas. In 1991, we transferred our ownership in the bottlers to FEMSA Refrescos, S.A. de C.V., the corporate predecessor to Coca-Cola FEMSA.

In June 1993, a subsidiary of The Coca-Cola Company subscribed for 30% of Coca-Cola FEMSA s capital stock in the form of Series D shares. In September 1993, we sold Series L shares that represented 19% of Coca-Cola FEMSA s capital stock to the public, and Coca-Cola FEMSA listed these shares on the Mexican Stock Exchange and, in the form of ADSs, on the NYSE.

In a series of transactions since 1994, Coca-Cola FEMSA has acquired new territories, brands and other businesses which today comprise Coca-Cola FEMSA s business. In May 2003, Coca-Cola FEMSA acquired Panamerican Beverages Inc., or Panamco, and began producing and distributing *Coca-Cola* trademark beverages in additional territories in the central and gulf regions of Mexico and in Central America (Guatemala, Nicaragua, Costa Rica and Panama), Colombia, Venezuela and Brazil, along with bottled water, beer and other beverages in some of these territories.

In November 2006, we acquired 148,000,000 of Coca-Cola FEMSA s Series D shares from certain subsidiaries of The Coca-Cola Company, which increased our ownership of Coca-Cola FEMSA to 53.7%.

In November 2007, Coca-Cola FEMSA acquired together with The Coca-Cola Company 100% of the shares of capital stock of Jugos del Valle, S.A.P.I. de C.V., or Jugos del Valle. In 2008, Coca-Cola FEMSA, The Coca-Cola Company and all Mexican and Brazilian *Coca-Cola* bottlers entered into a joint business for the Mexican and Brazilian operations, respectively, of Jugos del Valle.

In December 2007 and May 2008, Coca-Cola FEMSA sold most of its proprietary brands to The Coca-Cola Company. The proprietary brands are now being licensed back to Coca-Cola FEMSA by The Coca-Cola Company pursuant to its bottler agreements.

In May 2008, Coca-Cola FEMSA entered into a transaction with The Coca-Cola Company to acquire its wholly owned bottling franchise Refrigerantes Minas Gerais, Ltda., or REMIL, located in the State of Minas Gerais in Brazil.

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In July 2008, Coca-Cola FEMSA acquired the Agua de los Angeles bulk water business in Mexico City and surrounding areas from Grupo Embotellador CIMSA, S.A. de C.V., at the time one of the Coca-Cola bottling franchises in Mexico. The trademarks remain with The Coca-Cola Company. Coca-Cola FEMSA subsequently merged Agua de los Angeles into its bulk water business under the *Ciel* brand.

In February 2009, Coca-Cola FEMSA acquired together with The Coca-Cola Company, the Brisa bottled water business in Colombia from Bavaria, S.A., a subsidiary of SABMiller plc. Coca-Cola FEMSA acquired the production assets and the distribution territory and The Coca-Cola Company acquired the Brisa brand.

In May 2009, Coca-Cola FEMSA entered into an agreement to manufacture, distribute and sell the Crystal trademark water products in Brazil jointly with The Coca-Cola Company.

In August 2010, Coca-Cola FEMSA acquired from The Coca-Cola Company along with other Brazilian Coca-Cola bottlers, Leão Alimentos e Bebidas, Ltda. or Leão Alimentos, manufacturer and distributor of the Matte Leão tea brand, which would later be integrated with the Brazilian operations of Jugos del Valle.

In March 2011, Coca-Cola FEMSA acquired, together with The Coca-Cola Company, Grupo Industrias Lácteas, S.A. (also known as Estrella Azul), a Panamanian conglomerate that participates in the dairy and juice-based beverage categories in Panama.

In October 2011, Coca-Cola FEMSA merged with Grupo Tampico, a Mexican bottler with operations in the states of Tamaulipas, San Luis Potosi and Veracruz, as well as in parts of the states of Hidalgo, Puebla and Queretaro.

In December 2011, Coca-Cola FEMSA merged with Grupo CIMSA, a Mexican *Coca-Cola* bottler with operations mainly in the states of Morelos and Mexico, as well as in parts of the states of Guerrero and Michoacan. As part of its merger with Grupo CIMSA, Coca-Cola FEMSA also acquired a 13.2% equity interest in Promotora Industrial Azucarera, S.A de C.V., or PIASA.

In May 2012, Coca-Cola FEMSA merged with Grupo Fomento Queretano, a Mexican bottler with operations mainly in the state of Queretaro, as well as in parts of the states of Mexico, Hidalgo and Guanajuato. As part of Coca-Cola FEMSA s merger with Grupo Fomento Queretano it also acquired an additional 12.9% equity interest in PIASA.

In August 2012, Coca-Cola FEMSA acquired, through Jugos del Valle, an indirect participation in Santa Clara Mercantil de Pachuca, S.A. de C.V., or Santa Clara, a producer of milk and dairy products in Mexico.

In January 2013, Coca-Cola FEMSA acquired a 51% non-controlling majority stake in CCFPI from The Coca-Cola Company.

In May 2013, Coca-Cola FEMSA merged with Grupo Yoli, a Mexican bottler with operations mainly in the state of Guerrero as well as in parts of the state of Oaxaca. As part of its merger with Grupo Yoli, Coca-Cola FEMSA also acquired an additional 10.1% equity interest in PIASA, for a total ownership as of April 8, 2016 of 36.3%.

In August 2013, Coca-Cola FEMSA acquired Companhia Fluminense, a franchise that operates in parts of the states of Sao Paulo, Minas Gerais and Rio de Janeiro in Brazil. As part of Coca-Cola FEMSA s acquisition of Companhia Fluminense, Coca-Cola FEMSA also acquired an additional 1.2% equity interest in Leão Alimentos.

In October 2013, Coca-Cola FEMSA acquired Spaipa a Brazilian bottler with operations in the state of Parana and in parts of the state of Sao Paulo. As part of its acquisition of Spaipa, Coca-Cola FEMSA also acquired an additional 5.8% equity interest in Leão Alimentos, for a total ownership as of April 8, 2016 of 24.4%, and a 50% stake in Fountain Água Mineral Ltda., a joint venture to develop the water category together with The Coca-Cola Company.

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Capital Stock

As of April 15, 2016, we indirectly owned Series A shares equal to 47.9% of Coca-Cola FEMSA s capital stock (63% of Coca-Cola FEMSA s capital stock with full voting rights). As of April 15, 2016, The Coca-Cola Company indirectly owned Series D shares equal to 28.1% of the capital stock of Coca-Cola FEMSA (37% of the capital stock with full voting rights). Series L shares with limited voting rights, which trade on the Mexican Stock Exchange and in the form of ADSs on the NYSE, constitute the remaining 24% of Coca-Cola FEMSA s capital stock.

Business Strategy

Coca-Cola FEMSA operates with a large geographic footprint in Latin America. In January 2015, Coca-Cola FEMSA restructured the management of its operations as follows: (i) Mexico (covering certain territories in Mexico); (ii) Latin America (covering certain territories in Guatemala, and all of Nicaragua, Costa Rica and Panama, certain territories in Argentina, most of Colombia and all of Venezuela); (iii) Brazil (covering a major part of the states of Sao Paulo and Minas Gerais, the states of Parana and Mato Grosso do Sul and part of the states of Rio de Janeiro and Goias), and (iv) Asia (covering all of the Philippines through a joint venture with The Coca-Cola Company). Through this restructuring, Coca-Cola FEMSA created a more flexible organizational structure to execute its strategies and continue with its track record of growth. Coca-Cola FEMSA has also aligned its business strategies more efficiently, ensuring a faster introduction of new products and categories, and a more rapid and effective design and deployment of commercial models.

To maximize growth and profitability and to create value for its shareholders and customers, Coca-Cola FEMSA plans on executing the following key strategies: (i) continue evolving its commercial and client segmentation models to capture the industry s long-term value potential; (ii) implement multi-segmentation strategies to target customers by consumption occasion, competitive environment and income level; (iii) implement well-planned product development, packaging, pricing and marketing strategies through different distribution channels; (iv) drive product innovation along its different product categories; (v) develop new businesses and distribution channels; and (vi) drive operational efficiencies throughout its organization to achieve the full operating potential of its commercial models and processes. In furtherance of these efforts, Coca-Cola FEMSA intends to continue to focus on, among other initiatives, the following:

- working with The Coca-Cola Company to develop a business model to continue exploring and participating in new lines of beverages, extending existing product lines and effectively advertising and marketing its products;

- developing and expanding its still beverage portfolio through innovation, strategic acquisitions and by entering into agreements to acquire companies with The Coca-Cola Company;

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expanding its bottled water strategy with The Coca-Cola Company through innovation and selective acquisitions to maximize profitability across its market territories;

strengthening its selling capabilities and go-to-market strategies, including pre-sale, conventional selling and hybrid routes, in order to get closer to its customers and help them satisfy the beverage needs of consumers;

implementing selective packaging strategies designed to increase consumer demand for its products and to build a strong returnable base for the *Coca-Cola* brand;

replicating its best practices throughout the value chain;

rationalizing and adapting its organizational and asset structure in order to be in a better position to anticipate and respond to industry changes and trends in a competitive environment;

building a multi-cultural collaborative team, from top to bottom; and

broadening its geographic footprint through organic growth and strategic joint ventures, mergers and acquisitions.

Coca-Cola FEMSA seeks to increase sales of its products in the territories where it operates. To that end, Coca-Cola FEMSA s marketing teams continuously develop sales strategies tailored to its different customers across of its various territories and distribution channels. Coca-Cola FEMSA continues to develop its product portfolio to better meet market demand and maintain its overall profitability. To stimulate and respond to consumer demand, Coca-Cola FEMSA continues to introduce new categories, products and presentations. **See Item 4. Information on the Company Coca-Cola FEMSA Product and Packaging Mix.** In addition, because Coca-Cola FEMSA views its relationship with The Coca-Cola Company as integral to its business, Coca-Cola FEMSA uses market information systems and strategies developed with The Coca-Cola Company to improve its business and marketing strategies. **See Item 4. Information on the Company Coca-Cola FEMSA Marketing.**

Coca-Cola FEMSA also continuously seeks to increase productivity in its facilities through infrastructure and process reengineering for improved asset utilization. Coca-Cola FEMSA s capital expenditure program includes investments in production and distribution facilities, bottles, cases, coolers and information systems. Coca-Cola FEMSA believes that this program will allow it to maintain its capacity and flexibility to innovate and to anticipate and respond to consumer demand for its products.

As mentioned above, in 2015, Coca-Cola FEMSA redesigned its corporate structure to strengthen the core functions of its organization. Through this restructuring, Coca-Cola FEMSA created specialized departments (centers of excellence) focused on manufacturing, distribution and logistics, commercial, and IT innovation areas. These departments not only enable centralized collaboration and knowledge sharing, but also drive standards of excellence and best practices in Coca-Cola FEMSA s key strategic capabilities. Coca-Cola FEMSA s priorities include enhanced manufacturing efficiency, improved distribution and logistics, and cutting-edge IT-enabled commercial innovation.

Coca-Cola FEMSA focuses on management quality as a key element of its growth strategy and remains committed to fostering the development of quality management at all levels. Coca-Cola FEMSA s Strategic Talent Management Model is designed to enable it to reach its full potential by developing the capabilities of its employees and executives. This holistic model works to build the skills necessary for Coca-Cola FEMSA s employees and executives to reach their maximum potential, while contributing to the achievement of its short- and long-term objectives. To support this capability development model, Coca-Cola FEMSA s board of directors allocates a portion of its yearly operating budget to fund these management training programs.

Sustainable development is a comprehensive part of Coca-Cola FEMSA s strategic framework for business operation and growth. Coca-Cola FEMSA bases its efforts in its core foundation, its ethics and values. Coca-Cola FEMSA focuses on three main

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areas, (i) its people, by encouraging the comprehensive development of its employees and their families; (ii) its communities, by promoting the generation of sustainable communities in which it serves, an attitude of health, self-care, adequate nutrition and physical activity, and evaluating the impact of its value chain; and (iii) the planet, by establishing guidelines that it believes will result in efficient use of natural resources to minimize the impact that its operations might have on the environment and create a broader awareness of caring for the environment.

CCFPI Joint Venture

On January 25, 2013, as part of Coca-Cola FEMSA s efforts to expand its geographic reach, it acquired a 51% non-controlling majority stake in CCFPI from The Coca-Cola Company. Coca-Cola FEMSA has an option to acquire the remaining 49% stake in CCFPI at any time during the seven years following the closing date. Coca-Cola FEMSA also has a put option to sell its ownership in CCFPI to The Coca-Cola Company commencing on the fifth anniversary of the closing date and ending on the sixth anniversary of the closing date. Coca-Cola FEMSA currently manages the day-to-day operations of the business; however, pursuant to its shareholders agreement with The Coca-Cola Company (a) during a four-year period ending January 25, 2017 all decisions must be approved jointly with The Coca-Cola Company, (b) following this four-year period, all decisions related to the annual normal operations plan and any other ordinary matters will be approved only by Coca-Cola FEMSA, (c) The Coca-Cola Company has the right to appoint (and may remove) CCFPI s chief financial officer and (d) Coca-Cola FEMSA has the right to appoint (and may remove) the chief executive officer and all other officers of CCFPI.

As of December 31, 2015, Coca-Cola FEMSA s investment under the equity method in CCFPI was Ps. 9,996 million. See Notes 10 and 26 to our audited consolidated financial statements. CCFPI s product portfolio in the Philippines consists of *Coca-Cola* trademark beverages and its total sales volume in 2015 reached 522.5 million unit cases. The operations of CCFPI are comprised of 19 production plants and serve close to 806,369 customers.

The Philippines presents significant opportunities for further growth. Coca-Cola has been present in the Philippines since the start of the 20th century and since 1912 it has been locally producing Coca-Cola products. The Philippines received the first Coca-Cola bottling and distribution franchise in Asia. Coca-Cola FEMSA s strategic framework for growth in the Philippines is based on three pillars: portfolio, route to market and supply chain.

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Coca-Cola FEMSA s Territories

The following map shows Coca-Cola FEMSA s territories, including CCFPI, our joint venture in the Philippines with The Coca-Cola Company, giving estimates in each case of the population to which it offers products and the number of retailers its beverages as of December 31, 2015:

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Coca-Cola FEMSA s Products

Coca-Cola FEMSA produces, markets, sells and distributes *Coca-Cola* trademark beverages. The *Coca-Cola* trademark beverages include: sparkling beverages (colas and flavored sparkling beverages), waters and still beverages (including juice drinks, coffee, teas, milk, value-added dairy and isotonic drinks). The following table sets forth Coca-Cola FEMSA s main products as of December 31, 2015:

Colas:	**Mexico and Central America(1)**	**South America(2)**	**Venezuela**
Coca-Cola	ü	ü	ü
Coca-Cola Light	ü	ü	ü
Coca-Cola Zero	ü	ü	
Coca-Cola Life	ü	ü	

Flavored Sparkling Beverages:	**Mexico and Central America(1)**	**South America(2)**	**Venezuela**
Ameyal	ü		
Canada Dry	ü		
Chinotto			ü
Crush		ü	
Escuis	ü		
Fanta	ü	ü	
Fresca	ü		
Frescolita	ü		ü
Hit			ü
Kist	ü		
Kuat		ü	
Lift	ü		
Limon&Nada	ü		
Mundet	ü		
Naranja&Nada	ü		
Quatro		ü	
Schweppes	ü	ü	ü
Simba		ü	
Sprite	ü	ü	
Victoria	ü		
Yoli	ü		

Water:	**Mexico and Central America(1)**	**South America(2)**	**Venezuela**
Alpina	ü		
Aquarius(3)		ü	
Bonaqua		ü	
Brisa		ü	
Ciel	ü		
Crystal		ü	
Dasani	ü		
Manantial		ü	
Nevada			ü

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Other Categories:	Mexico and Central America(1)	South America(2)	Venezuela
Cepita(4)		ü	
Del Prado(5)	ü		
Estrella Azul(6)	ü		
FUZE Tea	ü		ü
Hi-C(7)	ü	ü	
Santa Clara(8)	ü		
Jugos del Valle(4)	ü	ü	ü
Matte Leão(9)		ü	
Powerade(10)	ü	ü	ü
Valle Frut(11)	ü	ü	ü

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

(2) Includes Colombia, Brazil and Argentina.

(3) Flavored water. In Brazil, also a flavored sparkling beverage.

(4) Juice-based beverage.

(5) Juice-based beverage in Central America.

(6) Milk and value-added dairy and juices.

(7) Juice-based beverage. Includes Hi-C Orangeade in Argentina.

(8) Milk, value-added dairy and coffee.

(9) Ready to drink tea.

(10) Isotonic drinks.

(11) Orangeade. Includes *Del Valle Fresh* in Costa Rica, Nicaragua, Panama, Colombia and Venezuela.

Sales 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 oz. serving. Except when specifically indicated, sales volume in this annual report refers to sales volume in terms of unit cases.

The following table illustrates Coca-Cola FEMSA s historical sales volume for each of its consolidated territories.

	Year Ended December 31,		
	2015	2014	2013[1]
	(millions of unit cases)		
Mexico and Central America			
Mexico	1,784.5	1,754.9	1,798.0
Central America[2]	167.8	163.6	155.6
South America (excluding Venezuela)			
Colombia	320.0	298.4	275.7
Brazil[3]	693.6	733.5	525.2
Argentina	233.9	225.8	227.1
Venezuela	235.6	241.1	222.9
Consolidated Volume	3,435.6	3,417.3	3,204.5

(1) Includes volume from the operations of Grupo Yoli from June 2013, Companhia Fluminense from September 2013 and Spaipa from November 2013.

(2) Includes Guatemala, Nicaragua, Costa Rica and Panama.

(3) Excludes beer sales volume.

The total number of transactions reported by Coca-Cola FEMSA in 2015 grew 0.7% to 20,279.6 million transactions as compared to 2014. Excluding Coca-Cola FEMSA s Venezuelan operations, the number of transactions reported by Coca-Cola FEMSA in 2015 would have grown 1.1% to 18,961.5 million as compared to 2014. On the same basis, total transactions reported by Coca-Cola FEMSA s sparkling beverage portfolio in 2015 would have grown 0.4% as compared to 2014, mainly driven by the positive performance in Mexico, Colombia, Argentina and Central America; total transactions reported for Coca-Cola FEMSA s still beverage category would have grown 6% as compared to 2014, mainly driven by Colombia, Mexico and Argentina; and transactions reported for bottled water, including bulk water, would have grown 1.6% as compared to 2014, driven by the performance in Colombia and Argentina.

The number of transactions reported by Coca-Cola FEMSA in 2015 in its Mexico and Central America division grew 2.4% to 10,877.1 million transactions as compared to 2014. The number of transactions reported for its sparkling beverage portfolio in 2015 in this division grew 2.8% as compared to 2014, mainly driven by a 2.9% growth in Mexico; transactions reported for its still beverage category in 2015 in this division increased by 6.1% as compared to 2014; and transactions reported for bottled water, including bulk water, decreased 6.4% as compared to 2014, driven by a 7.4% contraction in Mexico. In 2015, the total number of transactions in its Mexican operations and its Central American operations grew 2.3% and 2.8%, respectively, in each case as compared to 2014.

The number of transactions reported by Coca-Cola FEMSA in 2015 in its South America division, excluding Venezuela, decreased 0.7% to 8,084.3 million transactions as compared to 2014. The number of transactions reported for its sparkling beverage portfolio in 2015 in this division decreased 2.7% as compared to 2014, driven by a contraction of 6.4% in Brazil which was partially offset by the positive performance in Colombia and Argentina; transactions reported for its still beverage category in 2015 in this division increased 5.9% as compared to 2014; and transactions reported for bottled water, including bulk water, grew 10% as compared to 2014. In 2015, the total number of transactions in its Brazilian operations decreased 6.6%, in its Colombian operation grew 9.6% and in its Argentine operations grew 5.5%, in each case as compared to 2014.

The number of transactions reported by Coca-Cola FEMSA in 2015 in its Venezuela division decreased 3.6% to 1,318.1 million transactions as compared to 2014. The number of transactions reported for its sparkling beverage portfolio in 2015 in this division decreased 3.2% as compared to 2014, mainly driven by a contraction of 8.7% in its flavored sparkling beverage category; transactions reported for its still beverage category in 2015 in this division decreased 12.5% as compared to 2014; and transactions reported for bottled water, including bulk water, grew 5.3% as compared to 2014.

Product and Packaging Mix

From the more than 113 brands and line extensions of beverages that Coca-Cola FEMSA sells and distributes, Coca-Cola FEMSA s most important brand, Coca-Cola, together with its line extensions, Coca-Cola Light, Coca-Cola Life and Coca-Cola Zero, accounted for 60.8% of total sales volume in 2015. *Coca-Cola* FEMSA s next largest brands, *Ciel* (a water brand from Mexico and its line extensions), *Fanta* (and its line extensions), *Sprite* (and its line extensions) and *ValleFrut* (and its line extensions) accounted for 11.1%, 4.7%, 2.9% and 2.9%, respectively, of total sales volume in 2015. Coca-Cola FEMSA uses the term line extensions to refer to the different flavors and low-calorie versions in which it offers its brands. Coca-Cola FEMSA produces, markets, sells and distributes Coca-Cola trademark beverages in each of its territories in containers authorized by The Coca-Cola Company, which consist of a variety of returnable and non-returnable presentations in the form of glass bottles, cans and plastic bottles mainly made of polyethylene terephthalate, which we refer to as PET.

Coca-Cola FEMSA uses the term presentation to refer to the packaging unit in which it 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

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revenue management 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 we refer 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, which have a much lower average price per unit case than its other beverage products.

The characteristics of Coca-Cola FEMSA s territories are very diverse. Central Mexico and Coca-Cola FEMSA s territories in Argentina are densely populated and have a large number of competing beverage brands as compared to the rest of its territories. Coca-Cola FEMSA s territories in Brazil are densely populated but have lower consumption of beverage products as compared to Mexico. Portions of southern Mexico, Central America and Colombia are large and mountainous areas with lower population density, lower per capita income and lower consumption of beverages. In Venezuela, Coca-Cola FEMSA faces operational disruptions from time to time, which may have an effect on its volumes sold, and consequently, may result in lower consumption.

The following discussion analyzes Coca-Cola FEMSA s product and packaging mix by its consolidated reporting segments. The volume data presented is for the years 2015, 2014 and 2013.

Mexico and Central America. Coca-Cola FEMSA s product portfolio consists of *Coca-Cola* trademark beverages, including the Jugos del Valle line of juice-based beverages.

The following table highlights historical sales volume and mix in Mexico and Central America for Coca-Cola FEMSA s products:

	Year Ended December 31,		
	2015	2014	2013(1)
	(in percentages, except for total sales volumes)		
Total Sales Volume			
Total (millions of unit cases)	1,952.4	1,918.5	1,953.6
Growth	1.8	(1.8)	4.4
Unit Case Volume Mix by Category			
Sparkling beverages	74.0	73.2	73.1
Water(2)	20.2	21.3	21.2
Still beverages	5.8	5.5	5.7
Total	100.0	100.0	100.0

(1) Includes volume from the operations of Grupo Yoli from June 2013.

(2) Includes bulk water volumes.

In 2015, multiple serving presentations represented 64.6% of total sparkling beverages sales volume in Mexico, a 10 basis points increase compared to 2014; and 55% of total sparkling beverages sales volume in Central America, a 30 basis points decrease compared to 2014. Coca-Cola FEMSA s strategy is to foster consumption of single serve presentations while maintaining multiple serving volumes. In 2015, returnable packaging, as a percentage of total sparkling beverage sales volume accounted for 36.5% in Mexico, a 140 basis points decrease as compared to 2014; and 37.6% in Central America, a 280 basis points increase as compared to 2014.

In 2015, Coca-Cola FEMSA s sparkling beverages volume as a percentage of total sales volume in its Mexico and Central America division increased marginally to 74% as compared with 2014.

Total sales volume in Coca-Cola FEMSA s Mexico and Central America division reached 1,952.4 million unit cases in 2015, an increase of 1.8% compared to 1,918.5 million unit cases in 2014. The sales volume for Coca-Cola FEMSA s sparkling beverage category increased 3%, mainly driven by the performance of *Coca-Cola* brand products. Coca-Cola FEMSA s bottled water portfolio, including bulk water, decreased 3.5% mainly driven by a contraction of the *Ciel* brand in Mexico. Coca-Cola FEMSA s still beverage category grew 5.8% mainly due to the performance of the Jugos del Valle portfolio, the *Powerade* brand and our Santa Clara dairy business in Mexico.

In 2014, multiple serving presentations represented 64.5% of total sparkling beverages sales volume in Mexico, a 170 basis points decrease compared to 2013; and 54.7% of total sparkling beverages sales volume in Central America, a 16 basis points decrease compared to 2013. Coca-Cola FEMSA s strategy is to foster consumption of single serve presentations while maintaining multiple serving volumes. In 2014, returnable packaging, as a percentage of total sparkling beverage sales volume accounted for 37.9% in Mexico, a 290 basis points increase as compared to 2013; and 34.8% in Central America, a 150 basis points increase as compared to 2013.

In 2014, Coca-Cola FEMSA s sparkling beverages volume as a percentage of total sales volume in its Mexico and Central America division increased marginally to 73.2% as compared with 2013.

Total sales volume in Coca-Cola FEMSA s Mexico and Central America division (including Grupo Yoli) reached 1,918.5 million unit cases in 2014, a decrease of 1.8% compared to 1,953.6 million unit cases in 2013. The sales volume for Coca-Cola FEMSA s sparkling beverage category decreased 1.6%, mainly driven by the impact of price increase to compensate the excise tax to sweetened beverages. Coca-Cola FEMSA s bottled water portfolio, excluding bulk water, grew 4.2%, mainly driven by the performance of the *Ciel* brand in Mexico. Coca-Cola FEMSA s still beverage category decreased 5.5% mainly due to the performance of the Jugos del Valle portfolio in the division. Organically, excluding the non-comparable effect of Grupo Yoli in 2014, total sales volume for Mexico and Central America division reached 1,878.9 million unit cases in 2014, a decrease of 3.8% as compared to 2013. On the same basis, Coca-Cola FEMSA s sparkling beverage category decreased 3.9%, its bottled water portfolio, excluding bulk water, remained flat, and its still beverage category decreased 7.1%.

In 2013, multiple serving presentations represented 66.2% of total sparkling beverages sales volume in Mexico (including Grupo Fomento Queretano and Grupo Yoli), a 10 basis points decrease compared to 2012; and 56.3% of total sparkling beverages sales volume in Central America, a 50 basis points increase compared to 2012. In 2013, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 35% in Mexico (including Grupo Fomento Queretano and Grupo Yoli), a 160 basis points increase compared to 2012; and 33.3% in Central America, a 30 basis points decrease compared to 2012.

In 2013, Coca-Cola FEMSA s sparkling beverages volume as a percentage of total sales volume in its Mexico and Central America division (including Grupo Fomento Queretano and Grupo Yoli) increased marginally to 73.1% as compared with 2012.

Total sales volume in Coca-Cola FEMSA s Mexico and Central America division (including Grupo Fomento Queretano and Grupo Yoli) reached 1,953.6 million unit cases in 2013, an increase of 4.4% compared to 1,871.5 million unit cases in 2012. The integration of Grupo Fomento Queretano and Grupo Yoli in Mexico contributed 89.3 million unit cases in 2013 of which sparkling beverages were 72.2%, water was 9.9%, bulk water was 13.4% and still beverages were 4.5%. Excluding the integration of these territories, volume decreased 0.4% to 1,864.2 million unit cases. Organically, Coca-Cola FEMSA s bottled water portfolio grew 5.1%, mainly driven by the performance of the *Ciel* brand in Mexico. On the same basis, Coca-Cola FEMSA s still beverage category grew 3.7% mainly due to the performance of the Jugos del Valle portfolio in the division. These increases partially compensated for the flat volumes in sparkling beverages and a 3.5% decline in the bulk water business.

South America (Excluding Venezuela). Coca-Cola FEMSA s product portfolio in South America consists mainly of *Coca-Cola* trademark beverages, including the Jugos del Valle line of juice-based beverages in Colombia and Brazil, and the *Heineken* beer brands, including *Kaiser* beer brands, in Brazil, which Coca-Cola FEMSA sells and distributes.

During 2013, as part of Coca-Cola FEMSA s efforts to foster sparkling beverage consumption in Brazil, Coca-Cola FEMSA reinforced the 2.0-liter returnable plastic bottle for the *Coca-Cola* brand and introduced two single-serve 0.2 and 0.3 liter presentations. During 2014, in an effort to increase sales in its still beverage portfolio in the region, Coca-Cola FEMSA reinforced its Jugos del Valle line of business and *Powerade* brand.

The following table highlights historical total sales volume and sales volume mix in South America (excluding Venezuela), not including beer:

	Year Ended December 31,		
	2015	2014	2013(1)
	(in percentages, except for total sales volume)		
Total Sales Volume			
Total (millions of unit cases)	1,247.6	1,257.7	1,028.1
Growth	(0.8)	22.6	6.3
Unit Case Volume Mix by Category			
Sparkling beverages	82.8	84.1	84.1
Water(2)	10.4	9.7	10.1
Still beverages	6.8	6.2	5.8
Total	100.0	100.0	100.0

(1) Includes volume from the operations of Companhia Fluminense from September 2013 and Spaipa from November 2013.

(2) Includes bulk water volumes.

Total sales volume in Coca-Cola FEMSA s South America division, excluding Venezuela, decreased 0.8% to 1,247.6 million unit cases in 2015 as compared to 2014, as a result of a volume contraction in Brazil which was partially compensated by volume growth in Colombia and Argentina. The still beverage category grew 7.5%, mainly driven by the Jugos del Valle line of business in Colombia and the *Cepita* and *Hi-C* brands in Argentina. Coca-Cola FEMSA s sparkling portfolio decreased 2.3% mainly driven by the volume contraction in Brazil. Coca-Cola FEMSA s bottled water portfolio, including bulk water, increased 7.5% driven by the performance of the *Aquarius*, *Kin* and *Bonaqua* brands in Argentina, the *Manantial* and *Brisa* brands in Colombia, and the *Crystal* brand in Brazil.

In 2015, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 29.1% in Colombia, a decrease of 290 basis points as compared to 2014; 22.4% in Argentina, an increase of 270 basis points and 16.9% in Brazil a 140 basis points increase as compared to 2014. In 2015, multiple serving presentations represented 70.6%, 84.5% and 75.7% of total sparkling beverages sales volume in Colombia, Argentina and Brazil, respectively.

Total sales volume in Coca-Cola FEMSA s South America division, excluding Venezuela, increased 22.6% to 1,257.7 million unit cases in 2014 as compared to 2013, as a result of stronger sales volumes in its recently integrated territories in Brazil and better volume performance in Colombia. The still beverage category grew 31.8%, mainly driven by the Jugos del Valle line of business in Colombia and Brazil and the performance of *FUZE tea* and *Leão tea* in the division. Coca-Cola FEMSA s sparkling portfolio increased 22.6% mainly driven by the performance of the *Coca-Cola* brand and other core products in its operations. Coca-Cola FEMSA s bottled water portfolio, including bulk water, increased 16.9% driven by performance of the *Bonaqua* brand in Argentina and the *Crystal* brand in Brazil. Organically, excluding the non-comparable effect of Companhia Fluminense and Spaipa in 2014, total sales volume in South America division excluding Venezuela, increased 3.7% as compared to 2013. On the same basis, Coca-Cola FEMSA s still beverage category grew 15.3% mainly driven by the Jugos del Valle line of business in the region, its bottled water portfolio, including bulk water, increased 6.9% mainly driven by the performance of the *Crystal* brand in Brazil, and its sparkling beverage category increased 2.5%.

In 2014, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 32% in Colombia, a decrease of 520 basis points as compared to 2013; 19.7% in Argentina, a decrease of 230 basis points; and 15.5% in Brazil a 50 basis points decrease compared to 2013. In 2014, multiple serving presentations represented 69.8%, 85.3% and 75% of total sparkling beverages sales volume in Colombia, Argentina and Brazil, respectively.

Total sales volume in Coca-Cola FEMSA s South America division, excluding Venezuela, increased 6.3% to 1,028.1 million unit cases in 2013 as compared to 2012, as a result of growth in Colombia and Argentina and the integration of Companhia Fluminense and Spaipa in its Brazilian territories. These effects compensated for an organic volume decline in Brazil. Organically, excluding the non-comparable effect of Companhia Fluminense and Spaipa, volumes remained flat as compared with the previous year. On the same basis, the still beverage category grew 14.3%, mainly driven by the Jugos del Valle line of business in Colombia and Brazil and the performance of *FUZE* tea in the division. Coca-Cola FEMSA s bottled water portfolio, including bulk water, increased 3.8% mainly driven by the *Bonaqua* brand in Argentina and the *Brisa* brand in Colombia. These increases compensated for a 1.2% decline in the sparkling beverage portfolio.

In 2013, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 37.2% in Colombia, a decrease of 320 basis points as compared to 2012; 22% in Argentina, a decrease of 690 basis points; and 16% in Brazil, excluding the non-comparable effect of Companhia Fluminense and Spaipa, a 170 basis points increase compared to 2012. In 2013, multiple serving presentations represented 66.7%, 85.2% and 72.9% of total sparkling beverages sales volume in Colombia, Argentina and Brazil on an organic basis, respectively.

Coca-Cola FEMSA continues to distribute and sell the *Heineken* beer portfolio, including *Kaiser* beer brands, in its Brazilian territories through the 20-year term, consistent with the arrangements in place since 2003 with Cervejarias Kaiser, a subsidiary of the Heineken Group. Beginning in the second quarter of 2005, Coca-Cola FEMSA ceased including beer that it distributes in Brazil in its reported sales volumes.

Venezuela. Coca-Cola FEMSA s product portfolio in Venezuela consists of *Coca-Cola* trademark beverages.

The following table highlights historical total sales volume and sales volume mix in Venezuela:

	Year Ended December 31,		
	2015	**2014**	**2013**
	(in percentages, except for total sales volume)		
Total Sales Volume			
Total (millions of unit cases)	235.6	241.1	222.9
Growth	(2.3)	8.2	7.3
Unit Case Volume Mix by Category			
Sparkling beverages	86.2	85.7	85.6
Water(1)	6.8	6.5	6.9
Still beverages	7.0	7.8	7.5
Total	100.0	100.0	100.0

(1) Includes bulk water volumes.

Coca-Cola FEMSA has implemented a product portfolio rationalization strategy that allows it to minimize the impact of certain operating disruptions that have been recurrent in Venezuela over the last several years related to difficulties in accessing raw materials due to the delay in obtaining the corresponding import authorizations and the Venezuelan exchange controls. In addition, from time to time, Coca-Cola FEMSA experiences operating disruptions due to prolonged negotiations of collective bargaining agreements.

Total sales volume decreased 2.3% to 235.6 million unit cases in 2015, as compared to 241.1 million unit cases in 2014. The sales volume in the sparkling beverage category decreased 2.1%, driven by a contraction in our flavored sparkling beverage portfolio, which was partially compensated by the positive performance of the *Coca-Cola* brand, which grew 3.4%. The bottled water business, including bulk water, grew 6.1% mainly driven by the *Nevada* brand. The still beverage category decreased 11.3%.

In 2015, multiple serving presentations represented 82.4% of total sparkling beverages sales volume in Venezuela, a 50 basis points increase as compared to 2014. In 2015, returnable presentations represented 6.9% of total sparkling beverages sales volume in Venezuela, which remained flat as compared to 2014.

Total sales volume increased 8.2% to 241.1 million unit cases in 2014, as compared to 222.9 million unit cases in 2013. The sales volume in the sparkling beverage category grew 8.3%, driven by the strong performance of the *Coca-Cola* brand, which grew 15.3%. The bottled water business, including bulk water, grew 1.6% mainly driven by the *Nevada* brand. The still beverage category increased 10.8%, due to the performance of the *Del Valle Fresh* orangeade and *Powerade* brand.

In 2014, multiple serving presentations represented 81.9% of total sparkling beverages sales volume in Venezuela, a 100 basis points increase as compared to 2013. In 2014, returnable presentations represented 6.9% of total sparkling beverages sales volume in Venezuela, a 20 basis points increase as compared to 2013.

Total sales volume increased 7.3% to 222.9 million unit cases in 2013, as compared to 207.7 million unit cases in 2012. The sales volume in the sparkling beverage category grew 4.5%, driven by the strong performance of the *Coca-Cola* brand, which grew 10%. The bottled water business, including bulk water, grew 33.2% mainly driven by the *Nevada* brand. The still beverage category increased 23.5%, due to the performance of the *Del Valle Fresh* orangeade and *Kapo*.

In 2013, multiple serving presentations represented 80.9% of total sparkling beverages sales volume in Venezuela, a 100 basis points increase compared to 2012. In 2013, returnable presentations represented 6.8% of total sparkling beverages sales volume in Venezuela, an 80 basis points decrease compared to 2012.

Seasonality

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

Marketing

Coca-Cola FEMSA, in conjunction with The Coca-Cola Company, has developed a marketing strategy to promote the sale and consumption of its 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 2015, net of contributions by The Coca-Cola Company, were Ps. 3,447 million. The Coca-Cola Company contributed an additional Ps. 3,749 million in 2015, which mainly includes contributions for coolers, bottles and cases. Through the use of advanced information technology, Coca-Cola FEMSA has collected customer and consumer information that allow it to tailor its marketing strategies to target different types of customers located in each of its territories and to meet the specific needs of the various markets it serves.

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 its retailers is important to ensure that Coca-Cola FEMSA s wide variety of products are properly displayed, while strengthening its merchandising capacity in the traditional sales channel 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 The Coca-Cola Company s local affiliates in the countries where Coca-Cola FEMSA operates, with Coca-Cola FEMSA s 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.

Channel Marketing. 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 implementation of different product/price/package portfolios by market cluster or group. These clusters are defined based on consumption occasion, competitive environment and income level, rather than solely on the types of distribution channels.

Client Value Management. Coca-Cola FEMSA continues transforming its commercial models to focus on its customers value potential using a value-based segmentation approach to capture the industry s potential. Coca-Cola FEMSA started the rollout of this new model in its Mexico, Central America, Colombia and Brazil operations in 2009. At the end of 2015, Coca-Cola FEMSA had successfully transformed the commercial models in all of its territories.

Coca-Cola FEMSA believes that the implementation of these strategies described above also enables it to respond to competitive initiatives with channel-specific responses as opposed to market-wide responses. In addition, it allows Coca-Cola FEMSA to be more efficient in the way it goes to market and invests its marketing resources in those segments that could provide a higher return. Coca-Cola FEMSA s marketing, segmentation and distribution activities are facilitated by its management information systems, and are all incorporated within its recently created centers of excellence.

Centers of Excellence. Coca-Cola FEMSA s centers of excellence focus on manufacturing, distribution and logistics, commercial, and IT innovation areas. These centers not only enable centralized collaboration and knowledge sharing, but also drive standards of excellence and best practices in its key strategic capabilities.

Manufacturing Center of Excellence. This center focuses on developing industry-leading operating models, practices and processes mainly by reducing operating costs, increasing efficiency and productivity of Coca-Cola FEMSA s manufacturing assets, minimizing waste disposal by optimizing the materials used in Coca-Cola FEMSA s manufacturing processes, and promoting high industrial quality and product safety. We are in the process of developing a Manufacturing Execution System, a new digital platform that will enable us to map and monitor performance at Coca-Cola FEMSA s plants, including critical data from Coca-Cola FEMSA s production equipment and processes.

Distribution and Logistics Center of Excellence. This center seeks to ensure best-in-class customer service by optimizing performance in Coca-Cola FEMSA s supply chain, transport engineering and equipment design, warehouse management and secondary distribution from Coca-Cola FEMSA s warehouses to the point of sale.

Commercial Center of Excellence. This center is designed to develop expertise and promote excellence across key commercial areas. The center establishes and aligns Coca-Cola FEMSA s commercial views across key functional areas; identifies and replicates best commercial practices and processes, develops and enforces commercial performance standards; and drives innovation across Coca-Cola FEMSA s commercial activities.

IT Innovation Center of Excellence. This center is established to support Coca-Cola FEMSA s other centers of excellence by developing a comprehensive technological platform to create and foster innovative processes, technologies and capabilities to centralize information and promote knowledge sharing across Coca-Cola FEMSA s strategic areas.

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Product Sales and Distribution

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

	As of December 31, 2015		
	Mexico and Central America(1)	South America(2)	Venezuela
Distribution centers	174	67	33
Retailers(3)	966,773	829,703	176,503

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

(2) Includes Colombia, Brazil and Argentina.

(3) Estimated.

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 a more efficient distribution model. 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) a hybrid distribution system, where the same truck carries product available for immediate sale and product previously ordered through the pre-sale system; (iv) the telemarketing system, which could be combined with pre-sales visits; and (v) sales through third-party wholesalers 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 for its products.

Coca-Cola FEMSA s distribution centers range from large warehousing facilities and re-loading centers to small deposit centers. In addition to Coca-Cola FEMSA s 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 Coca-Cola FEMSA s territories, it retains third parties to transport its finished products from the bottling plants to the distribution centers.

Mexico. Coca-Cola FEMSA contracts with one of our subsidiaries for the transportation of finished products to its distribution centers from its production facilities. From the distribution centers, Coca-Cola FEMSA then distributes its finished products to retailers through its own fleet of trucks.

In Mexico, Coca-Cola FEMSA sells a majority of its beverages at small retail stores to consumers who may take the beverages for consumption at home or elsewhere. Coca-Cola FEMSA also sells products through the on-premise consumption segment, supermarkets and other locations. The on-premise consumption segment consists of sales through sidewalk stands, restaurants, bars and various types of dispensing machines as well as sales through point-of-sale programs in stadiums, concert halls, auditoriums and theaters.

Brazil. In Brazil, Coca-Cola FEMSA sold 33.4% of its total sales volume through modern distribution channels in 2015. Modern distribution channels in Brazil 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. Also in Brazil, Coca-Cola FEMSA distributes finished products to retailers through a combination of its own fleet of trucks and third party distributors, while Coca-Cola FEMSA maintains control over the selling function. In designated zones in Brazil, third-party distributors purchase Coca-Cola FEMSA s products at a discount from the wholesale price and resell the products to retailers.

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, with low supermarket penetration.

Competition

While Coca-Cola FEMSA believes that its products enjoy wider recognition and greater consumer loyalty than those of its principal competitors, the markets in the territories where Coca-Cola FEMSA operates are highly competitive. Coca-Cola FEMSA s principal competitors are local Pepsi bottlers and other bottlers and distributors of local beverage brands. Coca-Cola FEMSA faces increased 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, Venezuela, Brazil and Argentina offer beer in addition to sparkling beverages, still beverages, and water, which may enable them to achieve distribution efficiencies.

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 technique that allows it 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 Product and Packaging Mix.**

Mexico and Central America. Coca-Cola FEMSA s principal competitors in Mexico are bottlers of Pepsi products, whose territories overlap but are not co-extensive with its own. Coca-Cola FEMSA competes with Organización Cultiba, 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., the leading beer distributor and Pepsi bottler in Venezuela. Coca-Cola FEMSA s main competition in the juice category in Mexico is Grupo Jumex. In the water category, Bonafont, a water brand owned by Grupo Danone, is Coca-Cola FEMSA s main competition. 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. and Consorcio AGA, S.A. de C.V., 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 and Nicaragua, Coca-Cola FEMSA competes with a joint venture between AmBev and The Central American Bottler Corporation. In Costa Rica, Coca-Cola FEMSA s principal competitor is Florida Bebidas S.A., subsidiary of Florida Ice and Farm Co. In Panama, Coca-Cola FEMSA s main competitor is Cervecería Nacional, S.A. Coca-Cola FEMSA also faces competition from B brands offering multiple serving size presentations in some Central American countries.

South America (excluding Venezuela). Coca-Cola FEMSA s principal competitor in Colombia is Postobón, a well-established local bottler that sells flavored sparkling beverages (under the brands *Postobón* and *Colombiana*), some of which have a wide consumption preference, such as *manzana Postobón* (apple Postobón), which is the second most popular flavor in the Colombian sparkling beverage industry in terms of total sales volume. Postobón also sells Pepsi products. Postobón is a vertically integrated producer, the owners of which hold other significant commercial interests in Colombia. Coca-Cola FEMSA also competes with low-price producers, such as the producers of Big Cola, which principally offer multiple serving size presentations in the sparkling and still beverage industry.

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In Brazil, Coca-Cola FEMSA competes against AmBev, a Brazilian company with a portfolio of brands that includes Pepsi, 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 flavored 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 addition, Coca-Cola FEMSA competes with a number of competitors offering generic, low-priced sparkling beverages as well as many other generic products and private label proprietary supermarket brands.

Venezuela. In Venezuela, Coca-Cola FEMSA s main competitor is Pepsi-Cola Venezuela, C.A., a joint venture formed between PepsiCo and Empresas Polar, S.A., the leading beer distributor in the country. Coca-Cola FEMSA also competes with the producers of Big Cola in part of this country.

Raw Materials

Pursuant to its 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 companies designated by The Coca-Cola Company and sweeteners and other raw materials from companies authorized by The Coca-Cola Company. 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 The Coca-Cola Company has the right to unilaterally set the price of concentrates, in practice this percentage has historically been set pursuant to periodic negotiations with The Coca-Cola Company.

In the past, The Coca-Cola Company has increased concentrate prices for Coca-Cola trademark beverages in some of the countries where Coca-Cola FEMSA operates. In 2014, The Coca-Cola Company informed Coca-Cola FEMSA that it will gradually increase concentrate prices for certain Coca-Cola trademark beverages over a five-year period in Costa Rica and Panama beginning in 2014. In 2015, The Coca-Cola Company informed Coca-Cola FEMSA that it will gradually increase concentrate prices for flavored water over a four-year period in Mexico beginning in April 2015. Most recently, The Coca-Cola Company also informed Coca-Cola FEMSA that it will gradually increase concentrate prices for certain *Coca-Cola* trademark beverages over a two-year period in Colombia beginning in 2016. Based on Coca-Cola FEMSA s estimates, it currently does not expect these increases to have a material adverse effect on its results of operation. The Coca-Cola Company may unilaterally increase concentrate prices again in the future and Coca-Cola FEMSA may not be successful in negotiating or implementing measures to mitigate the negative effect this may have in the prices of its products or its results.

In addition to concentrate, Coca-Cola FEMSA purchases sweeteners, carbon dioxide, 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. Sweeteners are combined with water to produce basic syrup, which is added to the concentrate as the sweetener for most of Coca-Cola FEMSA s beverages. Coca-Cola FEMSA s bottler agreements provide that, with respect to Coca-Cola trademark beverages, these materials may be purchased only from suppliers approved by The Coca-Cola Company, including certain of our affiliates. Prices for certain raw materials, including those used in the bottling of Coca-Cola FEMSA s products, mainly resin, preforms to make plastic bottles, 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 resin and plastic preforms to make plastic bottles from the purchase of finished plastic bottles, the prices of which are related to crude oil prices and global resin supply. The average prices that Coca-Cola FEMSA paid for resin and plastic preforms in U.S. dollars in 2015 decreased 24%, as compared to 2014, in all its territories; however, given that high currency volatility has affected and continues to affect most of Coca-Cola FEMSA s territories, the average prices for resin and plastic preforms in local currencies were higher in 2015 in Mexico, Colombia, Venezuela and Brazil.

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Under Coca-Cola FEMSA s agreements with The Coca-Cola Company, it may use raw or refined sugar or HFCS as sweeteners 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 cause Coca-Cola FEMSA to pay for sugar in excess of international market prices for sugar in certain countries. In recent years, international sugar prices experienced significant volatility. Across Coca-Cola FEMSA s territories, its average price for sugar in U.S. dollars decreased approximately 28% (12% excluding Venezuela) in 2015 as compared to 2014; however, the average price for sugar in local currency was higher in all of Coca-Cola FEMSA s operations, except for Guatemala.

Coca-Cola FEMSA categorizes 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 its existing water concessions.

Mexico and Central America. In Mexico, Coca-Cola FEMSA purchases its returnable plastic bottles from Graham Packaging México, S.A. de C.V., known as Graham, which is the exclusive supplier of returnable plastic bottles for The Coca-Cola Company and its bottlers in Mexico. Coca-Cola FEMSA mainly purchases resin from Indorama Ventures Polymers México, S. de R.L. de C.V. (formerly Arteva Specialties, S. de R.L. de C.V.), M&G Polímeros México, S.A. 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 Coca-Cola FEMSA. Also, Coca-Cola FEMSA has introduced into its business Asian global suppliers, such as Far Eastern New Century Corp. or FENC, which supports Coca-Cola FEMSA s PET strategy mainly for Central America and is known as one of the top five PET global suppliers.

Coca-Cola FEMSA purchases all its cans from Fábricas de Monterrey, S.A. de C.V., or FAMOSA, and Envases Universales de México, S.A.P.I. de C.V., through Promotora Mexicana de Embotelladoras, S.A. de C.V., known as PROMESA, a cooperative of Coca-Cola bottlers, in which, as of April 8, 2016, Coca-Cola FEMSA held a 35% equity interest. Coca-Cola FEMSA mainly purchases its glass bottles from Vitro America, S. de R.L. de C.V. (formerly Compañía Vidriera, S.A. de C.V., or VITRO), FEVISA Industrial, S.A. de C.V., known as FEVISA, and Glass & Silice, S.A. de C.V., or SIVESA.

Coca-Cola FEMSA purchases sugar from, among other suppliers, PIASA and Beta San Miguel, S.A. de C.V., both sugar cane producers in which, as of April 8, 2016, Coca-Cola FEMSA held a 36.3% and 2.7% equity interest, respectively. Coca-Cola FEMSA purchases HFCS from Ingredion México, S.A. de C.V., Almidones Mexicanos, S.A. de C.V., known as Almex, and Cargill de México, S.A. de C.V.

Sugar prices in Mexico are subject to local regulations and other barriers to market entry that 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. In 2015, sugar prices in local currency in Mexico increased approximately 9% as compared to 2014.

In Central America, the majority of Coca-Cola FEMSA s raw materials such as glass and plastic bottles are purchased from several local suppliers. Coca-Cola FEMSA purchases all of its cans from PROMESA. 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 (excluding Venezuela). In Colombia, Coca-Cola FEMSA uses sugar as a sweetener in most of its products, which it buys from several domestic sources. Coca-Cola FEMSA purchases plastic bottles from Amcor Rigid Plastics de Colombia, S.A. and Tapón Corona de Colombia S.A. (affiliate of Envases Universales de México, S.A.P.I. de C.V.), and has historically purchased all of its glass bottles from Peldar O-I; however, it has engaged new suppliers and has recently acquired glass bottles from Al Tajir and Frigoglass in both cases from the United Arab Emirates. Coca-Cola FEMSA purchases all of its cans from Crown Colombiana, S.A., which are only available through this local supplier. Grupo Ardila Lulle, owners of Coca-Cola FEMSA s competitor Postobón, own a minority equity interest in Peldar O-I and Crown Colombiana, S.A.

Sugar is available in Brazil at local market prices, which historically have been similar to international prices. During 2015, sugar prices in Brazil decreased approximately 12% in U.S. dollars and increased 26% in local currency, as compared to 2014. Coca-Cola FEMSA purchases glass bottles, plastic bottles and cans from several domestic and international suppliers.

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, plastic cases and other raw materials from several domestic sources. 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 Coca-Cola bottler with operations in Chile, Argentina, Brazil and Paraguay, and other local suppliers. Coca-Cola FEMSA also acquires plastic preforms from Alpla Avellaneda, S.A. and other suppliers, such as AMCOR Argentina.

Venezuela. In Venezuela, Coca-Cola FEMSA uses sugar as a sweetener in most of its products, which it purchase mainly from the local market. Since 2003, from time to time, Coca-Cola FEMSA has experienced a sugar shortage due to lower domestic production and the inability of the predominant sugar importers to obtain permission to import in a timely manner. While sugar distribution to the food and beverages industry and to retailers is controlled by the government, Coca-Cola FEMSA did not experience any material disruptions during 2015 with respect to access to sufficient sugar supply. However, we cannot assure you that Coca-Cola FEMSA will not experience disruptions in its ability to meet its sugar requirements in the future should the Venezuelan government impose restrictive measures. Coca-Cola FEMSA buys glass bottles from one local supplier, Productos de Vidrio, C.A., the only supplier authorized by The Coca-Cola Company. Coca-Cola FEMSA acquires most of its plastic non-returnable bottles from Alpla de Venezuela, S.A. and most of its aluminum cans from a local producer, Dominguez Continental, C.A.

Under current regulations promulgated by the Venezuelan authorities, Coca-Cola FEMSA s ability and that of its suppliers to import some of the raw materials and other supplies used in its production could be limited, and access to the official exchange rate for these items, including, among others, concentrate, resin, aluminum, plastic caps, distribution trucks and vehicles is only achieved by obtaining proper approvals from the relevant authorities.

FEMSA Comercio

Overview and Background

FEMSA Comercio, through its Retail Division, operates the largest chain of small-format stores in Mexico, measured in terms of number of stores as of December 31, 2015, mainly under the trade name OXXO. As of December 31, 2015, FEMSA Comercio Retail Division operated 14,061 OXXO stores, of which 14,015 are located throughout Mexico and the remaining 46 stores are located in Bogota, Colombia.

FEMSA Comercio Retail Division was established by FEMSA in 1978 with the opening of two OXXO stores in Monterrey, Nuevo Leon, one store in Mexico City and another store in Guadalajara, Jalisco. The motivating factor behind FEMSA s entrance into the retail industry was to enhance beer sales through company-owned retail outlets as well as to gather information on customer preferences. In 2015, a typical OXXO store carried 2,954 different stock keeping units (SKUs) in 31 main product categories.

In recent years, FEMSA Comercio Retail Division has represented an effective distribution channel for our beverage products, as well as a rapidly growing point of contact with our consumers. Based on the belief that location plays a major role in the long-term success of a retail operation such as a small-format store, as well as a role in our ability to accelerate and streamline the new-store development process, FEMSA Comercio Retail Division has focused on a strategy of rapid, profitable growth. FEMSA Comercio Retail Division opened 1,208, 1,132 and 1,120 net new OXXO stores in 2015, 2014 and 2013, respectively. The accelerated expansion in the number of OXXO stores and the inorganic expansion in the drugstore markets in Mexico and Chile yielded total revenue growth of 21.2% to reach Ps. 132,891 million in 2015. OXXO same-store sales increased an average of 6.9%, driven by an increased average customer ticket and an increase in same-store traffic. OXXO stores performed approximately 3.7 billion transactions in 2015 compared to 3.4 billion transactions in 2014.

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FEMSA Comercio Fuel Division operates retail service stations for fuels, motor oils and other car care products. As of December 31, 2015, FEMSA Comercio Fuel Division operates 307 service stations, concentrating mainly in the northern part of the country with a presence in 14 different states throughout Mexico.

Since 1995, FEMSA Comercio has provided services and operated retail service stations for fuels, motor oils and other car care products through agreements with third parties that own PEMEX franchises, using the commercial brand OXXO GAS. Over time, this brand has become synonymous with quality service among our customers, and revenues per gas pump have consistently grown.

Historically, Mexican legislation precluded FEMSA Comercio from participating in the retail of gasoline, and therefore from owning PEMEX franchises, due to FEMSA s foreign institutional investor base. In March 2015, following changes to the legal framework and considering the potential expansion and synergies arising from this business as part of Mexico s energy reform, FEMSA Comercio began to acquire PEMEX s service station franchises and to obtain permits to operate each of the franchises.

FEMSA Comercio Retail Division

Business Strategy

FEMSA Comercio Retail Division intends to continue increasing its store base while capitalizing on the retail business and market knowledge gained at existing stores. We intend to open new stores in locations where we believe there is high growth potential or unsatisfied demand, while also increasing customer traffic and average ticket per customer in existing stores. Our expansion focuses on both entering new markets and strengthening our presence nationwide and across different income levels of population. A fundamental element of FEMSA Comercio Retail Division s 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 is expected to provide a strong foundation for continued organic growth, improving traffic and average ticket sales at our existing stores and facilitating entry into new small-format retail industries.

FEMSA Comercio Retail 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 FEMSA Comercio Retail Division s experience in similar locations to fine-tune the 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 FEMSA Comercio Retail Division to improve the operating efficiency of each location, cover a wider array of consumption occasions and increase its overall profitability.

FEMSA Comercio Retail 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. To implement more effective business strategies, FEMSA Comercio Retail 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 FEMSA Comercio Retail 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.

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FEMSA Comercio Retail Division has adopted innovative promotional strategies in order to increase store traffic and sales. In particular, the OXXO stores sell high-frequency items such as beverages, snacks and cigarettes at competitive prices. FEMSA Comercio Retail Division s ability to implement this strategy profitably is partly attributable to the size of the OXXO stores chain, as such division is able to work together with its suppliers to implement their revenue-management strategies through 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 our strategy consists of leveraging our reputation for quality and the position of our brand in the minds of our customers to expand our offering of private-label products. Our private-label products represent an alternative for value-conscious consumers, which, combined with our market position, allows FEMSA Comercio Retail Division to increase sales and margins, strengthen customer loyalty and bolster its bargaining position with suppliers.

Finally, to further increase customer traffic into our stores, FEMSA Comercio Retail Division is incorporating additional services, such as utility bill payment, remittances and prepayment of mobile phone fees and charges.

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Store Locations

With 14,015 OXXO stores in Mexico and 46 OXXO stores in Colombia as of December 31, 2015, FEMSA Comercio Retail Division operates the largest small-format store chain in Latin America measured by number of stores. FEMSA Comercio Retail Division has expanded its operations by opening five net new OXXO stores in Bogota, Colombia in 2015.

OXXO Stores

Regional Allocation in Mexico and Latin America[*]

as of December 31, 2015

FEMSA Comercio Retail Division has aggressively expanded its number of OXXO stores over the past several years. The average investment required to open a new OXXO store varies, depending on location and format and whether the store is opened in an existing retail location or requires construction of a new store. FEMSA Comercio Retail Division is generally able to use supplier credit to fund the initial inventory of new OXXO stores.

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OXXO Stores

Total Growth

	Year Ended December 31,				
	2015	**2014**	**2013**	**2012**	**2011**
Total OXXO stores	14,061	12,853	11,721	10,601	9,561
Store growth (% change over previous year)	9.4%	9.7%	10.6%	10.9%	13.5%

FEMSA Comercio Retail Division currently expects to continue implementing its expansion strategy by emphasizing growth in areas of high economic potential in existing markets and by expanding in underserved and unexploited markets.

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

The identification of locations and pre-opening planning in order to optimize the results of new OXXO stores are important elements in FEMSA Comercio Retail Division s growth plan. FEMSA Comercio Retail Division continuously reviews store performance against certain operating and financial benchmarks to optimize the overall performance of the chain. FEMSA Comercio Retail Division stores unable to maintain benchmark standards are generally closed. Between December 31, 2011 and 2015, the total number of OXXO stores increased by 4,500, which resulted from the opening of 4,638 new stores and the closing of 138 stores.

Competition

FEMSA Comercio Retail Division, mainly through OXXO stores, competes in the overall retail market, which we believe is highly competitive. OXXO stores face competition from small-format stores like 7-Eleven, Extra, Super City, Círculo K stores and other numerous chains of retailers across Mexico, from other regional small-format retailers to small informal neighborhood stores. OXXO competes both for consumers and for new locations for stores and human resources to operate those stores. FEMSA Comercio Retail Division operates in each state in Mexico and has much broader geographic coverage than any of its competitors in Mexico.

Market and Store Characteristics

Market Characteristics

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

Approximately 65.6% of OXXO stores customers are between the ages of 15 and 35. FEMSA Comercio Retail Division also segments the market according to demographic criteria, including income level.

OXXO Store Characteristics

The average size of an OXXO store is approximately 104 square meters of selling space, excluding space dedicated to refrigeration, storage or parking. The average constructed area of a store is approximately 187 square meters and, when parking areas are included, the average store size is approximately 418 square meters.

FEMSA Comercio Retail Division Operating Indicators

	Year Ended December 31, 2015	2014	2013	2012	2011
	(percentage increase compared to previous year)				
Total FEMSA Comercio Retail Division revenues[1]	21.2%	12.4%	12.9%	16.6%	19.0%
OXXO same-store sales[2]	6.9%	2.7%	2.4%	7.7%	9.2%

(1) Includes revenues of Farmacias Farmacon S.A. from June 2015 and Socofar from October 2015. **See Item 4. Information on the Company Corporate Background** and Note 4 to our audited consolidated financial statements.

(2) Same-store sales growth 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 represent the main product categories for OXXO stores. FEMSA Comercio Retail Division has a distribution agreement with Cuauhtémoc Moctezuma, pursuant to which OXXO stores only carry beer brands produced and distributed by Cuauhtémoc Moctezuma. OXXO stores will continue to benefit from the existing relationship under which Cuauhtémoc Moctezuma will continue to be the exclusive supplier of beer to OXXO until June 2020.

Approximately 58% of OXXO stores are operated by independent managers responsible for all aspects of store operations. The store managers are commission agents and are not employees of FEMSA Comercio Retail Division. Each store manager is the legal employer of the store s staff, which typically numbers six people per store. FEMSA Comercio Retail Division continually invests in on-site operating personnel, with the objective of promoting loyalty, customer service and low personnel turnover in the stores.

Advertising and Promotion

FEMSA Comercio Retail Division s marketing efforts for OXXO stores include both specific product promotions and image advertising campaigns. These strategies seek to increase store traffic and sales, and to reinforce the OXXO name and market position.

FEMSA Comercio Retail Division manages its advertising for OXXO stores on three levels depending on the nature and scope of the specific campaign: local or store-specific, regional and 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. FEMSA Comercio Retail 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. The OXXO store chain s image and brand name are presented consistently across all stores, irrespective of location.

Inventory and Purchasing

FEMSA Comercio Retail Division has placed considerable emphasis on improving operating performance. As part of these efforts, FEMSA Comercio Retail Division continues to invest in extensive information management systems to improve inventory management. Electronic data collection has enabled this division to reduce average inventory levels. Inventory replenishment decisions are carried out on a store-by-store basis.

Management believes that the OXXO store chain s scale of operations provides FEMSA Comercio Retail 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. Given the fragmented nature of the retail industry in Mexico in general, Mexican producers of beer, soft drinks, bread, dairy products, snacks, cigarettes and other high-frequency products have established proprietary distribution systems with extensive direct distribution routes. As a result, approximately 62% of the OXXO store chain s total sales consist of products that are

delivered directly to the stores by suppliers. Other products with longer shelf lives are distributed to stores by FEMSA Comercio Retail Division s distribution system, which includes 16 regional warehouses located in Monterrey, Guadalajara, Mexicali, Merida, Leon, Obregon, Puebla, Queretaro, Chihuahua, Reynosa, Saltillo, Tijuana, Toluca, Villahermosa and two in Mexico City. The distribution centers operate a fleet of approximately 897 trucks that make deliveries to each store approximately twice per week.

Seasonality

OXXO stores 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 the hot summer months. The months of November and February are generally the weakest sales months for OXXO stores. In general, colder weather during these months reduces store traffic and consumption of cold beverages.

Drugstore Market

During 2013, FEMSA Comercio Retail Division entered the drugstore market in Mexico through two transactions. FEMSA Comercio Retail Division through CCF, closed the acquisition of Farmacias YZA, a leading drugstore operator in Southeast Mexico, headquartered in Merida, Yucatan. The founding shareholders of Farmacias YZA hold a 25% stake in CCF. Following this transaction, on May 13, 2013, CCF acquired Farmacias Moderna, a leading drugstore operator in the western state of Sinaloa.

In June 2015, CCF acquired 100% of Farmacias Farmacon, a regional pharmacy chain consisting at the time of more than 200 stores in the northwestern Mexican states of Sinaloa, Sonora, Baja California and Baja California Sur.

In September 2015, FEMSA Comercio Retail Division acquired 60% of Socofar, a leading South American drugstore operator based in Santiago, Chile. Socofar operated, directly and through franchises, at that time, more than 600 drugstores and 150 beauty stores throughout Chile and 150 drugstores throughout Colombia.

The rationale for entering this new market is anchored in our belief that FEMSA Comercio Retail Division has developed certain capabilities and skills that should be applicable and useful in the operation of other small retail formats. These capabilities include site selection, logistics, business processes, human resources, inventory and supplier management. The drugstore market in Mexico is very fragmented and FEMSA Comercio believes it is well equipped to create value by entering this market and pursuing a growth strategy that maximizes the opportunity. Furthermore, the acquisition in South America gives FEMSA Comercio the opportunity to pursue a regional strategy from a solid platform anchored in the Chilean market and with compelling growth opportunities in Colombia and beyond.

Quick-Service Restaurant Market

Following the same rationale that its capabilities and skills are well suited to different types of small-format retail, during 2013 FEMSA Comercio Retail Division also entered the quick-service restaurant market in Mexico through the 80% acquisition of Doña Tota, with the founding shareholders retaining 20%. This is a leading regional chain specializing in Mexican food with a particularly strong presence in the northeast of the country. This acquisition presented FEMSA Comercio Retail Division with the opportunity to grow Doña Tota s stand-alone store base across the country, as well as the possibility to acquire prepared food capabilities and expertise.

Other Stores

FEMSA Comercio Retail Division also operates other small-format stores, which include soft discount stores with a focus on perishables and liquor stores.

FEMSA Comercio Fuel Division

Business Strategy

A fundamental element of FEMSA Comercio Fuel Division s business strategy is to increase at an accelerated rate its offering of service stations, in previously identified Mexican regions, by way of leases, procurement or construction of stations.

FEMSA Comercio Fuel Division s business strategy aims to strengthen its services in its retail gas stations in Mexico to fulfill consumers needs and increase traffic in those service stations it operates while developing and maintaining an attractive value proposition to draw potential customers and face the future entry of new competitors in the industry.

FEMSA Comercio Fuel Division s business strategy includes the development of new businesses in the fuel value chain, such as the final distribution and wholesale of fuel to its own service stations and to third parties.

Service Station Locations and Characteristics

As of December 31, 2015, FEMSA Comercio Fuel Division operates 307 service stations, concentrated mainly in the northern part of the country but with a presence in 14 different states throughout Mexico.

Since March 2015, FEMSA Comercio Fuel Division has leased 76 additional service stations and built four brand new service stations.

Each service station under the OXXO GAS trade name comprises offices, parking lots, maneuvering vehicles area, a fuel service dispatch area and an area for storage of gasoline in underground tanks. The average size of the fuel service dispatch area is 250 square meters. On average each service station has 15 employees.

Products and Services

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

Past law restrictions prevented FEMSA Comercio Fuel Division, as a franchisee of PEMEX, to have a different supplier of gasoline. However, the current law allows other suppliers to operate in Mexico in the medium term.

Market Characteristics

The retail service station market in Mexico is highly fragmented. There are currently more than 11,000 service stations; however, with less than 3% of the total number of stations, FEMSA Comercio Fuel Division is the largest participant in this market. The majority of retail service stations in the country are owned by small regional family businesses.

Seasonality

FEMSA Comercio Fuel Division experiences especially high demand during May and August. The lowest demand is in January and December due to the rainy season and the year-end holiday period, because many service stations are not located in, or on highways to, holiday destinations.

Marketing

Through promotional activities, FEMSA Comercio 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, a form of advertising now also used by FEMSA Comercio Fuel Division s competitors.

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Competition

Despite the existence of other groups competing in this sector, FEMSA Comercio Fuel Division s competitors are small retail service stations chains owned by regional family businesses, which compete in the aggregate with FEMSA Comercio Fuel Division in total sales, new station locations and labor. The biggest chains competing with FEMSA Comercio Fuel Division in terms of number of service stations are Petro-7, operated by 7-Eleven; Corpo Gas; Hidrosina and Orsan.

Equity Investment in the Heineken Group

As of December 31, 2015, FEMSA owned a non-controlling interest in the Heineken Group, one of the world s leading brewers. As of December 31, 2015, our 20% economic interest in the Heineken Group comprised 43,018,320 shares of Heineken Holding N.V. and 72,182,203 shares of Heineken N.V. For 2015, FEMSA recognized equity income of Ps. 5,879 million regarding its 20% economic interest in the Heineken Group; see Note 10 to our audited consolidated financial statements.

As described above, FEMSA Comercio Retail Division has a distribution agreement with subsidiaries of Cuauhtémoc Moctezuma, now a part of the Heineken Group, pursuant to which OXXO stores in Mexico only carry beer brands produced and distributed by Cuauhtémoc Moctezuma. OXXO stores will continue to benefit from the existing relationship under which Cuauhtémoc Moctezuma will continue to be the exclusive supplier of beer to OXXO until June 2020. Coca-Cola FEMSA also agreed with Cervejarias Kaiser (also now part of the Heineken Group) to continue to distribute and sell the *Kaiser* beer portfolio in Coca-Cola FEMSA s Brazilian territories for a 20-year term beginning in 2003, consistent with the arrangement already in place. In addition, our logistic services subsidiary provides certain services to Cuauhtémoc Moctezuma and its subsidiaries.

Other Businesses

Our other businesses consist of the following smaller operations that support our core operations:

- Our logistics services subsidiary provides a broad range of logistics and vehicle maintenance services to Coca-Cola FEMSA, FEMSA Comercio and third-party clients in the beverages, consumer products and retail industries. It has operations in Mexico, Brazil, Colombia, Panama, Costa Rica, Nicaragua and Peru.

- Our refrigeration business produces vertical and horizontal commercial refrigerators for the soft drink, beer and food industries, with an annual capacity of 546,934 units at December 31, 2015. In 2015, this business sold 429,464 refrigeration units, 31.1% of which were sold to Coca-Cola FEMSA, and the remainder of which were sold to other clients.

Description of Property, Plant and Equipment

As of December 31, 2015, Coca-Cola FEMSA owned all of its manufacturing facilities and distribution centers, consisting primarily of production and distribution facilities for its soft drink operations and office space. In addition, FEMSA Comercio Retail Division owns approximately 12% of the OXXO store locations, while the other stores are located in leased properties and substantially almost all of its warehouses are under long-term lease arrangements with third parties.

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The table below summarizes by country the installed capacity and percentage utilization of Coca-Cola FEMSA s production facilities:

Bottling Facility Summary

As of December 31, 2015

Country	Installed Capacity (thousands of unit cases)	Utilization(1) (%)
Mexico	2,786,295	62%
Guatemala	37,931	77%
Nicaragua	66,847	71%
Costa Rica	70,587	66%
Panama	49,646	69%
Colombia	572,978	57%
Venezuela	290,391	81%
Brazil	1,228,126	55%
Argentina	328,441	71%

(1) Annualized rate.

The table below summarizes by country the location and facility area of each of Coca-Cola FEMSA s production facilities.

Bottling Facility by Location

As of December 31, 2015

Country	Plant	Facility Area (thousands of sq. meters)
Mexico	San Cristobal de las Casas, Chiapas	45
	Cuautitlan, Estado de Mexico	35
	Los Reyes la Paz, Estado de Mexico	50
	Toluca, Estado de Mexico	317
	Leon, Guanajuato	124
	Morelia, Michoacan	50
	Ixtacomitan, Tabasco	117
	Apizaco, Tlaxcala	80
	Coatepec, Veracruz	142
	La Pureza Altamira, Tamaulipas	300
	Poza Rica, Veracruz	42
	Pacifico, Estado de Mexico	89
	Cuernavaca, Morelos	37
	Toluca, Estado de Mexico (Ojuelos)	41
	San Juan del Rio, Queretaro	84
	Queretaro, Queretaro	80
	Cayaco, Acapulco	104
Guatemala	Guatemala City	46
Nicaragua	Managua	54
Costa Rica	Calle Blancos, San Jose	52

Coronado, San Jose	14

Country	Plant	Facility Area (thousands of sq. meters)
Panama	Panama City	29
Colombia	Barranquilla	37
	Bogota, DC	105
	Bucaramanga	26
	Cali	76
	Manantial, Cundinamarca	67
	Tocancipa	298
	Medellin	47
Venezuela	Antimano	15
	Barcelona	141
	Maracaibo	68
	Valencia	100
Brazil	Campo Grande	36
	Jundiai	191
	Mogi das Cruzes	119
	Porto Real	108
	Maringa	160
	Marilia	159
	Curitiba	119
	Bauru	39
	Itabirito	320
Argentina	Alcorta, Buenos Aires	73
	Monte Grande, Buenos Aires	32

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 disaster, including hurricane, hail, earthquake and damages caused by human acts, including explosion, fire, vandalism and riot. 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 2015, the policies for all risk property insurance and liability insurance were issued by Mapfre Tepeyac Seguros, S.A., and the policy for freight transport insurance was issued by ACE Seguros, S.A. 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.

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Capital Expenditures and Divestitures

Our consolidated capital expenditures, net of disposals, for the years ended December 31, 2015, 2014 and 2013 were Ps. 18,885 million, Ps. 18,163 million and Ps. 17,882 million respectively, and were for the most part financed from cash from operations generated by our subsidiaries. These amounts were invested in the following manner:

	Year Ended December 31,		
	2015	**2014**	**2013**
	(in millions of Mexican pesos)		
Coca-Cola FEMSA	Ps.11,484	Ps.11,313	Ps.11,703
FEMSA Comercio Retail Division	6,048	5,191	5,683
FEMSA Comercio Fuel Division	228		
Other	1,125	1,659	496
Total	Ps.18,885	Ps.18,163	Ps.17,882

Coca-Cola FEMSA

In 2015, 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 its distribution infrastructure and (v) information technology. Through these measures, Coca-Cola FEMSA continuously seeks to improve its profit margins and overall profitability.

FEMSA Comercio Retail Division

FEMSA Comercio Retail Division s principal investment activity is the construction and opening of new stores, which are mostly OXXO Stores. During 2015, FEMSA Comercio opened 1,208 net new OXXO stores. FEMSA Comercio Retail Division invested Ps. 6,048 million in 2015 in the addition of new stores, warehouses and improvements to leased properties.

FEMSA Comercio Fuel Division

In 2015, FEMSA Comercio Fuel Division s business addressed its investments on capital expenditure mainly to the addition of new retail service stations. Since March 2015, FEMSA Comercio Fuel Division has leased and enhanced 76 additional retail stations and built four brand new stations, investing Ps. 228 million during 2015.

Regulatory Matters

Antitrust Legislation

The *Ley Federal de Competencia Económica* (Federal Antitrust Law) became effective on June 22, 1993, regulating monopolistic practices and requiring Mexican government approval of certain mergers and acquisitions. The Federal Antitrust Law subjects the activities of certain Mexican companies, including us, to regulatory scrutiny.

In June 2013, following a comprehensive reform to the Mexican Constitution, a new antitrust authority with constitutional autonomy was created: the *Comisión Federal de Competencia Económica* (Federal Antitrust Commission, or the COFECE). As a result of these amendments, new antitrust and telecommunications specialized courts were created and commenced hearing cases in August 2013. In July 2014, a new Federal Antitrust Law came into effect based on the amended constitutional provisions.

These amendments granted more power to the COFECE, including the ability to 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. Management believes that we are currently in compliance in all material respects with Mexican antitrust legislation.

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In Mexico, we are involved in different ongoing competition related proceedings. We believe that the outcome of these proceedings will not have a material adverse effect on our financial position or results. **See Item 8. Financial Information Legal Proceedings Coca-Cola FEMSA.**

Mexican Tax Reform

In December of 2013, the Mexican government enacted a package of tax reforms (the 2014 Tax Reform) which includes several significant changes to tax laws, discussed in further detail below, that entered into effect on January 1, 2014. The most significant changes are as follows:

- The introduction of a new withholding tax at the rate of 10% for dividends and/or distributions of earnings generated in 2014 and beyond;
- The elimination of the exemption on gains from the sale of shares through a stock exchange recognized under applicable Mexican tax law. The gain will be taxable at the rate of 10% and will be paid by the shareholder based on the information provided by the financial intermediary. Transferors that are residents of a country with which Mexico has entered into a tax treaty for the avoidance of double taxation will be exempt;
- A fee of one Mexican peso per liter on the sale and import of flavored beverages with added sugar, and an excise tax of 8% on food with caloric content equal to, or greater than 275 kilocalories per 100 grams of product;
- The prior 11% value added tax (VAT) rate that applied to transaction in the border region was raised to 16%, matching the general VAT rate applicable in the rest of Mexico;
- The elimination of the tax on cash deposits (IDE) and the business flat tax (IETU);
- Deductions on exempt payroll items for workers are limited to 53%;
- The income tax rate in 2013 and 2012 was 30%. Scheduled decreases to the income tax rate that would have reduced the rate to 29% in 2014 and 28% in 2015 and thereafter, were canceled in connection with the 2014 Tax Reform;
- The repeal of the existing tax consolidation regime, which is effective as of January 1, 2014, modified the payment term of a tax on assets payable of Ps. 180, which will be paid over the following five years instead of an indefinite term; and
- The introduction of a new optional tax integration regime (a modified form of tax consolidation), which replaces the previous tax consolidation regime. The new optional tax integration regime requires an equity ownership of at least 80% for qualifying subsidiaries and would allow us to defer the annual tax payment of our profitable participating subsidiaries for a period equivalent to 3 years to the extent their individual tax expense exceeds the integrated tax expense of the Company.

Other Recent Tax Reforms

On January 1, 2015, a general tax reform became effective in Colombia. This reform included the imposition of a new temporary tax on net equity through 2017 to Colombian residents and non-residents who own property in Colombia directly or indirectly through branches or permanent establishments. The relevant taxable base will be determined annually based on a formula. For net equity that exceeds 5.0 billion Colombian pesos (approximately US$ 2.1 million) the rate will be 1.15% in 2015, 1.00% in 2016 and 0.40% in 2017. In addition, the tax reform in Colombia imposed that the supplementary income tax at a rate of 9% as contributions to social programs, which was previously scheduled to decrease to 8% by 2015, will remain indefinitely. Additionally, this tax reform included the imposition of a temporary contribution to social programs at a rate of 5%, 6%, 8% and

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9% for the years 2015, 2016, 2017 and 2018, respectively. Finally, this reform establishes an income tax deduction of 2% of value-added tax paid in the acquisition or import of hard assets, such as tangible and amortizable assets that are not sold or transferred in the ordinary course of business and that are used for the production of goods or services.

In Guatemala, the income tax rate for 2014 was 28% and it decreased for 2015 to 25%, as scheduled.

On November 18, 2014, a tax reform became effective in Venezuela. This reform included changes on how the carrying value of operating losses is reported. The reform established that operating losses carried forward year over year (but limited to three fiscal years) may not exceed 25% of the taxable income in the relevant period. The reform also eliminated the possibility to carry over losses relating to inflationary adjustments and included changes that grant Venezuelan tax authorities broader powers and authority in connection with their ability to enact administrative rulings related to income tax withholding and to collect taxes and increase fines and penalties for tax-related violations, including the ability to confiscate assets without a court order.

On December 30, 2015, the Venezuelan government enacted a package of tax reforms that became effective in January 2016. This reform, among other things, (i) eliminates the inflationary adjustments for the calculation of income tax as well as the new investment tax deduction and (ii) imposes a new tax on financial transactions effective as of February 1, 2016, for those identified as special taxpayers at a rate of 0.75% over certain financial transactions, such as bank withdrawals, transfer of bonds and securities, payment of debts without intervention of the financial system and debits on bank accounts for cross-border payments, which will be immediately withheld by the banks.

On April 1, 2015, the Brazilian government issued Decree No. 8.426/15 to impose, as of July 2015, PIS/COFINS (Social Contributions on Gross Revenues) of 4.65% on financial income (except for foreign exchange variations).

Starting in 2016, the Brazilian rates of value-added tax in certain states will change as follows: Mato Grosso do Sul from 17% to 20%; Minas Gerais, 18% and an additional 2% will be charged on sales to non-taxpayers, as a contribution to a poverty eradication fund; Rio de Janeiro, the contribution to poverty eradication will increase from 1% to 2% as of April 2016; and Parana, 16% and an additional 2% will be charged on sales to non-taxpayers, as a contribution to a poverty eradication fund. In addition and specifically for sales of beer, the value-tax added tax rate will increase to a maximum of 25%.

In addition, as of January 1, 2016, the Brazilian federal production tax rates will be reduced and the rates of the federal sales tax will increase. We expect the average of these taxes will range between 14.4% and 15.5% over net sales.

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Taxation of Sparkling Beverages

All the countries where Coca-Cola FEMSA operates, except for Panama, impose a value-added tax on the sale of sparkling beverages, with a rate of 16% in Mexico, 12% in Guatemala, 15% in Nicaragua, an average percentage of 15.8% in Costa Rica, 16% in Colombia (applied only to the first sale in the supply chain), 12% in Venezuela, 21% in Argentina, and in Brazil 17% in the states of Mato Grosso do Sul and Goiás and 18% in the states of Sao Paulo, Minas Gerais, Parana and Rio de Janeiro. The state of Rio de Janeiro also charges an additional 1% as a contribution to a poverty eradication fund. In Brazil the value-added tax is grossed-up and added, along with federal sales tax, at the taxable basis. In addition, Coca-Cola FEMSA is responsible for charging and collecting the value-added tax from each of its retailers in Brazil, based on average retail prices for each state where it operates, defined primarily through a survey conducted by the government of each state, which in 2015 represented an average taxation of approximately 9.7% over net sales.

In addition, several of the countries where Coca-Cola FEMSA operates impose the following excise or other taxes:

Mexico imposes an excise tax of Ps. 1.00 per liter on the production, sale and importation of beverages with added sugar and HFCS as of January 1, 2014. This tax is applied only to the first sale and Coca-Cola FEMSA is responsible for charging and collecting this excise tax.

Guatemala imposes an excise tax of 0.18 cents in local currency (Ps. 0.41 as of December 31, 2015) per liter of sparkling beverage.

Costa Rica imposes a specific tax on non-alcoholic bottled beverages based on the combination of packaging and flavor, currently assessed at 18.11 colones (Ps. 0.57 as of December 31, 2015) per 250 ml, and an excise tax currently assessed at 6.313 colones (approximately Ps. 0.20 as of December 31, 2015) per 250 ml.

Nicaragua imposes a 9% tax on consumption, and municipalities impose a 1% tax on our Nicaraguan gross income.

Panama imposes a 5% tax based on the cost of goods produced and a 10% selective consumption tax on syrups, powders and concentrates.

Argentina imposes an excise tax of 8.7% on sparkling beverages containing less than 5% lemon juice or less than 10% fruit juice, and an excise tax of 4.2% on sparkling water and flavored sparkling beverages with 10% or more fruit juice, although this excise tax is not applicable to some of Coca-Cola FEMSA s products.

Brazil assesses an average production tax of approximately 4.2% and an average sales tax of approximately 10.2% over net sales. Until April 30, 2015, these taxes were fixed by the federal government based on national average retail prices obtained through surveys. The national average retail price of each product and presentation was multiplied by a fixed rate combined with specific multipliers for each presentation, to obtain a fixed tax per liter, per product and presentation. These taxes were applied only to the first sale and Coca-Cola FEMSA was responsible for charging and collecting these taxes from each of its retailers. Beginning on May 1, 2015, these federal taxes were applied based on the price sold, as detailed in Coca-Cola FEMSA s invoices, instead of an average retail price combined with a fixed tax rate and multiplier per presentation. Except for sales to wholesalers, these production and sales taxes apply only to the first sale and Coca-Cola FEMSA is responsible for charging and collecting these taxes from each of its retailers. For sales to wholesalers, they are entitled to recover the sales tax and charge this tax again upon the resale of Coca-Cola FEMSA s products to retailers.

Colombia s municipalities impose a sales tax that varies between 0.35% and 1.2% of net sales.

Venezuela s municipalities impose a variable excise tax applied only to the first sale that varies between 0.6% and 2.5% of net sales.

Price Controls

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries where Coca-Cola FEMSA operates. Currently, there are no price controls on Coca-Cola FEMSA s products in any of the territories where it has operations, except for those in Argentina, where authorities directly supervise five products sold through supermarkets as a measure to control inflation, and Venezuela, where the government has imposed price controls on certain products, including bottled water. In addition, in January 2014, the Venezuelan government passed the *Ley Orgánica de Precios Justos* (Fair Prices Law), which was amended in November 2014 and once again in November 2015, mainly to increase applicable fines and penalties. The purpose of this law is to establish regulations and administrative proceedings to impose a limit on profits earned on the sale of goods, including Coca-Cola FEMSA s products, seeking to maintain price stability of, and equal access to, goods and services. A ruling derived from this law imposes an obligation to manufacturing companies to label products with the fair or maximum sales price for each product. This law also creates the National Office of Costs and Prices, whose main role is to oversee price controls and set maximum retail prices on certain consumer goods and services. We cannot assure you that Coca-Cola FEMSA will be in compliance at all times with these laws based on changes, market dynamics in these two countries and the lack of clarity of certain basic aspects of the applicable law in Venezuela. Any such changes and potential violations may have an adverse impact on Coca-Cola FEMSA. **See Risk Factors Risks Related to Our Company Coca-Cola FEMSA -** ***Regulatory developments may adversely affect Coca-Cola FEMSA s business*****.**

Environmental Matters

In all of our territories, our operations are subject to federal and state laws and regulations relating to the protection of the environment.

Mexico

The Mexican federal authority in charge of overseeing compliance with the federal environmental laws is the *Secretaría del Medio Ambiente y Recursos Naturales* or Secretary of Environment and Natural Resources, which we refer to as SEMARNAT . An agency of SEMARNAT, the *Procuraduría Federal de Protección al Ambiente* or Federal Environmental Protection Agency, which we refer to as PROFEPA , has the authority to enforce the Mexican federal environmental laws. As part of its enforcement powers, PROFEPA can bring administrative, civil and criminal proceedings against companies and individuals that violate environmental laws, regulations and Mexican Official Standards and has the authority to impose a variety of sanctions. These sanctions may include, among other things, monetary fines, revocation of authorizations, concessions, licenses, permits or registrations, administrative arrests, seizure of contaminating equipment, and in certain cases, temporary or permanent closure of facilities. Additionally, as part of its inspection authority, PROFEPA is entitled to periodically inspect the facilities of companies whose activities are regulated by the Mexican environmental legislation and verify compliance therewith. Furthermore, in special situations or certain areas where federal jurisdiction is not applicable or appropriate, the state and municipal authorities can administer and enforce certain environmental regulations of their respective jurisdictions.

In Mexico, the principal legislation relating to environmental matters is the *Ley General de Equilibrio Ecológico y Protección al Ambiente* (Federal General Law for Ecological Equilibrium and Environmental Protection, or the Mexican Environmental Law) and the *Ley General para la Prevención y Gestión Integral de los Residuos* (General Law for the Prevention and Integral Management of Waste). Under the Mexican Environmental Law, rules have been promulgated concerning water and hazardous substances. In particular, Mexican environmental laws and regulations require that we file periodic reports with respect to air and water emissions and hazardous wastes and set forth standards for waste water discharge that apply to our operations. We are also subject to certain minimal restrictions on the operation of delivery trucks in Mexico City. We have implemented several programs designed to facilitate compliance with air, waste, noise and energy standards established by current Mexican federal and state environmental laws, including a program that installs catalytic converters and liquid petroleum gas in delivery trucks for our operations in Mexico City.

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In March 2015, the *Ley General de Cambio Climático* (General Law of Climate Change), its regulation and certain decrees related to such law became effective, imposing upon different industries (including the food and beverage industry) the obligation to report direct or indirect gas emissions exceeding 25,000 tons of carbon dioxide. Currently Coca-Cola FEMSA is not required to report these emissions, since it does not exceed this threshold. We cannot assure you that we will not be required to comply with this reporting requirement in the future.

In Coca-Cola FEMSA s Mexican operations, Coca-Cola FEMSA established a partnership with The Coca-Cola Company and ALPLA, a supplier of plastic bottles to Coca-Cola FEMSA in Mexico, to create *Industria Mexicana de Reciclaje* (IMER), a PET recycling facility located in Toluca, Mexico. This facility started operations in 2005 and has a recycling capacity of approximately 25,000 metric tons per year from which 15,000 metric tons can be re-used in PET bottles for food packaging purposes. Coca-Cola FEMSA has also continued contributing funds to ECOCE, A.C., a nationwide collector of containers and packaging materials. In addition, Coca-Cola FEMSA s plants located in Toluca, Reyes, Cuautitlan, Apizaco, San Cristobal, Morelia, Ixtacomitan, Coatepec, Poza Rica, Ojuelos, Pacifico and Cuernavaca have received or are in the process of receiving a *Certificado de Industria Limpia* (Certificate of Clean Industry). In addition, seven of Coca-Cola FEMSA s distribution centers located in the State of Mexico, Mexico have received or are in the process of receiving a Certificate of Clean Industry.

Additionally, several of our subsidiaries have entered into long-term wind power purchase agreements with wind park developers in Mexico to receive electrical energy for use at production and distribution facilities of FEMSA and Coca-Cola FEMSA throughout Mexico, as well as for a significant number of OXXO stores.

Central America

Coca-Cola FEMSA s Central American operations are subject to several federal and state laws and regulations relating to the protection of the environment, which have been enacted in the last ten years, as awareness has increased in this region about the protection of the environment and the disposal of hazardous and toxic materials as well as water usage. Coca-Cola FEMSA s Costa Rica and Panama operations have participated in a joint effort along with the local division of The Coca-Cola Company called *Misión Planeta* (Mission Planet) for the collection and recycling of non-returnable plastic bottles.

Colombia

Coca-Cola FEMSA s Colombian operations are subject to several Colombian federal and state laws and regulations related to the protection of the environment and the disposal of treated water and toxic and hazardous materials. These laws include the control of atmospheric emissions, noise emissions, disposal of treated water and strict limitations on the use of chlorofluorocarbons. In addition, on February 6, 2012, Colombia promulgated Decree No. 303, which requires Coca-Cola FEMSA to apply for an authorization to discharge its water into public waterways. Coca-Cola FEMSA is engaged in nationwide reforestation programs, and campaigns for the collection and recycling of glass and plastic bottles, among other programs with positive environmental impacts. Coca-Cola FEMSA has also obtained and maintained the ISO 9001, ISO 14001, OHSAS 18001, FSSC 22000 and PAS 220 certifications for its plants located in Medellin, Cali, Bogota, Barranquilla, Bucaramanga and La Calera, as recognition for the highest quality and food harmlessness in its production processes, which is evidence of its strict level of compliance with relevant Colombian regulations. Coca-Cola FEMSA s six plants joined a small group of companies that have obtained these certifications. Coca-Cola FEMSA s new plant located in Tocancipa commenced operations in February 2015 and Coca-Cola FEMSA expects that it will obtain the Leadership in Energy and Environmental Design (LEED) certification in 2017.

Venezuela

Coca-Cola FEMSA s Venezuelan operations are subject to several Venezuelan federal, state and municipal laws and regulations related to the protection of the environment. The most relevant of these laws are the *Ley Orgánica del Ambiente* (Organic Environmental Law), the *Ley Sobre Sustancias, Materiales y Desechos Peligrosos* (Substance, Material and Dangerous Waste Law), the *Ley Penal del Ambiente* (Criminal Environmental Law) and the *Ley de Aguas* (Water Law). Since the enactment of the Organic Environmental Law in 1995, Coca-Cola FEMSA s Venezuelan subsidiary has presented the corresponding authorities with plans to bring their production facilities and distribution centers into compliance with applicable laws, which mainly consist of building or expanding the capacity of water treatment plants in Coca-Cola FEMSA s bottling facilities. Coca-Cola FEMSA currently has water treatment plants in its bottling facilities located in the city of Barcelona, Valencia and in its Antimano bottling plant in Caracas and Coca-Cola FEMSA is still under construction and expansion of its current water treatment plant in its bottling facility in Maracaibo.

Brazil

Coca-Cola FEMSA s Brazilian operations are subject to several federal, state and municipal laws and regulations related to the protection of the environment. Among the most relevant laws and regulations are those dealing with the emission of toxic and hazardous gases, disposal of wastewater and solid waste, and soil contamination by hazardous chemicals, which impose penalties, such as fines, facility closures or criminal charges depending upon the level of non-compliance.

Coca-Cola FEMSA s production plant located in Jundiai has been recognized by the Brazilian authorities for its compliance with environmental regulations and for having standards well above those imposed by the law. The plant of Jundiai has been certified for GAO-Q and GAO-E. In addition, the plants of Jundiai, Mogi das Cruzes, Campo Grande, Marilia, Maringa, Curitiba and Bauru have been certified for (i) ISO 9001: 2008; (ii) ISO 14001: 2004 and (iii) norm OHSAS 18001: 2007. In 2012, the Jundiai, Campo Grande, Bauru, Marilia, Curitiba, Maringa, Porto Real and Mogi das Cruzes plants were certified in standard FSSC22000.

In Brazil, a municipal regulation of the City of Sao Paulo, implemented pursuant to Law 13.316/2002, came into effect requiring us to collect for recycling a specified annual percentage of plastic bottles made from PET sold in the City of Sao Paulo. Beginning in May 2011, Coca-Cola FEMSA was required to collect for recycling 90% of PET bottles sold. Currently, Coca-Cola FEMSA is not able to collect the entire required volume of PET bottles Coca-Cola FEMSA sells in the City of Sao Paulo for recycling. Since Coca-Cola FEMSA does not meet the requirements of this regulation, which Coca-Cola FEMSA believes to be more onerous than those imposed by the countries with the highest recycling standards, Coca-Cola FEMSA could be fined and be subject to other sanctions, such as the suspension of operations in any of its plants and/or distribution centers located in the City of Sao Paulo. In May 2008, when the law came into effect, Coca-Cola FEMSA and other bottlers in the City of Sao Paulo, through the Brazilian Soft Drink and Non-Alcoholic Beverage Association, or ABIR (*Associação Brasileira das Indústrias de Refrigerantes e de Bebidas Não-alcoólicas*), filed a motion requesting a court to overturn this regulation due to the impossibility of compliance. In addition, in November 2009, in response to a municipal authority request for us to demonstrate the destination of the PET bottles sold in Sao Paulo, Coca-Cola FEMSA filed a motion presenting all of its recycling programs and requesting a more practical timeline to comply with the requirements of the law. In October 2010, the municipal authority of Sao Paulo levied a fine on its Brazilian operating subsidiary of 250,000 Brazilian reais (approximately Ps. 1.1 million as of December 31, 2015) on the grounds that the report submitted by its Brazilian operating subsidiary did not comply with the 75% proper disposal requirement for the period from May 2008 to May 2010. Coca-Cola FEMSA filed an appeal against this fine, which was denied by the municipal authority in May 2013. This resolution is final and non-appealable and, therefore, the administrative stage is closed. In July 2012, the State Appellate Court of Sao Paulo rendered a decision admitting an interlocutory appeal filed on behalf of ABIR suspending the fines and other sanctions to ABIR s associated companies, including its Brazilian subsidiary, for alleged noncompliance with the recycling municipal regulation up to the final resolution of the lawsuit. Coca-Cola FEMSA is still awaiting final resolution of the lawsuit filed on behalf of ABIR. Coca-Cola FEMSA cannot assure you that these measures will have the desired effect or that Coca-Cola FEMSA will prevail in its judicial challenge.

In August 2010, Law No. 12.305/2010 established the Brazilian National Solid Waste Policy. This policy is based on the principle of shared responsibility between the government, companies and the public, and provides for the post-consumption return of products to companies and requires public authorities to implement waste management programs. This law is regulated by Federal Decree No. 7.404/2010, and was published in December 2010. In response to the Brazilian National Solid Waste Policy, in December 2012, a proposal of agreement was provided to the Ministry of the Environment by almost 30 associations involved in the packaging sector, including ABIR in its capacity as representative for The Coca-Cola Company, Coca-Cola FEMSA s Brazilian subsidiary, and other bottlers. This agreement proposed the creation of a coalition to implement systems for reverse logistics packaging non-dangerous waste that makes up the dry portion of municipal solid waste or its equivalent. The goal of the proposal is to create methodologies for sustainable development, and protect the environment, society, and the economy. The Ministry of Environment approved and signed this agreement in November 2015.

Argentina

Coca-Cola FEMSA s Argentine operations are subject to federal and municipal laws and regulations relating to the protection of the environment. The most significant of these are regulations concerning waste water discharge, which are enforced by the *Secretaría de Ambiente y Desarrollo Sustentable* (Ministry of Natural Resources and Sustainable Development) and the *Organismo Provincial para el Desarrollo Sostenible* (Provincial Organization for Sustainable Development) for the province of Buenos Aires. Coca-Cola FEMSA s Alcorta plant is in compliance with environmental standards and Coca-Cola FEMSA has been certified for ISO 14001:2004 for its plants and operative units in Buenos Aires.

For all of Coca-Cola FEMSA s plant operations, it employs an environmental management system: *Sistema de Administración Ambiental* (Environmental Administration System, or EKOSYSTEM) that is contained within *Sistema Integral de Calidad* (Integral Quality System).

Coca-Cola FEMSA has expended, and may be required to expend in the future, funds for compliance with and remediation under local environmental laws and regulations. Currently, we do not believe that such costs will have a material adverse effect on Coca-Cola FEMSA s results or financial condition. However, since environmental laws and regulations and their enforcement are becoming increasingly more stringent in Coca-Cola FEMSA s territories, and there is increased recognition by local authorities of the need for higher environmental standards in the countries where it operates, changes in current regulations may result in an increase in costs, which may have an adverse effect on Coca-Cola FEMSA s future results or financial condition. Coca-Cola FEMSA is not aware of any significant pending regulatory changes that would require a significant amount of additional remedial capital expenditures.

We do not believe that Coca-Cola FEMSA s business activities pose a material risk to the environment, and we believe that Coca-Cola FEMSA is in material compliance with all applicable environmental laws and regulations.

Water Supply

In Mexico, Coca-Cola FEMSA obtains water directly from municipal utility companies and pumps water from wells pursuant to concessions obtained from the Mexican government on a plant-by-plant basis. Water use in Mexico is regulated primarily by the Ley de Aguas Nacionales de 1992 (as amended, the 1992 Water Law), and regulations issued thereunder, which created the Comisión Nacional del Agua (National Water Commission). The National Water Commission is in charge of overseeing the national system of water use. Under the 1992 Water Law, concessions for the use of a specific volume of ground or surface water generally run from five-to fifty-year terms, depending on the supply of groundwater in each region as projected by the National Water Commission. Concessionaires may request that concession terms be extended before they expire. The Mexican government is authorized to reduce the volume of ground or surface water granted for use by a concession by whatever volume of water that is not used by the concessionaire for two consecutive years. However, because the current concessions for each of Coca-Cola FEMSA s plants in Mexico do not match each plant s projected needs for water in future years, we successfully negotiated with the Mexican government the right to transfer the unused volume under concessions from certain plants to other plants anticipating greater water usage in the future. These concessions may be terminated if, among other things, we use more water than permitted or we fail to pay required concession-related fees and do not cure such situations in a timely manner. Although we have not undertaken independent studies to confirm the sufficiency of the existing groundwater supply, we believe that our existing concessions satisfy our current water requirements in Mexico.

In addition, the 1992 Water Law provides that plants located in Mexico that use deep water wells to supply their water requirements must pay a fee to the local governments for the discharge of residual waste water to drainage. Pursuant to this law, certain local authorities test the quality of the waste water discharge and charge plants an additional fee for measurements that exceed certain standards published by the National Water Commission. In the case of non-compliance with the law, penalties, including closures, may be imposed. All of Coca-Cola FEMSA s bottling plants located in Mexico meet these standards. In addition, Coca-Cola FEMSA s plants in Apizaco and San Cristóbal are certified with ISO 14001.

In Brazil, Coca-Cola FEMSA obtains water and mineral water from wells pursuant to concessions granted by the Brazilian government for each plant. According to the Brazilian Constitution, water is considered an asset of common use and can only be exploited for the national interest by Brazilians or companies formed under Brazilian law. Concessionaires and users have the responsibility for any damage to the environment. The exploitation and use of water is regulated by the *Código de Mineração* (Code of Mining, Decree Law No. 227/67), the *Código de Águas Minerais* (Mineral Water Code, Decree Law No. 7841/45), the National Water Resources Policy (Law No. 9433/97) and by regulations issued thereunder. The companies that exploit water are supervised by the *Departamento Nacional de Produção Mineiral DNPM* (National Department of Mineral Production) and the National Water Agency (Agência Nacional de Águas) in connection with federal health agencies, as well as state and municipal authorities. In Coca-Cola FEMSA s Jundiai, Marilia, Curitiba, Maringa, Porto Real and Itabirito plants, it does not exploit spring water. In its Mogi das Cruzes, Bauru and Campo Grande plants, it has all the necessary permits for the exploitation of spring water.

In Argentina, a state water company provides water to Coca-Cola FEMSA s Alcorta plant on a limited basis; however, we believe the authorized amount meets Coca-Cola FEMSA s requirements for this plant. In Coca-Cola FEMSA s Monte Grande plant in Argentina, it pumps water from wells, in accordance with Law 25.688.

In Colombia, in addition to natural spring water for Manantial, Coca-Cola FEMSA obtains water directly from wells and from utility companies. Coca-Cola FEMSA is required to have a specific concession to exploit water from natural sources. Water use in Colombia is regulated by Law No. 9 of 1979 and Decrees 2811 of 1974 and No. 3930 of 2010. In addition, Decree No. 303 requires Coca-Cola FEMSA to apply for water concessions and for authorization to discharge its water into public waterways. The Ministry of Environment and Sustainable Development and Regional Autonomous Corporations supervises companies that use water as a raw material for their business.

In Nicaragua, the use of water is regulated by the Ley General de Aguas Nacionales (National Water Law), and Coca-Cola FEMSA obtains water directly from wells. In Costa Rica, the use of water is regulated by the Ley de Aguas (Water Law). In both of these countries, Coca-Cola FEMSA exploits water from wells granted to it through governmental concessions. In Guatemala, no license or permits are required to exploit water from the private wells in Coca-Cola FEMSA s own plants. In Panama, Coca-Cola FEMSA acquires water from a state water company, and the use of water is regulated by the Reglamento de Uso de Aguas de Panamá (Panama Use of Water Regulation). In Venezuela, Coca-Cola FEMSA uses private wells in addition to water provided by the municipalities, and it has taken the appropriate actions, including actions to comply with water regulations, to have water supply available from these sources, regulated by the Ley de Aguas (Water Law).

In addition, 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.

We cannot assure you that water will be available in sufficient quantities to meet Coca-Cola FEMSA s future production needs, that it will be able to maintain its current concessions or that additional regulations relating to water use will not be adopted in the future in its territories. We believe that we are in material compliance with the terms of our existing water concessions and that we are in compliance with all relevant water regulations.

Other Regulations

In December 2009, the Venezuelan government issued a decree requiring a reduction in energy consumption by at least 20% for industrial companies whose consumption is greater than two megawatts per hour and to submit an energy-usage reduction plan. Some of Coca-Cola FEMSA s bottling operations in Venezuela outside of Caracas met this threshold and they submitted a plan, which included the purchase of generators for its plants. Since then, Coca-Cola FEMSA has installed electrical generators in its Antimano, Barcelona, Maracaibo and Valencia bottling facilities to mitigate any such risks and filed the respective energy usage reduction plans with the authorities. In addition, since January 2010, the Venezuelan government has implemented and continues to implement power cuts and other measures for all industries in Caracas whose consumption is above 35 kilowatts per hour.

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In August 2013, the current Mexican president, Enrique Peña Nieto, proposed a constitutional reform to provide for modernization and growth of the Mexican energy sector (the Mexican Energy Reform). Following intense review of and debate on the proposal, in December 2013 the Mexican government approved a decree containing amendments and additions to the Mexican Constitution in matters of energy. The Mexican Energy Reform provides for the opening of the Mexican energy market to the participation of private parties including companies with foreign investment, allowing for FEMSA Comercio to participate directly in the retail of fuel products. However, secondary legislation and regulation of the approved Mexican Energy Reform is in transition, and deregulation of fuel prices will be conducted gradually; starting January 1, 2015, until December 31, 2017, gasoline and diesel prices shall be established by the Mexican executive power by decree, taking into account transportation cost differences between regions and other factors, and starting January 1, 2018, retail prices for gasoline and diesel will be freely determined by market conditions.

In May 2014, the Mexican government approved a decree that established mandatory guidelines applicable to the entire national education system (from elementary school through college). According to the decree, the sale of specific sparkling beverages and still beverages that contain sugar or HFCS by schools is prohibited. Schools are still allowed to sell water and certain still beverages, such as juices and juice-based beverages, that comply with the guidelines established in such decree. We cannot assure you that the Mexican government will not further restrict sales of other of Coca-Cola FEMSA s products by such schools. These restrictions and any further restrictions could have an adverse impact on Coca-Cola FEMSA s results of operations.

In January 2012, the Costa Rican government approved a decree which regulates the sale of food and beverages in public schools. According to the decree, the sale of all sparkling beverages and certain still beverages that contain sugar, syrup or HFCS in any type of presentation in schools is prohibited. Coca-Cola FEMSA is still allowed to sell water and certain still beverages in schools. Although Coca-Cola FEMSA is in compliance with this law, we cannot assure you that the Costa Rican government will not further restrict sales of other of Coca-Cola FEMSA s products in schools in the future; these restrictions and any further restrictions could have an adverse impact on Coca-Cola FEMSA s results of operations.

In May 2012, the Venezuelan government adopted significant changes to labor regulations that had a negative impact on Coca-Cola FEMSA s business and operations. The principal changes that impacted Coca-Cola FEMSA s operations were and still are: (i) the requirement that employee terminations are now subject to governmental authorization; (ii) retroactive assessments for any modifications to Coca-Cola FEMSA s severance payment system; (iii) a reduction in the maximum daily and weekly working hours (from 44 to 40 weekly); (iv) an increase in mandatory weekly breaks, prohibiting a reduction in salaries as a result of such increase; and (v) the requirement that all third party contractors participating in the manufacturing and sales processes of Coca-Cola FEMSA s products be included in its payroll. Coca-Cola FEMSA is currently in compliance with these labor regulations.

In November 2014, the Venezuelan government amended the Foreign Investment Law. As part of the amendments made, the law now provides that at least 75% of the value of foreign investment must be composed of assets located in Venezuela, which may include equipment, supplies or other goods or tangible assets required at the early stages of operations. By the end of the first fiscal year after commencement of operations in Venezuela, investors will be authorized to repatriate up to 80% of the profits derived from their investment. Any profits not otherwise repatriated in a fiscal year, may be accumulated and be repatriated the following fiscal year, together with profits generated during such year. In the event of liquidation, a company may repatriate up to 85% of the value of the foreign investment. Currently, the scope of this law is not entirely clear with respect to the liquidation process.

In December 2015, the Venezuelan Ministry of Health issued a resolution which imposes an obligation to label certain products, including sparkling beverages and still beverages that contain sugar with health warnings. Recently, the Venezuelan Ministry of Health granted a nine-month extension for the enforcement of this resolution. We, together with other companies in the industry and the corresponding authorities, are currently discussing a new resolution with a different scope, which would amend or supersede the resolution issued in December 2015.

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In September 2012, the Brazilian government issued Law No. 12,619 (Law of Professional Drivers), which regulates the working hours of professional drivers who distribute Coca-Cola FEMSA s products from its plants to the distribution centers and to retailers and points of sale. Pursuant to this law, employers must keep a record of working hours, including overtime hours, of professional drivers in a reliable manner, such as electronic logbooks or worksheets. Coca-Cola FEMSA is currently in compliance with this law.

In June 2014, the Brazilian government issued Law No. 12,997 (Law of Motorcycle Drivers) which imposes a risk premium of 30% of the base salary payable to all employees who drive motorcycles in their job. This risk premium became enforceable in October 2014, when the related rules and regulations were issued by the Ministry of Labor and Employment. Coca-Cola FEMSA believes that these rules and regulations (Decree No, 1.565/2014) were unduly issued by such Ministry since it did not comply with all the essential requirements established in Decree No. 1.127/2003. In November 2014, Coca-Cola FEMSA, in conjunction with other bottlers of the Coca-Cola system in Brazil and through the ABIR, filed an action against the Ministry of Labor and Employment to suspend the effects of such decree. ABIR s associated companies, including Coca-Cola FEMSA s Brazilian subsidiary, were issued a preliminary injunction suspending the effects of the decree and exempting Coca-Cola FEMSA from paying the risk premium. The Ministry of Labor and Employment filed an interlocutory appeal against the preliminary injunction in order to restore the effects of Decree No. 1.565/2014, which was denied. Coca-Cola FEMSA is currently awaiting final resolution of the lawsuit filed on behalf of ABIR. In the meantime, the Ministry of Labor and Employment in December 2015 started a new discussion with that participation of all interested parties seeking to reissue Decree No. 1.565/2014, in order to comply with the essential requirements.

In January 2014, a new Anti-Corruption Law in Brazil came into effect, which regulates bribery, corruption practices and fraud in connection with agreements entered into with governmental agencies. The main purpose of this law is to impose liability on companies carrying out such practices, establishing fines that can reach up to 20% of a company s gross revenues in the previous fiscal year. Although Coca-Cola FEMSA believes it is in compliance with this law, if it was found liable for any of these practices, this law would have an adverse effect on Coca-Cola FEMSA s business.

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 its results and financial position during the periods discussed in this section:

- Coca-Cola FEMSA has continued to grow organic volumes at a steady but moderate pace, highlighting Mexico where operative results were strong. However, in the short term there is some pressure from macroeconomic uncertainty in certain South American markets, including currency volatility. Volume growth is mainly driven by the *Coca-Cola* brand across markets, together with the solid performance of Coca-Cola FEMSA s still beverage portfolio

- FEMSA Comercio Retail Division has maintained high rates of store openings across formats and continues to grow at solid rates in terms of total revenues. FEMSA Comercio Retail Division has lower operating margins than our beverage business. Given that FEMSA Comercio Retail Division has lower operating margins and given its fixed cost structure, it is more sensitive to changes in sales which could negatively affect operating margins. In addition, the integration of the new small-format retail businesses could also affect margins at the FEMSA Comercio Retail Division level, given that these businesses have lower margins than the OXXO stores.

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FEMSA Comercio Fuel Division has expanded its retail service stations since March 2015. Such division has the lowest operating margins in FEMSA Comercio business portfolio.

Our consolidated results of operations are also significantly affected by the performance of the Heineken Group, as a result of our 20% economic interest. Our consolidated net income for 2015 included Ps. 5,879 million related to our non-controlling interest in the Heineken Group, as compared to Ps. 5,244 million for 2014.

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.**

Recent Developments

Effective January 18, 2016, Miguel Eduardo Padilla Silva replaced Daniel Rodriguez Cofré as our Chief Financial and Corporate Officer, and Mr. Rodriguez Cofré replaced Mr. Padilla Silva as Chief Executive Officer of FEMSA Comercio.

In February 2016, the Venezuelan government announced a 37% devaluation of the official exchange rate and changed the existing three-tier exchange rate system into a dual system. The official exchange rate (6.30 bolivars per US$ 1.00 as of December 31, 2015) and the SICAD exchange rate (13.50 bolivars per US$ 1.00 as of December 31, 2015) were merged into a single official exchange rate of 10.00 bolivars per US$ 1.00. The decision was part of a package of economic policies intended to mitigate the economic crisis of the member countries of the Organization of the Petroleum Exporting Countries (OPEC).

In March 2016, the Venezuelan government announced that it was replacing the SIMADI exchange rate with a new market-based exchange rate known as *Divisas Complementarias*, or DICOM, and the official exchange rate with a preferential exchange rate denominated *Divisa Protegida*, or DIPRO. The DIPRO exchange rate is determined by the Venezuelan government and may be used to settle imports of a list of goods and raw materials, which has not been published as of the date of this annual report. The DICOM exchange rate is determined based on supply and demand of U.S. dollars. As of April 15, 2016, the DIPRO and DICOM exchange rates were 10 bolivars and 339.45 bolivars per U.S. dollar, respectively.

Coca-Cola FEMSA will closely monitor any further developments in Venezuela that may affect the exchange rates to translate the financial statements of its Venezuelan subsidiary in the future.

In March 2016, we issued EUR 1,000 million aggregate principal amount of 1.75% fixed rate Senior Notes due 2023 with a total yield of 1.824%.

Effects of Changes in Economic Conditions

Our results are affected by changes in economic conditions in Mexico, Brazil and in the other countries where we operate. For the years ended December 31, 2015, 2014, and 2013, 70%, 68% and 63%, respectively, of our total sales were attributable to Mexico. As a result, we have significant exposure to the economic conditions of certain countries, particularly those in Central America, Colombia, Venezuela, Brazil and Argentina, although we continue to generate a substantial portion of our total sales from Mexico. Other than Venezuela, the participation of these other countries as a percentage of our total sales has not changed significantly during the last five years.

The Mexican economy is gradually recovering from a downturn as a result of the impact of the global financial crisis on many emerging economies in 2009. According to the *Instituto Nacional de Estadística y Geografía* of Mexico (National Institute of Statistics and Geography, which we refer to as INEGI), Mexican GDP expanded by 2.5% in 2015 and by approximately 2.1% and 1.4% in 2014 and 2013, respectively. According to the *Banco Nacional de México* survey regarding the economic expectations of specialists, Mexican GDP is expected to increase by 2.40% in 2016, as of the latest estimate, published on April 1, 2016. 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 Mexico.

Our results are affected by the economic conditions in the countries where we conduct operations. Some of these economies continue to be heavily influenced by the U.S. economy, and therefore, deterioration in economic conditions in the U.S. economy may affect these economies. 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 our products, lower real pricing of our products or a shift to lower margin products. 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 2013 and through 2015, the exchange rate between the Mexican peso and the U.S. dollar fluctuated from a low of Ps. 12.77 per US$ 1.00, to a high of Ps. 17.36 per US$ 1.00. At December 31, 2015, the exchange rate (noon buying rate) was Ps. 17.1950 per US$ 1.00. On April 15, 2016, this exchange rate was Ps. 17.5580 per US$ 1.00. **See Item 3. Key Information Exchange Rate Information.** 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.

FEMSA Comercio s operations are characterized by low margin and relatively high fixed costs. These two characteristics make FEMSA Comercio a business with an operating margin that might be affected more easily by a change in sales levels.

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Critical Accounting Judgments and Estimates

In the application of our accounting policies, which are described in Note 2.3 to our audited consolidated financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

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

We assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, we estimate the asset s recoverable amount. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

Property, plant and equipment, including returnable bottles as they are expected to provide benefits over a period of more than one year, as well as intangible assets with defined useful lives, are depreciated/amortized over their estimated useful lives. We base our estimates on the experience of our technical personnel as well as based on our experience in the industry for similar assets, see Notes 3.12, 3.14, 11 and 12 to our audited consolidated financial statements.

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Post-employment and other long-term employee benefits

We regularly evaluate the reasonableness of the assumptions used in our post-employment and other long-term employee benefit computations. Information about such assumptions is described in Note 16 to our audited consolidated financial statements.

Income taxes

Deferred income tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. We regularly review our deferred tax assets for recoverability, and record a deferred tax asset based on our judgment regarding the probability of historical taxable income continuing in the future, projected future taxable income and the expected timing of the reversals of existing temporary differences, see Note 24 to our audited consolidated financial statements.

Tax, labor and legal contingencies and provisions

We are subject to various claims and contingencies, related to tax, labor and legal proceedings as described in Note 25 to our audited consolidated financial statements. 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, we accrue 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.

Valuation of financial instruments

We are required to measure all derivative financial instruments at fair value. The fair values of derivative financial instruments are determined considering quoted prices in recognized markets. If such instruments are not traded, fair value is determined by applying techniques based upon technical models supported by sufficient reliable and verifiable data, recognized in the financial sector. We base our forward price curves upon market price quotations. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments, see Note 20 to our audited consolidated financial statements.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by us, liabilities assumed by us to the former owners of the acquiree and the equity interests issued by us in exchange for control of the acquiree.

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

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, *Income Taxes* and IAS 19, *Employee Benefits,* respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or to our share-based payment arrangements entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, *Share-based Payment* at the acquisition date, see Note 3.24 to our audited consolidated financial statements; and

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

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

Investments in associates

If we hold, directly or indirectly, 20 percent or more of the voting power of the investee, it is presumed that we have significant influence, unless it can be clearly demonstrated that this is not the case. If we hold, directly or indirectly, less than 20 percent of the voting power of the investee, it is presumed that we do not have significant influence, unless such influence can be clearly demonstrated. Decisions regarding the propriety of utilizing the equity method of accounting for a less than 20 percent-owned corporate investee require a careful evaluation of voting rights and their impact on our ability to exercise significant influence. Management considers the existence of the following circumstances which may indicate that we are 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 us and the investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

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

In addition, we evaluate certain indicators that provide evidence of significant influence, such as:

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

Joint arrangements

An arrangement can be a joint arrangement even though not all of its parties have joint control of the arrangement. When we are

a party to an arrangement we shall assess whether the contractual arrangement gives all the parties or a group of the parties, control of the arrangement collectively; joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively. Management needs to apply judgment when assessing whether all the parties, or a group of the parties, have joint control of an arrangement. When assessing joint control, management considers the following facts and circumstances:

- Whether all the parties, or a group of the parties, control the arrangement, considering the definition of joint control, as described in note 3.11.2 to our audited consolidated financial statements; and

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

As mentioned in Note 10 to our audited consolidated financial statements, Coca-Cola FEMSA accounts for its 51% investment at CCFPI as a joint venture using the equity method based on the facts that (i) during a four-year period ending January 25, 2017, all decisions must be approved jointly with The Coca-Cola Company, (ii) following this four-year period, all decisions related to the annual normal operations plan and any other ordinary matters will be approved only by Coca-Cola FEMSA, and (iii) potential voting rights to acquire the remaining 49% of CCFPI are not likely to be executed in the foreseeable future due to the fact the call option was out of the money as of December 31, 2015 and 2014.

Venezuela exchange rates and consolidation

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

As is also explained in Note 3.3 to our audited consolidated financial statements, the Company believes that it currently controls its subsidiary operations in Venezuela but recognizes the challenging economic and political environment in Venezuela. Should the Company in the future conclude that it no longer controls such operations, its consolidated financial statements would change by material amounts.

Future Impact of Recently Issued Accounting Standards not yet in Effect

We have not applied the following new and revised IFRS and IAS that have been issued but were not yet effective up to the date of issuance of our consolidated financial statements. We intend to adopt these standards, if applicable, when they become effective:

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The transition to IFRS 9 differs by requirements and is partly retrospective and partly prospective. We have not early adopted this IFRS, and we have yet to complete our evaluation of whether it will have a material impact on our consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15, Revenue from Contracts with Customers, was originally issued in May 2014, and applies to annual reporting periods beginning on or after January 1, 2018, earlier application is permitted. Revenue is recognized as control is passed, either over time or at a point in time.

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The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. In applying the revenue model to contracts within its scope, an entity will: 1) identify the contract(s) with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations in the contract; and 5) recognize revenue when (or as) the entity satisfies a performance obligation. Also, an entity needs to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. We have yet to complete our evaluation of whether there will be a significant impact as a consequence of this standard s adoption; nonetheless most of our operations would recognize revenue at a single point in time, which is when we transfer goods or services to a customer. We do not expect a potential significant impact on our consolidated financial statements and we expect to complete our evaluation during 2017.

IFRS 16, Leases

IFRS 16 Leases was issued in January 2016 and supersedes IAS 17 Leases and related interpretations. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 Revenue from Contracts with Customers has also been applied.

Under IFRS 16 a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the life of the lease.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis). We have yet to complete our evaluation of whether we will have a potential impact as a consequence of this standard s adoption, although given the nature of the Company s operations, we will expect a significant impact on our consolidated financial statements.

Amendments to IAS 7, Disclosure Initiative

The amendments to IAS 7 Statement of Cash Flows require that the following changes in liabilities arising from financing activities are disclosed separately from changes in other assets and liabilities: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfill the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. The new disclosure requirements also relate to changes in financial assets if they meet the same definition. These amendments are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted, and entities need not provide comparative information when they first apply them. We are in the process of assessing the potential impacts from the adoption of these amendments in our financial statements.

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Operating Results

The following table sets forth our consolidated income statement under IFRS for the years ended December 31, 2015, 2014, and 2013:

	Year Ended December 31,			
	2015(1)	2015	2014	2013
	(in millions of U.S. dollars and Mexican pesos)			
Net sales	$ 18,078	Ps. 310,849	Ps. 262,779	Ps. 256,804
Other operating revenues	43	740	670	1,293
Total revenues.	18,121	311,589	263,449	258,097
Cost of goods sold	10,957	188,410	153,278	148,443
Gross profit	7,164	123,179	110,171	109,654
Administrative expenses	681	11,705	10,244	9,963
Selling expenses	4,442	76,375	69,016	69,574
Other income	24	423	1,098	651
Other expenses	(159)	(2,741)	(1,277)	(1,439)
Interest expense	(452)	(7,777)	(6,701)	(4,331)
Interest income	59	1,024	862	1,225
Foreign exchange loss, net	(69)	(1,193)	(903)	(724)
Monetary position loss, net	(2)	(36)	(319)	(427)
Market value gain on financial instruments	21	364	73	8
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method	1,463	25,163	23,744	25,080
Income taxes	461	7,932	6,253	7,756
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	352	6,045	5,139	4,831
Consolidated net income	$ 1,354	Ps. 23,276	Ps. 22,630	Ps. 22,155
Controlling interest net income	1,029	17,683	16,701	15,922
Non-controlling interest net income	325	5,593	5,929	6,233
Consolidated net income	$ 1,354	Ps. 23,276	Ps. 22,630	Ps. 22,155

(1) Translation to U.S. dollar amounts at an exchange rate of Ps. 17.19 to US$ 1.00, provided solely for the convenience of the reader.

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The following table sets forth certain operating results by reportable segment under IFRS for each of our segments for the years ended December 31, 2015, 2014 and 2013.

		Year Ended December 31,				
		2015	2014	2013	2015 vs. 2014	2014 vs. 2013
		(in millions of Mexican pesos, except margins			Percentage Growth (Decrease)	
Net sales						
Coca-Cola FEMSA		Ps. 151,914	Ps. 146,948	Ps. 155,175	3.4%	(5.3%)
FEMSA Comercio	Retail Division	132,891	109,624	97,572	21.2%	12.4%
FEMSA Comercio	Fuel Division	18,510				
Total revenues						
Coca-Cola FEMSA		152,360	147,298	156,011	3.4%	(5.6%)
FEMSA Comercio	Retail Division	132,891	109,624	97,572	21.2%	12.4%
FEMSA Comercio	Fuel Division	18,510				
Cost of goods sold						
Coca-Cola FEMSA		80,330	78,916	83,076	1.8%	(5.0%)
FEMSA Comercio	Retail Division	85,600	70,238	62,986	21.9%	11.5%
FEMSA Comercio	Fuel Division	17,090				
Gross profit						
Coca-Cola FEMSA		72,030	68,382	72,935	5.3%	(6.2%)
FEMSA Comercio	Retail Division	47,291	39,386	34,586	20.1%	13.9%
FEMSA Comercio	Fuel Division	1,420				
Administrative expenses						
Coca-Cola FEMSA		6,405	6,385	6,487	0.3%	(1.6%)
FEMSA Comercio	Retail Division	2,868	2,042	1,883	40.5%	8.4%
FEMSA Comercio	Fuel Division	88				
Selling expenses						
Coca-Cola FEMSA		41,879	40,465	44,828	3.5%	(9.7%)
FEMSA Comercio	Retail Division	33,305	28,492	24,707	16.9%	15.3%
FEMSA Comercio	Fuel Division	1,124				
Depreciation						
Coca-Cola FEMSA		6,310	6,072	6,371	3.9%	(4.7%)
FEMSA Comercio	Retail Division	3,182	2,779	2,328	14.5%	19.4%
FEMSA Comercio	Fuel Division	56				
Gross margin(1)(2)						
Coca-Cola FEMSA		47.3%	46.4%	46.7%	0.9p.p.	(0.3p.p.)
FEMSA Comercio	Retail Division	35.6%	35.9%	35.4%	(0.3)p.p.	0.5p.p.
FEMSA Comercio	Fuel Division	7.7%				
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes						
Coca-Cola FEMSA		155	(125)	289	224%(5)	(143.3%)(4)
FEMSA Comercio	Retail Division	(10)	37	11	(127%)(6)	236.4%
FEMSA Comercio	Fuel Division					
CB Equity(3)		5,879	5,244	4,587	12.1%	14.3%

(1) Gross margin is calculated with reference to 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) CB Equity holds Heineken N.V. and Heineken Holding N.V. shares.

(4) Reflects the percentage decrease between the gain of Ps. 289 million recorded in 2013 and the loss of Ps. 125 million recorded in 2014.

(5) Reflects the percentage increase between the loss of Ps. 125 million recorded in 2014 and the gain of Ps. 155 million recorded in 2015.

(6) Reflects the percentage decrease between the gain of Ps. 37 million recorded in 2014 and the loss of Ps. 10 million recorded in 2015.

Results from our Operations for the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

FEMSA Consolidated

FEMSA s consolidated total revenues increased 18.3% to Ps. 311,589 million in 2015 compared to Ps. 263,449 million in 2014. Coca-Cola FEMSA s total revenues increased 3.4% to Ps. 152,360 million, driven by the local currency average price per unit case growth in all of their operations and volume growth in Mexico, Central America, Colombia and Argentina. FEMSA Comercio Retail Division s revenues increased 21.2% to Ps. 132,891 million, driven by the integration of Socofar and the opening of 1,208 net new OXXO stores combined with an average increase of 6.9% in same-store sales. FEMSA Comercio Fuel Division s revenues amounted Ps. 18,510 million in 2015.

Consolidated gross profit increased 11.8% to Ps. 123,179 million in 2015 compared to Ps. 110,171 million in 2014. Gross margin decreased 230 basis points to 39.5% of consolidated total revenues compared to 2014, reflecting the creation of FEMSA Comercio Fuel Division, which has a lower margin than the rest of FEMSA s business units, and a margin contraction at FEMSA Comercio Retail Division driven by the integration of Socofar.

Consolidated administrative expenses increased 14.3% to Ps. 11,705 million in 2015 compared to Ps. 10,244 million in 2014, driven by higher expenses related to the integration of Socofar into FEMSA Comercio Retail Division. As a percentage of total revenues, consolidated administrative expenses decreased 10 basis points, from 3.9% in 2014 to 3.8% in 2015.

Consolidated selling expenses increased 10.7% to Ps. 76,375 million in 2015 as compared to Ps. 69,016 million in 2014, mainly driven by incremental expenses at FEMSA Comercio Retail Division, in particular the integration of Socofar into FEMSA Comercio Retail Division s business. As a percentage of total revenues, selling expenses decreased 160 basis points, from 26.1% in 2014 to 24.5% in 2015.

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 includes gains on sales of property, plant and equipment. During 2015, other income decreased to Ps. 682 million from Ps. 1,098 million in 2014, reflecting a difficult comparable base in 2014, when we registered the write-off of certain contingencies.

Other expenses mainly include disposal and impairment of long-lived assets, contingencies, as well as their subsequent interest and penalties, severance payments derived from restructuring programs and donations. During 2015, other expenses increased to Ps. 2,741 million from Ps. 1,277 million in 2014 driven by operative currency fluctuation effects at Coca-Cola FEMSA and, to a lesser extent, by incremental disposals of certain fixed assets at FEMSA Comercio Retail Division.

Net financing expenses increased to Ps. 7,618 million from Ps. 6,988 million in 2014, driven by an interest expense of Ps. 7,777 million in 2015 compared to Ps. 6,701 million in 2014, resulting mainly from higher interest expenses at Coca-Cola FEMSA Brazil following the reset of terms of certain cross-currency swaps related to the acquisitions of Spaipa and Companhia Fluminense in 2013.

Our accounting provision for income taxes in 2015 was Ps. 7,932 million, as compared to Ps. 6,253 million in 2014, resulting in an effective tax rate of 31.5% in 2015, as compared to 26.3% in 2014, in line with our expected medium-term range of low 30 s. The lower effective tax rate registered during 2014 is mainly related to a one-time benefit resulting from the settlement of certain contingent tax liabilities under the tax amnesty program offered by the Brazilian tax authorities, which was registered during 2014.

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Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes, increased 17.6% to Ps. 6,045 million in 2015 compared with Ps. 5,139 million in 2014, mainly driven by an increase in FEMSA s 20% participation in Heineken s results.

Consolidated net income was Ps. 23,276 million in 2015 compared to Ps. 22,630 million in 2014, mainly as a result of growth in FEMSA s income before income taxes combined with an increase in FEMSA s 20% participation in Heineken s results, which more than compensated for higher interest expenses. Controlling interest amounted to Ps. 17,683 million in 2015 compared to Ps. 16,701 million in 2014. Controlling interest in 2015 per FEMSA BD Unit was Ps. 4.94 (US$ 2.87 per ADS).

Coca-Cola FEMSA

The comparability of Coca-Cola FEMSA s underlying financial and operating performance in 2015 as compared to 2014 was affected by the following factors: (1) translation effects from fluctuations in exchange rates and (2) results of operations in territories that are considered hyperinflationary economies (currently, the only operation that is considered a hyperinflationary economy is Venezuela). To translate the full-year 2015 reported results of Venezuela, we used the SIMADI exchange rate of 198.70 bolivars per US$ 1.00, as compared to 49.99 bolivars per US$ 1.00 used to translate our 2014 reported results. In addition, the average depreciations to the U.S. dollar of currencies used in Coca-Cola FEMSA s main operations during 2015, as compared to 2014, were: 41.6% for the Brazilian real, 37% for the Colombian peso, 19.2% for the Mexican peso and 14.1% for the Argentine peso.

Coca-Cola FEMSA s reported consolidated total revenues increased 3.4% to Ps. 152,360 million in 2015 despite the negative translation effect resulting from using the SIMADI exchange rate to translate the results of Coca-Cola FEMSA s Venezuelan operations and the depreciation of the Brazilian real, the Colombian peso, the Mexican peso and the Argentine peso. Excluding the effect of currency fluctuations and the results of Coca-Cola FEMSA s Venezuelan operations, total revenues would have grown 8.6%, driven by the growth of the average price per unit case in all of Coca-Cola FEMSA s operations and volume growth in Mexico, Central America, Colombia and Argentina.

Total reported sales volume increased 0.5% to 3,435.6 million unit cases in 2015, as compared to 2014. Excluding the results of Coca-Cola FEMSA s Venezuelan operations, total volume would have grown 0.7% in 2015, as compared to 2014. Coca-Cola FEMSA s sparkling beverage portfolio grew 0.5% as compared to 2014. Excluding the effect of Coca-Cola FEMSA s Venezuelan operations, the sparkling beverage portfolio would have grown 0.7% as a result of positive performance of the *Coca-Cola* brand in Mexico, Colombia and Central America, and Coca-Cola FEMSA s flavored sparkling beverage portfolio in Mexico, Colombia, Argentina and Central America. The still beverage category grew 4.9% as compared to 2014. Excluding the effects of Coca-Cola FEMSA s Venezuelan operations, the still beverage category would have grown 6.5% driven by the positive performance of *Jugos del Valle* juice in Colombia, Mexico and Central America; *ValleFrut* orangeade in Mexico and Brazil; the *Powerade* brand across most of Coca-Cola FEMSA s territories and the Santa Clara dairy business in Mexico. Bottled water, excluding bulk water, grew 2.3% as compared to 2014. Excluding the effects of Coca-Cola FEMSA s Venezuelan operations, bottled water, excluding bulk water, would have grown 1.8%, driven by growth in Colombia, Argentina, Brazil and Central America. Bulk water decreased 2.8%, as compared to 2014, mainly driven by a contraction of the *Ciel* brand in Mexico.

Consolidated reported average price per unit case grew 3.5% reaching Ps. 42.34 in 2015, as compared to Ps. 40.92 in 2014, despite the negative translation effect resulting from using the SIMADI exchange rate to translate the results of Coca-Cola FEMSA s Venezuelan operations and the depreciation of the Brazilian real, the Colombian peso and the Argentine peso. Excluding the effect of currency fluctuations and Coca-Cola FEMSA s Venezuelan operations, average price per unit case would have grown 8.8% in 2015, driven by average price per unit case increases in local currency in each of Coca-Cola FEMSA s operations.

Coca-Cola FEMSA s reported gross profit increased 5.3% to Ps. 72,030 million in 2015 with a gross margin expansion of 90 basis points. Excluding the effect of currency fluctuations and Coca-Cola FEMSA s Venezuelan operations, gross profit would have grown 10.3%, with a gross margin expansion of 70 basis points. In local currency, the benefit of lower sweetener and PET prices, in combination with Coca-Cola FEMSA s currency hedging strategy, was partially offset by the depreciation of the average exchange rate of the Brazilian real, the Colombian peso, the Mexican peso and the Argentine peso as applied to U.S. dollar-denominated raw material costs.

For Coca-Cola FEMSA, 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 at Coca-Cola FEMSA s production facilities and certain overhead costs. Concentrate prices are determined as a percentage of the retail price of Coca-Cola FEMSA s products in the local currency, net of applicable taxes. Packaging materials, mainly PET and aluminum, and HFCS, used as a sweetener in some countries, are denominated in U.S. dollars.

Reported administrative and selling expenses as a percentage of total revenues decreased 10 basis points to 31.7% in 2015 as compared to 2014. Reported administrative and selling expenses in absolute terms increased 3.1% as compared to 2014. Excluding the effect of currency fluctuations and the results of Coca-Cola FEMSA s Venezuelan operations, administrative and selling expenses as a percentage of total revenues would have remained flat and absolute administrative and selling expenses would have grown 8.7% as compared to 2014. In local currency, operating expenses as a percentage of revenues decreased in Mexico, Venezuela and Argentina. In 2015, we continued investing across Coca-Cola FEMSA s territories to support marketplace execution, increase cooler coverage and bolster returnable presentation base.

In 2015, Coca-Cola FEMSA recorded a net expense in other operating expenses of Ps. 1,748 million, mainly due to certain restructuring charges and the negative operating currency fluctuation effects across Coca-Cola FEMSA s territories.

As used by Coca-Cola FEMSA, 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. 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 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 or the beginning of the period, whichever occurs first, and the date it is repaid or the end of the period, whichever occurs first, 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.

Reported comprehensive financing result in 2015 recorded an expense of Ps. 7,273 million as compared to an expense of Ps. 6,422 million in 2014. This increase was mainly driven by a foreign exchange loss as a result of the depreciation of the end-of-period exchange rate of the Mexican peso during the year, as applied to Coca-Cola FEMSA s U.S. dollar-denominated net debt position.

During 2015, reported income tax, as a percentage of income before taxes, was 30.6% as compared to 26% in 2014. The lower effective tax rate registered during 2014 is mainly related to a one-time benefit resulting from the settlement of certain contingent tax liabilities under the tax amnesty program offered by the Brazilian tax authorities, which was not repeated in 2015.

Coca-Cola FEMSA s reported consolidated net controlling interest income reached Ps. 10,235 million in 2015 as compared to Ps. 10,542 million in 2014. Earnings per share in 2015 were Ps. 4.94 (Ps. 49.37 per ADS) computed on the basis of 2,072.9 million shares outstanding (each ADS represents 10 Series L shares).

In 2015, Coca-Cola FEMSA reported a gain of Ps. 155 million in the share of the profits of associates and joint ventures line, mainly due to an equity-method gain from Coca-Cola FEMSA s participation in associated companies and in CCFPI.

FEMSA Comercio Retail Division

FEMSA Comercio Retail Division total revenues increased 21.2% to Ps. 132,891 million in 2015 compared to Ps. 109,624 million in 2014, primarily as a result of the opening of 1,208 net new OXXO stores during 2015, together with an average increase in same-store sales of 6.9%, as well as the additional revenues from the acquisitions of Socofar and Farmacias Farmacon drugstores in Chile and Mexico, respectively. As of December 31, 2015, there were a total of 14,061 OXXO stores. As referenced above, FEMSA Comercio Retail Division s same-store sales increased an average of 6.9% compared to 2014, driven by a 5.1% increase in average customer ticket while store traffic increased 1.7%.

Cost of goods sold increased 21.9% to Ps. 85,600 million in 2015, compared with Ps. 70,238 million in 2014. Gross margin contracted 30 basis points to reach 35.6% of total revenues. This decrease was mainly driven by the integration of the Farmacias Farmacon and Socofar drugstores, both of which have lower gross margins than the OXXO operations.

Administrative expenses increased 40.5% to Ps. 2,868 million in 2015, compared with Ps. 2,042 million in 2014, reaching 2.2% of sales. Selling expenses increased 16.9% to Ps. 33,305 million in 2015 compared with Ps. 28,492 million in 2014. The increase in operating expenses was driven by (i) expenses related to the incorporation of the Socofar and Farmacias Farmacon drugstore operations, (ii) the strong organic growth in new stores across formats and (iii) the strengthening of FEMSA Comercio s business and organizational structure in preparation for the growth of new operations, particularly drugstores.

FEMSA Comercio Fuel Division

The operations that comprise the FEMSA Comercio Fuel Division were integrated in 2015. As such, no results of operation are available for this segment for periods prior to 2015.

FEMSA Comercio Fuel Division total revenues amounted to Ps. 18,510 million in 2015. Cost of goods sold reached Ps. 17,090 million in 2015 and administrative expenses amounted to Ps. 88 million in 2015. Selling expenses reached Ps. 1,124 million in 2015.

Results from our Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

FEMSA Consolidated

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

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

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

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

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

Other income mainly includes gains on sales of shares and long-lived assets and the write-off of certain contingencies. During 2014, other income increased to Ps. 1,098 million from Ps. 651 million in 2013, primarily driven by the write-off of certain contingencies.

Other expenses mainly include disposal and impairment of long-lived assets, contingencies, as well as their subsequent interest and penalties, severance payments derived from restructuring programs and donations. During 2014, other expenses decreased to Ps. 1,277 million from Ps. 1,439 million in 2013.

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

Our accounting provision for income taxes in 2014 was Ps. 6,253 million, as compared to Ps. 7,756 million in 2013, resulting in an effective tax rate of 26.3% in 2014, as compared to 30.9% in 2013, mainly driven by a lower effective tax rate registered during 2014 in Coca-Cola FEMSA.

Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes, increased 6.4% to Ps. 5,139 million in 2014 compared with Ps. 4,831 million in 2013, mainly driven by an increase in FEMSA s participation in Heineken results.

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

Coca-Cola FEMSA

Coca-Cola FEMSA s reported consolidated total revenues decreased 5.6% to Ps. 147,298 million in 2014, as compared to 2013, mainly due to the negative translation effect resulting from the use of the SICAD II exchange rate to translate the results of its Venezuelan operations to Mexican pesos. Excluding the non-comparable effects of Companhia Fluminense and Spaipa in Brazil and Grupo Yoli in Mexico, total revenues were Ps. 134,088 in 2014, a decrease of 14.1% with respect to 2013. On a currency neutral basis and excluding the non-comparable effects of Companhia Fluminense, Spaipa and Grupo Yoli, total revenues grew 24.7%, driven by average price per unit case increases in most of our territories, and volume growth in Brazil, Colombia, Venezuela and Central America.

Total sales volume increased 6.6% to 3,417.3 million unit cases in 2014, as compared to 2013. Excluding the integration of Grupo Yoli in Mexico and Companhia Fluminense and Spaipa in Brazil, volumes declined 0.7% to 3,182.8 million unit cases in 2014. This decrease was mainly due to a volume decline in Coca-Cola FEMSA s Mexican operation as a result of price increases implemented to offset the effect of the recently imposed excise tax on sweetened beverages. On the same basis, Coca-Cola FEMSA s bottled water portfolio grew 5%, mainly driven by the performance of the *Crystal* brand in Brazil, the *Aquarius* and *Bonaqua* brands in Argentina, the *Nevada* brand in Venezuela and the *Manantial* brand in Colombia. The still beverage category grew 1.9%, mainly driven by the performance of the *Jugos del Valle* line of business in Colombia, Venezuela and Brazil, and the *Powerade* brand across most of Coca-Cola FEMSA s territories. These increases partially compensated for the performance of Coca-Cola FEMSA s sparkling beverage category which declined 0.9% driven by the volume decline in Coca-Cola FEMSA s Mexican operations and a 3.5% volume decline in its bulk water business.

Consolidated average price per unit case decreased 13.2%, reaching Ps. 40.92 in 2014, as compared to Ps. 47.15 in 2013. This decline was driven by the negative translation effect in the results of Coca-Cola FEMSA s Venezuelan operations discussed above. In local currency, average price per unit case increased in all of Coca-Cola FEMSA s territories, except for Colombia.

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Gross profit decreased 6.2% to Ps. 68,382 million in 2014, as compared to 2013, mainly due to the negative translation effect in the results of Coca-Cola FEMSA s Venezuelan operations discussed above. In local currency, lower sweetener and PET prices in most of Coca-Cola FEMSA s operations were offset by the depreciation of the average exchange rate of the Argentine peso, the Brazilian real, the Colombian peso and the Mexican peso as applied to Coca-Cola FEMSA s U.S. dollar-denominated raw material costs. Reported gross margin reached 46.4% in 2014.

For Coca-Cola FEMSA, 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 employment costs associated with the 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 and aluminum, and HFCS, used as a sweetener in some countries, are denominated in U.S. dollars.

Administrative and selling expenses as a percentage of total revenues decreased 110 basis points to 31.8% in 2014 as compared to 2013. Administrative and selling expenses in absolute terms decreased 8.7% mainly as a result of the lower contribution of Coca-Cola FEMSA s Venezuelan operations driven by the negative translation effect discussed above. In local currency, operating expenses decreased as a percentage of revenues in most of Coca-Cola FEMSA s territories, despite the continued marketing investments to support Coca-Cola FEMSA s marketplace execution and bolster its returnable packaging base across its operations, higher labor costs in Venezuela and Argentina, and higher freight costs in Brazil and Venezuela.

In 2014, Coca-Cola FEMSA s other operating expenses totaled Ps.548 million. These expenses were mainly driven by (i) an operating currency fluctuation effect in Venezuela recorded during the second quarter of 2014, (ii) an operating currency fluctuation effect across Coca-Cola FEMSA s territories in the fourth quarter of 2014, (iii) restructuring charges mainly in Coca-Cola FEMSA s Mexican operations and (iv) a loss on the sale of certain fixed assets.

As used by Coca-Cola FEMSA, 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 monetary position from the hyperinflationary countries where Coca-Cola FEMSA operates. 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 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 or the beginning of the period, whichever comes first, and the date it is repaid or the end of the period, whichever comes first, 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.

Coca-Cola FEMSA s comprehensive financing result in 2014 recorded an expense of Ps. 6,422 million as compared to an expense of Ps. 3,773 million in 2013. This increase was mainly driven by higher interest expense due to a larger debt position and a foreign exchange loss mainly as a result of the depreciation of the end-of-period exchange rate of the Mexican peso during the year as applied to a higher U.S. dollar-denominated net debt position.

Coca-Cola FEMSA s income taxes decreased to Ps.3,861 million, from Ps.5,731 million in 2013. In 2014, income taxes, as a percentage of income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method, were 25.8% as compared to 33.3% in 2013. The lower effective tax rate registered during 2014 was mainly driven by (i) a smaller contribution from Coca-Cola FEMSA s Venezuelan subsidiary (resulting from the use of the SICAD II rate for translation purposes) which carries a higher effective tax rate, (ii) the inflationary tax effects in Venezuela, and (iii) a one-time benefit related to the settlement of certain contingent tax liabilities under the tax amnesty program offered by the Brazilian tax authorities, which was registered during the third quarter of 2014.

In 2014, Coca-Cola FEMSA reported a loss of Ps.125 million in share of the profit of associates and joint ventures accounted for using the equity method, net of taxes, mainly due to an equity method loss of CCFPI, which was partially compensated by an equity method gain from Coca-Cola FEMSA s non-carbonated joint ventures in Mexico and Brazil.

In January, 2013, as part of Coca-Cola FEMSA s efforts to expand its geographic reach, it acquired a 51% non-controlling majority stake in CCFPI from The Coca-Cola Company. In 2014, Coca-Cola FEMSA recognized an equity loss of Ps.334 million regarding its economic interest in CCFPI. In 2014, Coca-Cola FEMSA reported its equity method investment in CCFPI as a separate reporting segment. For further information see Notes 10 and 26 to our consolidated financial statements.

Coca-Cola FEMSA s consolidated net controlling interest income decreased 8.7% to Ps. 10,542 million in 2014 as compared to 2013, mainly as a result of the lower contribution of its Venezuelan operations driven by the negative translation effect discussed above. Earnings per share in 2014 were Ps.5.09 (Ps. 50.86 per ADS) computed on the basis of 2,072.9 million outstanding shares (each ADS represents 10 Series L shares) as of December 31, 2015.

FEMSA Comercio

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

Cost of goods sold increased 11.5% to Ps. 70,238 million in 2014, below total revenue growth, compared with Ps. 62,986 million in 2013. Gross margin expanded 50 basis points to reach 35.9% of total revenues. This increase reflects a more effective collaboration and execution with our key supplier partners, including higher and more efficient joint use of promotion-related resources, as well as objective-based incentives.

Administrative expenses increased 8.4% to Ps. 2,042 million in 2014, compared with Ps. 1,883 million in 2013; however, as a percentage of sales, they remained stable at 1.9%. Selling expenses increased 15.3% to Ps. 28,492 million in 2014 compared with Ps. 24,707 million in 2013. The increase in operating expenses was driven by (i) the strong growth in new stores, (ii) expenses related to the incorporation of the drugstore and quick-service restaurant operations and (iii) the strengthening of FEMSA Comercio s business and organizational structure in preparation for the growth of new operations, particularly drugstores.

Liquidity and Capital Resources

Liquidity

Each of our sub-holding companies generally finances its operational and capital requirements on an independent basis. As of December 31, 2015, 78% of our outstanding consolidated total indebtedness was at the level of our sub-holding companies. This structure is attributable, in part, to the inclusion of third parties in the capital structure of Coca-Cola FEMSA. Anticipating liquidity needs for general corporate purposes, in May 2013 we issued US$ 300 million aggregate principal amount of 2.875% Senior Notes due 2023 and US$ 700 million aggregate principal amount of 4.375% Senior Notes due 2043. In May 2013, Coca-Cola FEMSA issued Ps. 7,500 million aggregate principal amount of 10-year fixed rate Mexican peso-denominated bonds (*certificados bursatiles*) bearing a 5.46% coupon. In April 2011, Coca-Cola FEMSA issued (i) Ps. 2,500 million in aggregate principal amount of 5-year floating rate *certificados bursatiles* priced at the 28-day TIIE plus 13 basis points, which matured and were repaid in full on April 11, 2016 and (ii) Ps. 2,500 million of 10-year fixed rate *certificados bursatiles* bearing an 8.27% coupon. In March 2016, we issued EUR 1,000 million aggregate principal amount of 1.750% fixed rate Senior Notes due 2023 with a total yield of 1.824%.

In addition, in November 2013 and January 2014, Coca-Cola FEMSA issued US$ 1.0 billion aggregate principal amount of 2.375% Senior Notes due 2018, US$ 750 million aggregate principal amount of 3.875% Senior Notes due 2023 and US$ 400 million aggregate principal amount of 5.250% Senior Notes due 2043. Also in January 2014, Coca-Cola FEMSA issued US$ 150 million aggregate principal amount of 3.875% Senior Notes due 2023 and US$ 200 million in aggregate principal amount of 5.250% Senior Notes due 2043. In February 2010, Coca-Cola FEMSA issued US$ 500 million aggregate amount of 4.625% Senior Notes due 2020. We may decide to incur additional indebtedness at our holding company in the future to finance the 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 and to finance our operations and capital requirements.

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.

Our principal source of liquidity has generally been cash generated from our operations. We have traditionally been able to rely on cash generated from operations because a significant majority of the sales of Coca-Cola FEMSA and FEMSA Comercio are on a cash or short-term credit basis. OXXO stores are able to finance a significant portion of their initial and ongoing inventories with supplier credit. Our principal use of cash has generally been for capital expenditure programs, debt repayment and dividend payments. In our opinion, our working capital is sufficient for our present requirements.

Our sub-holding companies generally incur short-term indebtedness in the event that they are temporarily unable to finance operations or meet capital requirements with cash from operations. A significant decline in the business of any of our sub-holding companies may affect the sub-holding company s ability to fund its capital requirements. A significant and prolonged deterioration in the economies where 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 us.

The following is a summary of the principal sources and uses of cash for the years ended December 31, 2015, 2014 and 2013, from our consolidated statement of cash flows:

Principal Sources and Uses of Cash

Years ended December 31, 2015, 2014 and 2013

(in millions of Mexican pesos)

	2015	**2014**	**2013**
Net cash flows provided by operating activities	Ps. 36,742	Ps. 37,364	Ps. 28,758
Net cash flows (used in) investing activities	(28,359)	(15,608)	(55,231)
Net cash flows (used in) provided by financing activities	(13,741)	(9,288)	20,584
Dividends paid	(10,701)	(3,152)	(16,493)

Principal Sources and Uses of Cash for the Year ended December 31, 2015 Compared to the Year Ended December 31, 2014

Our net cash generated by operating activities was Ps. 36,742 million for the year ended December 31, 2015 compared to Ps. 37,364 million generated by operating activities for the year ended December 31, 2014, a decrease of Ps. 622 million. This decrease was the result of a decrease in the cash provided by the changes in other current financial assets of Ps. 1,418 million due to restricted cash payments compared to last year, which was partially offset by a net increase in cash provided by accounts receivable and other current assets of Ps. 583 million compared to last year. Also, there was an increase in the amount of cash provided because of the changes in other long-term liabilities of Ps. 3,130 million due to a decrease in contingencies payments over the prior year, which was offset by a decrease in cash provided of Ps. 3,208 because of the changes in inventories. Finally, there was a decrease in cash provided by changes in suppliers and other accounts payable and other current financial liabilities of Ps. 2,717 million, besides there was a decrease in cash provided in income taxes paid of Ps. 2,833 million due to the increase of taxable income over the prior year, which were offset by an increase of Ps. 5,611 million in our cash flow from operating activities before changes in operating accounts due to our increased sales on a cash basis.

Our net cash used in investing activities was Ps. 28,359 million for the year ended December 31, 2015 compared to Ps. 15,608 million for the year ended December 31, 2014, an increase of Ps. 12,751 million. This was primarily the result of an increase in acquisition-related costs in the amount of Ps. 12,711 million, given by FEMSA Comercio and our other business acquisitions.

Our net cash used in financing activities was Ps. 13,741 million for the year ended December 31, 2015 compared to Ps. 9,288 million generated by financing activities for the year ended December 31, 2014, an increase of Ps. 4,453 million. This increase was primarily due to higher payments of bank loans in 2015 of Ps. 15,520 million as compared to Ps. 5,721 million in 2014, offset by proceeds from bank borrowings of Ps. 8,442 million in 2015 compared to Ps. 5,354 million in 2014, as well as higher dividend payments of Ps. 10,701 million compared to Ps. 3,152 million in 2014, finally, all these payments were partially offset by a net increase in cash provided by derivative financial instruments of Ps. 10,612 million due to the liquidation of cross currency swaps.

Principal Sources and Uses of Cash for the Year ended December 31, 2014 Compared to the Year Ended December 31, 2013

Our net cash generated by operating activities was Ps. 37,364 million for the year ended December 31, 2014 compared to Ps. 28,758 million generated by operating activities for the year ended December 31, 2013, an increase of Ps. 8,606 million. This increase was mainly the result of increased financing from suppliers in the amount of Ps. 6,393 million, which was partially offset by increased other long-term liabilities of Ps. 2,199 million due to contingencies payments. Also, there was a decrease of income taxes paid of Ps. 3,039 million due to the decline of taxable income over the prior year, a decrease of Ps. 419 in inventories, and finally, there was an increase in accounts receivable of Ps. 3,014 which was offset by other current financial assets in the amount of Ps. 3,244 million. The increase was also partially driven by an increase of Ps. 604 million in our cash flow from operating activities before changes in operating accounts due to our increased sales on a cash basis.

Our net cash used in investing activities was Ps. 15,608 million for the year ended December 31, 2014 compared to Ps. 55,231 million used in investing activities for the year ended December 31, 2013, a decrease of Ps. 39,623 million. This was primarily the result of a decrease in acquisition-related costs in the amount of Ps. 40,675 million, given that Coca-Cola FEMSA did not allocate a significant part of its cash to acquire bottling operations as compared to the prior year. This was partially offset by a decrease of Ps. 1,388 million in 2014 of cash inflows, because of fewer cash inflows from our held to maturity investments.

Our net cash used in financing activities was Ps. 9,288 million for the year ended December 31, 2014 compared to Ps. 20,584 million generated by financing activities for the year ended December 31, 2013, a decrease of Ps. 29,872 million. This decrease was primarily due to lower proceeds from bank borrowings in 2014 of Ps. 5,354 million as compared to Ps. 78,907 million in 2013, offset by payments on bank loans of Ps. 5,721 million in 2014 compared to Ps. 39,962 million in 2013 as well as lower dividend payments of Ps. 3,152 million compared to Ps. 16,493 million in 2013. Finally, this was partially offset by an increase of derivative financial instruments costs of Ps. 2,964 million.

Consolidated Total Indebtedness

Our consolidated total indebtedness as of December 31, 2015 was Ps. 91,864 million compared to Ps. 84,488 million in 2014 and Ps. 76,748 million as of December 31, 2013. Short-term debt (including maturities of long-term debt) and long-term debt were Ps. 5,895 million and Ps. 85,969 million, respectively, as of December 31, 2015, as compared to Ps. 1,553 million and Ps. 82,935 million, respectively, as of December 31, 2014, and Ps. 3,827 million and Ps. 72,921 million, respectively, as of December 31, 2013. Cash and cash equivalents were Ps. 29,396 million as of December 31, 2015, as compared to Ps. 35,497 million as of December 31, 2014 and Ps. 27,259 million as of December 31, 2013.

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Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

Contractual Obligations

The table below sets forth our contractual obligations as of December 31, 2015.

	Maturity				
	Less than 1 year	1 - 3 years	3 - 5 years	In excess of 5 years	Total
	(in millions of Mexican pesos)				
Long-Term Debt					
Mexican pesos	Ps. 2,496	Ps. 3,385	Ps.	Ps. 9,989	Ps. 15,870
Brazilian reais	363	552	377	111	1,403
Colombian pesos	280	738	106	52	1,176
U.S. dollars		17,158	8,566	42,352	68,076
Argentine pesos	100	41			141
Chilean pesos	336	769	907	395	2,407
Capital Leases					
Brazilian reais	67	131	113	149	460
Chilean pesos	14	31	35	12	92
Interest payments[(1)]					
Mexican pesos	783	1,359	1,231	1,021	4,394
Brazilian reais	126	228	184	112	650
Colombian pesos	105	64	47	19	235
U.S. dollars	2,595	5,151	4,026	25,905	37,677
Argentine pesos	47	18			65
Chilean pesos	161	282	260	76	779
Interest Rate Swaps and Cross Currency Swaps [(2)]					
Mexican pesos	1,861	4,112	2,891	16,046	24,910
Brazilian reais	5,978	10,368	1,513	16,946	34,805
Colombian pesos	73	17			90
U.S. dollars	1,138	3,916	2,050	9,583	16,686
Argentine pesos	50	6			56
Chilean pesos	2	3	3	1	9
Operating leases					
Mexican pesos	3,768	7,030	6,232	16,742	33,772
U.S. dollars	200	387	395	330	1,312
Others	1	8	5	2	16
Commodity price contracts					
Sugar[(3)]	1,497				1,497
Aluminum[(3)]	436				436
Expected benefits to be paid for pension and retirement plans, seniority premiums, post-retirement medical services and post-employment	534	739	863	2,197	4,333
Other long-term liabilities[(4)]				5,795	5,795

(1) Interest was calculated using long-term debt as of and interest rate amounts in effect on December 31, 2015 without considering interest rate swap agreements. The debt and applicable interest rates in effect are shown in Note 18 to our audited consolidated financial statements. Liabilities denominated in U.S. dollars were translated to Mexican pesos at an exchange rate of Ps. 17.2065 per US$ 1.00, the exchange rate quoted to us by *Banco de México* for the settlement of obligations in foreign currencies on December 31, 2015.

(2) Reflects the amount of future payments that we would be required to make. The amounts were calculated by applying the rates giving effect to interest rate swaps and cross currency swaps applied to long-term debt as of December 31, 2015, and the market value of the unhedged cross currency swaps (the amount of debt used in the calculation of the interest 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).

(3) Reflects the notional amount of the futures and forward contracts used to hedge sugar and aluminum cost with a fair value liability of Ps. 274 million; see Note 20.6 to our audited consolidated financial statements.

(4) Other long-term liabilities include provisions and others, but not deferred taxes. Other long-term liabilities additionally reflects those liabilities whose maturity date is undefined and depends on a series of circumstances out of our control, therefore these liabilities have been considered to have a maturity of more than five years.

As of December 31, 2015, Ps. 5,895 million of our total consolidated indebtedness was short-term debt (including maturities of long-term debt).

As of December 31, 2015, our consolidated average cost of borrowing, after giving effect to the cross currency and interest rate swaps, was approximately 7.5% (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, 2014 our consolidated average cost of borrowing, after giving effect to the cross currency swaps, was 7.7%. As of December 31, 2015, after giving effect to cross currency swaps, approximately 39.4% of our total consolidated indebtedness was denominated and payable in Mexican pesos, 24.6% in U.S. dollars, 1.9% in Colombian pesos, 0.4% in Argentine pesos, 29.1% in Brazilian reais and the remaining 4.6% in Chilean pesos.

Overview of Debt Instruments

The following table shows the allocations of total debt of our company as of December 31, 2015:

	Total Debt Profile of the Company			
	FEMSA and Others	Coca-Cola FEMSA	FEMSA Comercio Retail Division	Total Debt
	(in millions of Mexican pesos)			
Short-term Debt				
Argentine pesos:				
Notes Payable	Ps.	Ps. 165	Ps.	Ps. 165
Brazilian reais:				
Bank loans	168			168
Colombian pesos:				
Bank loans		219	235	454
Chilean pesos:				
Bank loans			1,442	1,442
Capital leases			10	10
Long-term Debt[1]				
Mexican pesos:				
Units of Investment (UDIs)	3,385			3,385
Domestic Senior notes		12,485		12,485
U.S. dollars:				
Senior Notes	16,743	51,333		68,076
Brazilian reais:				
Bank loans	350	1,053		1,403
Capital leases		460		460
Colombian pesos:				
Bank loans		874	302	1,176
Argentine pesos:				
Bank loans		141		141
Chilean pesos:				
Bank loans			2,407	2,407
Capital leases			92	92
Total Debt	**Ps. 20,646**	**Ps. 66,730**	**Ps. 4,488**	**Ps. 91,864**
Average Cost [2]				

Mexican pesos	6.6%	5.0%		5.7%
U.S. dollars		4.7%		4.7%
Brazilian reais	9.7%	13.4%		13.3%
Argentine pesos		28.0%		28.0%
Colombian pesos		6.5%	4.9%	6.0%
Chilean pesos			5.9%	5.9%
Total	**6.7%**	**8.2%**	**5.7%**	**7.5%**

(1) Includes the Ps. 3,656 million current portion of long-term debt.

(2) Includes the effect of cross currency and interest rate swaps (the total amount of the debt used in the calculation of this percentage considers converting only the units of investments debt for the related cross currency swap, and it also includes the effect of related interest rate swaps). Average cost is determined based on interest rates as of December 31, 2015.

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Restrictions Imposed by Debt Instruments

Generally, the covenants contained in the credit agreements and other instruments governing indebtedness entered into by us or our sub-holding companies 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 the Company, our sub-holding companies and their subsidiaries.

We and Coca-Cola FEMSA 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 Debt

The following is a summary of our indebtedness by sub-holding company and for FEMSA as of December 31, 2015:

Coca-Cola FEMSA

Coca-Cola FEMSA s total indebtedness was Ps. 66,730 million as of December 31, 2015. Short-term debt (including the current portion of long-term debt) and long-term debt were Ps. 3,470 million and Ps. 63,260 million, respectively. As of December 31, 2015, cash and cash equivalents were Ps. 15,989 million and consisted of 66.4% U.S. dollars, 21.2% Mexican pesos, 6.4% Brazilian reais, 2.3% Venezuelan bolivars, 1.1% Argentine pesos, 1.3% Colombian pesos, 0.7% Costa Rican colones and 0.6% other legal currencies.

As part of Coca-Cola FEMSA s financing policy, it expects to continue to finance its liquidity needs with cash from operations. Nonetheless, as a result of regulations in certain countries where it operates, it may not be beneficial or, as the case of exchange controls in Venezuela, practicable for Coca-Cola FEMSA to remit cash generated in local operations to fund cash requirements in other countries. Exchange controls like those in Venezuela may also increase the real price of remitting cash from operations to fund debt requirements in other countries. In addition, in the event that cash from operations in these countries is not sufficient to fund future working capital requirements and capital expenditures, Coca-Cola FEMSA may decide, or be required, to fund cash requirements in these countries through local borrowings rather than remitting funds from another country. Coca-Cola FEMSA s liquidity in Venezuela could be affected by changes in the rules applicable to exchange rates as well as other regulations, such as exchange controls. In addition, in the future Coca-Cola FEMSA may finance its working capital and capital expenditure needs with short-term or other borrowings.

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Any further changes in the Venezuelan exchange control regime, and future currency devaluations or the imposition of exchange controls in any of the countries where Coca-Cola FEMSA has operations could have an adverse effect on Coca-Cola FEMSA s financial position and liquidity.

FEMSA Comercio

As of December 31, 2015, FEMSA Comercio Retail Division had total outstanding debt of Ps. 4,488 million. Short-term debt (including the current portion of long-term debt) and long-term debt were Ps. 1,687 million and Ps. 2,801 million, respectively. As of December 31, 2015, cash and cash equivalents were Ps. 4,030 million.

FEMSA and others

As of December 31, 2015, FEMSA and others had total outstanding debt of Ps. 20,646 million, which is composed of Ps. 3,385 million of *unidades de inversión* (inflation indexed units, or UDIs), which mature in November 2017, Ps. 518 million of bank debt (of which Ps. 277 million is held by our logistics services subsidiary and Ps. 241 million is held by our refrigeration business) in other legal currencies, and Ps. 5,068 million of Senior Notes due 2023 and Ps. 11,675 million of Senior Notes due 2043 that we issued in May 2013. **See Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources Liquidity.** FEMSA and others average cost of debt, after giving effect to interest rate swaps and cross currency swaps, as of December 31, 2015, was 6.6% in Mexican pesos (the amount of debt used in the calculation of this percentage was obtained by converting only the units of investments debt for the related cross currency swap, and it also includes the effect of related interest rate swaps).

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, 2015:

	Loss Contingencies As of December 31, 2015 (in millions of Mexican pesos)	
Taxes, primarily indirect taxes	Ps.	1,725
Legal		318
Labor		1,372
Total	Ps.	3,415

As is customary in Brazil, we have been asked by the tax authorities to collateralize tax contingencies currently in litigation amounting to Ps. 3,569 million, Ps. 3,026 and Ps. 2,248 million as of December 31, 2015, 2014 and 2013, 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 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, 2015, the aggregate amount of such contingencies for which we had not recorded a reserve was Ps. 29,502 million.

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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 reached Ps. 18,885 million in 2015 compared to Ps. 18,163 million in 2014, an increase of 4%. This was driven by additional investments at FEMSA Comercio, mainly related to expansion of the Retail Division and Fuel Division through the opening of new stores and retail service stations. The principal components of our capital expenditures have been investments in equipment, market-related investments, investments in production capacity and distribution network expansion at Coca-Cola FEMSA and expansion of the Retail Division and Fuel Division at FEMSA Comercio, as mentioned above. **See Item 4. Information on the Company Capital Expenditures and Divestitures.**

Expected Capital Expenditures for 2016

Our capital expenditure budget for 2016 is expected to be approximately US$ 1,284 (Ps. 22,277) million. The following discussion is based on each of our sub-holding companies internal 2015 budgets. The capital expenditure plan for 2016 is subject to change based on market and other conditions and the subsidiaries results and financial resources.

Coca-Cola FEMSA s capital expenditures in 2016 are expected to reach US$ 690 million, approximately. Coca-Cola FEMSA s capital expenditures in 2016 are primarily intended for:

- investments in production capacity;
- market investments;
- returnable bottles and cases;
- improvements throughout its distribution network; and
- investments in information technology.

Coca-Cola FEMSA estimates that of its projected capital expenditures for 2016, approximately 36% will be for its Mexican territories and the remainder will be for its non-Mexican territories. Coca-Cola FEMSA believes that internally generated funds will be sufficient to meet its budgeted capital expenditures for 2016. Coca-Cola FEMSA s capital expenditure plan for 2016 may change based on market and other conditions and on its results and financial resources.

FEMSA Comercio Retail Division s capital expenditures budget in 2016 is expected to total approximately US$ 460 million, and will be allocated to the opening of new OXXO stores and to a lesser extent to the refurbishing of existing OXXO stores. In addition, investments are planned in FEMSA Comercio s IT, ERP software updates and transportation equipment.

FEMSA Comercio Fuel Division s capital expenditures in 2016 is expected to total approximately US$ 20 million, and will be allocated to the opening of new service stations and, to a lesser extent, to the refurbishing of existing OXXO GAS service stations.

Hedging Activities

Our business activities require the holding or issuing of 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.**

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The following table provides a summary of the fair value of derivative financial instruments as of December 31, 2015. 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, 2015				
	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. 166	Ps. 3,340	Ps. (119)	Ps. 4,876	Ps. 8,263

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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 AGM. 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 eleven 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 Law, at least 25% of the members of our board of directors must be independent (as defined by the Mexican Securities 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 AGM, at which the shareholders shall elect a replacement.

Our bylaws provide that the board of directors shall meet at least once every three months. 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 8, 2016, and currently comprises 19 directors and 16 alternate directors. The following table sets forth the current members of our board of directors:

Series B Directors

José Antonio Fernández Carbajal[(1) (2)] *Executive Chairman of the Board*	Born:	February 1954
	First elected (Chairman):	2001
	First elected (Director):	1984
	Term expires:	2017
	Principal occupation:	Executive Chairman of the board of directors of FEMSA
	Other directorships:	Chairman of the boards of directors of Coca-Cola FEMSA, Fundación FEMSA A.C., Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM); Chairman Emeritus of the US Mexico Foundation; vice-chairman of the Heineken Supervisory Board and member of the Heineken Holding Board, Industrias Peñoles, S.A.B. de C.V. (Peñoles), Grupo Televisa, S.A.B. (Televisa) and Co-chairman of the advisory board of Woodrow Wilson Center, Mexico Institute; member of the preparatory, and selection and appointment committees of Heineken N.V.
	Business experience:	Joined FEMSA s strategic planning department in 1988, after which he held managerial positions at FEMSA Cerveza s commercial division and OXXO. He was appointed Deputy Chief Executive Officer of FEMSA in 1991, and Chief Executive Officer in 1995, a position he held until December 31, 2013. On January 1, 2014, he was appointed Executive Chairman of our board of directors
	Education:	Holds an industrial engineering degree and an MBA from ITESM
	Alternate director:	Federico Reyes García

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Mariana Garza Lagüera Gonda(3)	Born:	April 1970
	First elected:	1998
	Term expires:	2017
Director	Principal occupation:	Private investor
	Other directorships:	Member of the boards of directors of Coca-Cola FEMSA, ITESM, Museo de Historia Mexicana, Inmobiliaria Valmex, S.A. de C.V., Inversiones Bursátiles Industriales, S.A. de C.V., Desarrollo Inmobiliario la Sierrita, S.A. de C.V., Refrigeración York, S.A. de C.V., Peñitas, S.A. de C.V., Controladora Pentafem, S.A.P.I. de C.V. and Monte Serena, S.A. de C.V.
	Education:	Holds an industrial engineering degree from ITESM and a Master of International Management from the Thunderbird American Graduate School of International Management
	Alternate director:	Eva María Garza Lagüera Gonda(1)(3)
Paulina Garza Lagüera Gonda(3)	Born:	March 1972
	First elected:	1999
	Term expires:	2017
Director	Principal occupation:	Private investor
	Other directorships:	Alternate member of the board of directors of Coca-Cola FEMSA and member of the boards of directors of Inmobiliaria Valmex, S.A. de C.V., Inversiones Bursátiles Industriales, S.A. de C.V., Desarrollo Inmobiliario la Sierrita, S.A. de C.V., Refrigeración York, S.A. de C.V., Peñitas, S.A. de C.V. and Controladora Pentafem, S.A.P.I. de C.V.
	Education:	Holds a business administration degree from ITESM
	Alternate director:	Othón Páez Garza
José Fernando Calderón Rojas	Born:	July 1954
	First elected:	1984
	Term expires:	2017
Director	Principal occupation:	Chief Executive Officer and chairman of the boards of directors of Franca Servicios, S.A. de C.V., Servicios Administrativos de Monterrey, S.A. de C.V., Regio Franca, S.A. de C.V., and Franca Industrias, S.A. de C.V.
	Other directorships:	Member of the boards of directors of Alfa, S.A.B. de C.V. (Alfa), and member of the regional consulting board of BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer (Bancomer) and member of the audit and corporate practices committees of Alfa; member of Fundación UANL, A.C.; founder of Centro Integral Down A.C.; President of Patronato del Museo del Obispado A.C. and member of the external advisory board of Facultad de Derecho y Criminología of Universidad Autónoma de Nuevo León (UANL)
	Education:	Holds a law degree from UANL and completed specialization studies in tax at UANL
	Alternate director:	Francisco José Calderón Rojas(4)

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Alfonso Garza Garza[5][6]	Born:	July 1962
	First elected:	2001
	Term expires:	2017
Director	Principal occupation:	Vice President of Strategic Businesses of FEMSA
	Other directorships:	Member of the boards of directors of ITESM, Grupo Nutec, S.A. de C.V., American School Foundation of Monterrey, A.C. and Club Campestre de Monterrey, A.C.; vice-chairman of the executive commission of Confederación Patronal de la República Mexicana, S.P. (COPARMEX) and alternate member of the board of directors of Coca-Cola FEMSA
	Business experience:	Has experience in several FEMSA business units and departments, including domestic sales, international sales, procurement and marketing, mainly at FEMSA Cerveza and as Chief Executive Officer 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[5][6]
Max Michel González	Born:	June 1968
	First elected:	1996
Director	Term expires:	2017
	Principal occupation:	Operations Manager at Servicios Liverpool, S.A. de C.V.
	Other directorships:	Member of the board of directors and audit committee of Grupo Lamosa, S.A.B. de C.V. (Lamosa). Member of the board of directors of El Puerto de Liverpool, S.A.B. de C.V. (Liverpool) and Afianzadora Sofimex, S.A.B. de C.V.; as well as alternate board member of Coca-Cola FEMSA
	Education:	Holds a business administration degree from Universidad Iberoamericana
	Alternate director:	Bertha Michel González[7]
Alberto Bailleres González	Born:	August 1931
	First elected:	1989
	Term expires:	2017
Director	Principal occupation:	Chairman of the boards of directors of the following companies which are part of Grupo BAL, S.A. de C.V.: Peñoles, Grupo Nacional Provincial, S.A.B. (GNP), Fresnillo plc (Fresnillo), Grupo Palacio de Hierro, S.A.B. de C.V., Grupo Profuturo, S.A.B. de C.V., Petrobal, S.A.P.I. de C.V. and Valores Mexicanos Casa de Bolsa S.A. de C.V., chairman of the governance board of Instituto Tecnológico Autónomo de México (ITAM) and founding member of Fundación Alberto Bailleres, A.C.

	Other directorships:	Member of the boards of directors of Grupo Financiero BBVA Bancomer, S.A. de C.V. (BBVA Bancomer), Bancomer, Dine, S.A.B. de C.V., Televisa, Grupo Kuo, S.A.B. de C.V. (Kuo), and member of the advisory board of JP Morgan International Council and Consejo Mexicano de Hombres de Negocios
	Education:	Holds an economics degree and an Honorary Doctorate from ITAM
	Alternate director:	Arturo Fernández Pérez
Francisco Javier Fernández Carbajal[2]	Born:	April 1955
	First elected:	2004
	Term expires:	2017
Director	Principal occupation:	Chief Executive Officer of Servicios Administrativos Contry, S.A. de C.V.
	Other directorships:	Member of the boards of directors of Visa, Inc., Alfa, Cemex, S.A.B. de C.V., Frisa Forjados, S.A. de C.V., Corporación EG, S.A. de C.V., and alternate member of the board of directors of Peñoles
	Education:	Holds a mechanical and electrical engineering degree from ITESM and an MBA from Harvard University Business School
	Alternate director:	Javier Astaburuaga Sanjines
Ricardo Guajardo Touché	Born:	May 1948
	First elected:	1988
	Term expires:	2017
Director	Principal occupation:	Chairman of the board of directors of Solfi, S.A. de C.V. (Solfi)
	Other directorships:	Member of the boards of directors of Coca-Cola FEMSA, Grupo Valores Operativos Monterrey, S.A.P.I. de C.V., Liverpool, Alfa, BBVA Bancomer, Grupo Aeroportuario del Sureste, S.A. de C.V., Grupo Bimbo, S.A.B. de C.V. (Bimbo), Coppel, S.A. de C.V. (Coppel), ITESM and Vitro, S.A.B. de C.V.
	Education:	Holds an electrical engineering degree from ITESM and the University of Wisconsin and a master s degree from the University of California at Berkeley
	Alternate director:	Alfonso González Migoya

Alfredo Livas Cantú	Born:	July 1951
	First elected:	1995
Director	Term expires:	2017
	Principal occupation:	President of Praxis Financiera, S.C.
	Other directorships:	Member of the boards of directors of Coca-Cola FEMSA, Grupo Senda Autotransporte, S.A. de C.V., Grupo Acosta Verde, S.A. de C.V., Evox, Grupo Industrial Saltillo, S.A.B. de C.V.; alternate member of the boards of directors of Grupo Financiero Banorte, S.A.B. de C.V. (Banorte) and Gruma, S.A.B. de C.V.; and member of the governance committee of Grupo Proeza, S.A.P.I. de C.V. (Proeza)
	Education:	Holds an economics degree from UANL and an MBA and master s degree in economics from the University of Texas
	Alternate Director:	Sergio Deschamps Ebergenyi
Bárbara Garza Lagüera	Born:	December 1959
	First elected:	1998
	Term expires:	2017
Gonda[3]	Principal occupation:	Private Investor and President of the acquisitions committee of Colección FEMSA
Director		
	Other directorships:	Alternate member of the board of directors of Coca-Cola FEMSA; vice-chairman of the board of directors of ITESM Campus Mexico City and member of the boards of directors of Fresnillo, Solfi, Fondo para la Paz, Museo Franz Mayer, Inmobiliaria Valmex, S.A. de C.V., Inversiones Bursátiles Industriales, S.A. de C.V., Desarrollo Inmobiliario la Sierrita, S.A. de C.V., Refrigeración York, S.A. de C.V., Peñitas, S.A. de C.V., Controladora Pentafem, S.A.P.I. de C.V., BECL, S.A. de C.V. and Supervision Commission: FONCA Fondo Nacional Cultural y Artes
	Education:	Holds a business administration degree from ITESM
	Alternate director:	Juan Guichard Michel[8]
Carlos Salazar Lomelín	Born:	April 1951
	First elected:	2014
	Term expires:	2017
Director	Principal occupation:	Chief Executive Officer of FEMSA
	Other directorships:	Member of the boards of directors of Coca-Cola FEMSA, BBVA Bancomer, and Fundación FEMSA; member of the advisory board of Premio Eugenio Garza Sada, Centro Internacional de Negocios Monterrey A.C. (CINTERMEX), Asociación Promotora de Exposiciones, A.C. and the ITESM s EGADE Business School; Executive Chairman of the Strategic Planning Board of the State of Nuevo León, Mexico

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	Business experience:	In addition, Mr. Salazar has held managerial positions in several subsidiaries of FEMSA, including Grafo Regia, S.A. de C.V. and Plásticos Técnicos Mexicanos, S.A. de C.V., served as Chief Executive Officer of FEMSA Cerveza, where he also held various management positions in the Commercial Planning and Export divisions; in 2000 he was appointed as Chief Executive Officer of Coca-Cola FEMSA, a position he held until December 31, 2013; on January 1, 2014 he was appointed Chief Executive Officer of FEMSA
	Education:	Holds an economics degree from ITESM and performed postgraduate studies in business administration at ITESM and economic development in Italy
	Alternate director:	Miguel Eduardo Padilla Silva
Ricardo Saldívar Escajadillo	Born:	November 1952
	First elected:	2006
	Term expires:	2017
Director	Principal Occupation:	President of the board of directors and Chief Executive Officer of The Home Depot Mexico
	Other directorships:	Member of the boards of directors of Asociación Nacional de Tiendas de Autoservicio y Departamentales, A.C., Cluster de Vivienda y Desarrollo Sustentable, American Chamber of Commerce of Mexico Monterrey Chapter, Axtel, S.A.B. de C.V. and ITESM
	Education:	Holds a mechanical and administration engineering degree from ITESM, a Master s degrees in systems engineering from Georgia Tech Institute and executive studies from IPADE
Alfonso de Angoitia Noriega	Born:	January 1962
	First elected:	2015
	Term expires:	2017
Director	Principal Occupation:	Executive vice-chairman and chairman of the finance committee of Televisa
	Other directorships:	Member of the boards of directors of Univision Communications, Inc., Banorte, Empresas Cablevisión, S.A. de C.V., Innova, S. de R.L. de C.V. (Sky), The Americas Society and The Paley Center for Media
	Education:	Holds a law degree from Universidad Nacional Autónoma de México

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Series D Directors

Armando Garza Sada	Born:	June 1957
	First elected:	2003
Director	Term expires:	2017
	Principal occupation:	Chairman of the board of directors of Alfa, Alpek, S.A.B. de C.V. and Nemak, S.A.B. de C.V.
	Other directorships:	Member of the boards of directors of Banorte, Liverpool, Lamosa, Proeza, ITESM, and Frisa Industrias, S.A. de C.V.
	Business experience:	He has a long professional career in Alfa, including as Executive Vice President of Corporate Development
	Education:	Holds a BS in management from the Massachusetts Institute of Technology and an MBA from Stanford University Graduate School of Business
	Alternate director:	Enrique F. Senior Hernández
Moisés Naim	Born:	July 1952
	First elected:	2011
Director	Term expires:	2017
	Principal occupation:	Distinguished Fellow Carnegie Endowment for International Peace; producer and host of Efecto Naim; author and journalist
	Business experience:	Former Editor in Chief of Foreign Policy Magazine
	Other directorships:	Member of the board of directors of AES Corporation
	Education:	Holds a degree from the Universidad Metropolitana de Venezuela and a Master of Science and PhD from the Massachusetts Institute of Technology
	Alternate director:	Francisco Zambrano Rodríguez
José Manuel	Born:	February 1940
	First elected:	2003
Canal Hernando	Term expires:	2017
	Principal occupation:	Independent consultant
Director	Business experience:	Former managing partner at Ruiz, Urquiza y Cía, S.C. from 1981 to 1999, acted as statutory examiner of FEMSA from 1984 to 2002, was chairman of the CINIF (*Consejo Mexicano de Normas de Información Financiera, A.C.*) and has extensive experience in financial auditing for holding companies, banks and financial brokers
	Other directorships:	Member of the boards of directors of Coca-Cola FEMSA, Kuo, Grupo Industrial Saltillo, S.A.B. de C.V., Estafeta Mexicana, S.A. de C.V., member of the risk committee of Gentera, S.A.B. de C.V. (Gentera), and Statutory Auditor of BBVA Bancomer
	Education:	Holds a CPA degree from Universidad Nacional Autónoma de México

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Michael Larson	Born:	October 1959
	First elected:	2010
Director	Term expires:	2017
	Principal occupation:	Chief Investment Officer of William H. Gates III
	Other directorships:	Member of the boards of directors of AutoNation, Inc, Republic Services, Inc, Ecolab, Inc., Televisa and chairman of the board of trustees of Western Asset/Claymore Inflation-Linked Securities & Income Fund and Western Asset/Claymore Inflation-Linked Opportunities & Income Fund
	Education:	Holds an MBA from the University of Chicago and a BA from Claremont McKenna College
	Alternate Director:	Daniel Alberto Rodríguez Cofré
Robert E. Denham	Born:	August 1945
	First elected:	2001
Director	Term expires:	2017
	Principal occupation:	Partner of Munger, Tolles & Olson LLP, law firm
	Other directorships:	Member of the boards of directors of New York Times Co., Oaktree Capital Group, LLC and Chevron Corp
	Education:	Magna cum laude graduate from the University of Texas, holds a JD from Harvard Law School and an MA in Government from Harvard University
	Alternate Director:	Ernesto Cruz Velázquez de León

(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) Juan Guichard Michel, Max Michel González and Bertha Michel González are cousins.

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 *Executive Chairman of the Board*	Born:	February 1954
	Joined FEMSA:	1987
	Appointed to current position:	2001
	Principal occupation:	Executive Chairman of the board of directors of FEMSA

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	Directorships:	Chairman of the boards of directors of Coca-Cola FEMSA, Fundación FEMSA A.C., Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM); Chairman Emeritus of the US Mexico Foundation; vice-chairman of the Heineken Supervisory Board and member of the Heineken Holding Board, Industrias Peñoles, S.A.B. de C.V. (Peñoles), Grupo Televisa, S.A.B. (Televisa) and Co-chairman of the advisory board of Woodrow Wilson Center, Mexico Institute; member of the preparatory, and selection and appointment committees of Heineken N.V.
	Business experience within FEMSA:	Joined FEMSA s strategic planning department in 1988, after which he held managerial positions at FEMSA Cerveza s commercial division and OXXO. He was appointed Deputy Chief Executive Officer of FEMSA in 1991, and Chief Executive Officer in 1995, a position he held until December 31, 2013. On January 1, 2014, he was appointed Executive Chairman of our board of directors
	Education:	Holds an industrial engineering degree and an MBA from ITESM
Carlos Salazar Lomelín *Chief Executive Officer*	Born:	April 1951
	Joined FEMSA:	1973
	Appointed to current position:	2014
	Principal occupation:	Chief Executive Officer of FEMSA
	Directorships:	Member of the boards of directors of Coca-Cola FEMSA, BBVA Bancomer, and Fundación FEMSA; member of the advisory board of Premio Eugenio Garza Sada, Centro Internacional de Negocios Monterrey A.C. (CINTERMEX), Asociación Promotora de Exposiciones, A.C. and the ITESM s EGADE Business School; Executive Chairman of the Strategic Planning Board of the State of Nuevo León, Mexico
	Business experience within FEMSA:	Mr. Salazar has held managerial positions in several subsidiaries of FEMSA, including Grafo Regia, S.A. de C.V. and Plásticos Técnicos Mexicanos, S.A. de C.V., served as Chief Executive Officer of FEMSA Cerveza, where he also held various management positions in the Commercial Planning and Export divisions; in 2000 he was appointed as Chief Executive Officer of Coca-Cola FEMSA, a position he held until December 31, 2013; on January 1, 2014 he was appointed Chief Executive Officer of FEMSA
	Education:	Holds an economics degree from ITESM and performed postgraduate studies in business administration at ITESM and economic development in Italy

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Miguel Eduardo Padilla Silva	Born:	January 1955
	Joined FEMSA:	1997
Chief Financial and Corporate Officer	Appointed to current position:	2016
	Business experience within FEMSA:	Director of Planning and Control of FEMSA from 1997 to 1999, Chief Executive Officer of the Strategic Procurement Business Division of FEMSA from 2000 until 2003 and Chief Executive Officer of FEMSA Comercio, S.A. de C.V. from 2004 until 2016
	Other business experience:	Had a 20-year career in Alfa, culminating with a ten-year tenure as Chief Executive Officer of Terza, S.A. de C.V., major areas of expertise include operational control, strategic planning and financial restructuring
	Directorships:	Member of the boards of directors of Coca-Cola FEMSA, Lamosa, Club Industrial, A.C., Universidad Tec Milenio and Coppel, and alternate member of the board of directors of FEMSA
	Education:	Holds a mechanical engineering degree from ITESM, an MBA from Cornell University and executive management studies at IPADE
Javier Gerardo Astaburuaga Sanjines	Born:	July 1959
	Joined FEMSA:	1982
Vice President of Corporate Development	Appointed to current position:	2015
	Business experience within FEMSA:	Joined FEMSA as a financial information analyst and later acquired experience in corporate development, administration and finance, held various senior positions at FEMSA Cerveza between 1993 and 2001, including Chief Financial Officer, and for two years was FEMSA Cerveza s Director of Sales for the north region of Mexico until 2003, in which year he was appointed FEMSA Cerveza s Co-Chief Executive Officer; held the position of Chief Financial and Corporate Officer of FEMSA from 2006-2015
	Directorships:	Member of the boards of directors of Coca-Cola FEMSA and the Heineken Supervisory Board, alternate member of the board of directors of FEMSA, and member of the audit committee of Heineken N.V.
	Education:	Holds a CPA degree from ITESM
José González Ornelas	Born:	April 1951
Vice President of Administration and Corporate Control	Joined FEMSA:	1973
	Appointed to current position:	2001
	Business experience within FEMSA:	Has held several managerial positions in FEMSA including Chief Financial Officer of FEMSA Cerveza, Director of Planning and Corporate Development of FEMSA and Chief Executive Officer of FEMSA Logística
	Directorships:	Member of the board of directors of Productora de Papel, S.A.
	Education:	Holds a CPA degree from UANL and has post-graduate studies in business administration from IPADE

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Alfonso Garza Garza	Born:	July 1962
Vice President of Strategic Businesses	Joined FEMSA:	1985
	Appointed to current position:	2009
	Directorships:	Member of the boards of directors of ITESM, Grupo Nutec, S.A. de C.V., American School Foundation of Monterrey, A.C. and Club Campestre de Monterrey, A.C.; vice-chairman of the executive commission of Confederación Patronal de la República Mexicana, S.P. (COPARMEX) and alternate member of the board of directors of Coca-Cola FEMSA
	Business experience:	Has experience in several FEMSA business units and departments, including domestic sales, international sales, procurement and marketing, mainly at FEMSA Cerveza and as Chief Executive Officer of FEMSA Empaques
	Education:	Holds an industrial engineering degree from ITESM and an MBA from IPADE
Genaro Borrego Estrada	Born:	February 1949
Vice President of Corporate Affairs	Joined FEMSA:	2008
	Appointed to current position:	2008
	Professional experience:	Constitutional Governor of the Mexican State of Zacatecas from 1986 to 1992, General Director of the Mexican Social Security Institute from 1993 to 2000, and Senator in Mexico for the State of Zacatecas from 2000 to 2006
	Directorships:	Chairman of the board of directors of GB y Asociados and member of the boards of directors of Fundación Mexicanos Primero, Fundación IMSS and CEMEFI
	Education:	Holds an industrial relations degree from the Universidad Iberoamericana
Carlos Eduardo Aldrete Ancira	Born:	August 1956
General Counsel and Secretary of the Board of Directors	Joined FEMSA:	1979
	Appointed to current position:	1996
	Directorships:	Secretary of the board of directors of FEMSA, Coca-Cola FEMSA and all other sub-holding companies of FEMSA
	Business experience within FEMSA:	Extensive experience in international business and financial transactions, debt issuances and corporate restructurings and expertise in securities and private mergers and acquisitions
	Education:	Holds a law degree from UANL and a master s degree in Comparative Law from the College of Law of the University of Illinois

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Coca-Cola FEMSA

John Anthony Santa Maria Otazua *Chief Executive Officer of Coca-Cola FEMSA*	Born:	August 1957
	Joined FEMSA:	1995
	Appointed to current position:	2014
	Business experience within FEMSA:	Has served as Strategic Planning and Business Development Officer and Chief Operating Officer of the Mexican operations of Coca-Cola FEMSA. Has served as Strategic Planning and Commercial Development Officer and Chief Operating Officer of the South America division. As Strategic Planning Officer, he led the integration of the Panamco acquisition with Coca-Cola FEMSA s operations. He also has experience in several areas of Coca-Cola FEMSA, namely development of new products and mergers and acquisitions
	Other business experience:	Has experience with different bottler companies in Mexico in areas such as Strategic Planning and General Management
	Directorships:	Member of the board of directors of Coca-Cola FEMSA and member of the board of directors and commercial committee of Gentera
	Education:	Holds a degree in Business Administration and an MBA with a major in Finance from Southern Methodist University
Héctor Treviño Gutiérrez *Chief Financial Officer of Coca-Cola FEMSA*	Born:	August 1956
	Joined FEMSA:	1981
	Appointed to current position:	1993
	Business experience within FEMSA:	At FEMSA, was in charge of the International Financing department, served as Manager of Financial Planning and Manager of International Financing, Chief Officer of Strategic Planning and Chief Officer of Business Development and headed the Corporate Development department
	Directorships:	Member of the board of directors of Vinte Viviendas Integrales, S.A.P.I. de C.V. and Seguros y Pensiones BBVA Bancomer, and member of the technical committee of Capital i-3; alternate member of the board of directors of Coca-Cola FEMSA
	Education:	Holds a degree in chemical engineering from ITESM and an MBA from the Wharton School of Business

FEMSA Comercio

Daniel Alberto Rodrĺguez Cofré *Chief Executive Officer of FEMSA Comercio*	Born:	June 1965
	Joined FEMSA:	2015
	Appointed to current position:	2016
	Business experience:	Has broad experience in international finance in Latin America, Europe and Africa, held several financial roles at Shell International Group in Latin America and Europe; in 2008 he

	was appointed as Chief Financial Officer of CENCOSUD (Centros Comerciales Sudamericanos S.A.), and from 2009 to 2014 he held the position of Chief Executive Officer at the same company. He was Chief Financial and Corporate Officer of FEMSA during 2015
Directorships:	Alternate member of the boards of directors of Coca-Cola FEMSA and FEMSA
Education:	Holds a forest engineering degree from Austral University of Chile and an MBA from Adolfo Ibañez University

Compensation of Directors and Senior Management

The compensation of Directors is approved at the AGM. For the year ended December 31, 2015, the aggregate compensation paid to our directors by the Company was approximately Ps. 32 million. In addition, in the year ended December 31, 2015, Coca-Cola FEMSA paid approximately Ps. 10 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, 2015, the aggregate compensation paid to executive officers and senior management of FEMSA and its subsidiaries was approximately Ps. 1,625 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 Note 17 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, 2015, amounts set aside or accrued for all employees under these retirement plans were Ps. 6,457 million, of which Ps. 2,228 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 Stewart & Co., 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 sub-holding company, 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 will 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 and after withholding applicable taxes.

The shares are administrated 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).

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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 15, 2016, the trust that manages the EVA stock incentive plan held a total of 3,752,878 BD Units of FEMSA and 1,148,310 Series L Shares of Coca-Cola FEMSA, each representing 0.10% and 0.06% 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 March 8, 2016, 6,922,159,485 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 March 8, 2016 beneficially owned by our directors and alternate directors who are participants in the voting trust, other than shares deposited in the voting trust:

	Series B		Series D-B		Series D-L	
Beneficial Owner	**Shares**	**Percent of Class**	**Shares**	**Percent of Class**	**Shares**	**Percent of Class**
Eva Garza Lagüera Gonda	2,769,980	0.03%	5,539,960	0.13%	5,539,960	0.13%
Mariana Garza Lagüera Gonda	2,912,485	0.03%	5,824,970	0.13%	5,824,970	0.13%
Bárbara Garza Lagüera Gonda	2,665,480	0.03%	5,330,960	0.12%	5,330,960	0.12%
Paulina Garza Lagüera Gonda	2,665,480	0.03%	5,330,960	0.12%	5,330,960	0.12%
Alberto Bailleres González	9,610,577	0.10%	19,221,154	0.44%	19,221,154	0.44%
Alfonso Garza Garza	827,090	0.01%	1,654,180	0.04%	1,654,180	0.04%
Juan Carlos Garza Garza	18,200	0%	36,400	0%	36,400	0%
Max Michel González	5,675	0%	11,350	0%	11,350	0%
Francisco José Calderón Rojas and José Fernando Calderón Rojas(1)	8,317,369	0.09%	16,634,738	0.38%	16,634,738	0.38%
Juan Guichard Michel	9,117,131	0.10%	18,234,262	0.42%	18,234,262	0.42%

(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 Law.

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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 the committees to address management issues. Each committee has a non-member 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 8, 2016:

Audit Committee. The Audit Committee is responsible for (1) reviewing the accuracy and integrity of quarterly and annual financial statements in accordance with accounting, internal control and auditing requirements, (2) the appointment, compensation, retention and oversight of the independent auditor, who reports directly to the Audit Committee and (3) identifying and following-up on contingencies and legal proceedings. The Audit Committee has implemented procedures for receiving, retaining and addressing complaints regarding accounting, internal control and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing matters. Pursuant to the Mexican Securities 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. To carry out its duties, the Audit Committee may hire independent counsel and other advisors. As necessary, the company compensates the independent auditor and any outside advisor hired by the Audit Committee and provides funding for ordinary administrative expenses incurred by the Audit Committee in the course of its duties. The current Audit Committee members are: José Manuel Canal Hernando (chairman and financial expert), Francisco Zambrano Rodríguez, Alfonso González Migoya and Ernesto Cruz Velázquez de León. Each member of the Audit Committee is an independent director, as required by the Mexican Securities Law and applicable U.S. Securities Laws and NYSE listing standards. The secretary of the Audit Committee is José González Ornelas, head of FEMSA s internal audit department.

Finance and Planning Committee. The Finance and Planning Committee s responsibilities include (1) evaluating the investment and financing policies proposed by the Chief Executive Officer; and (2) evaluating risk factors to which the corporation is exposed, as well as evaluating its management policies. The current Finance and Planning Committee members are: Ricardo Guajardo Touché (chairman), Federico Reyes García, Robert E. Denham, Francisco Javier Fernández Carbajal and Alfredo Livas Cantú. The secretary of the Finance and Planning Committee is Miguel Eduardo Padilla Silva.

Corporate Practices Committee. The Corporate Practices Committee is responsible for preventing or reducing the risk of performing operations that could damage the value of our company or that benefit a particular group of shareholders. 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 Law, the chairman of the Corporate Practice Committee is elected by the shareholders at the AGM. The chairman of the Corporate Practices Committee submits a quarterly and an annual report to the board of directors of the Corporate Practices 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 Committee are: Alfredo Livas Cantú (chairman), Robert E. Denham, Ricardo Saldívar Escajadillo and Moises Naim. Each member of the Corporate Practices Committee is an independent director. The secretary of the Corporate Practices Committee is Miguel Eduardo Padilla Silva.

Employees

As of December 31, 2015, our headcount by geographic region was as follows: 187,642 in Mexico, 6,553 in Central America, 8,769 in Colombia, 7,500 in Venezuela, 21,765 in Brazil, 3,021 in Argentina, 7 in the United States, 30 in Ecuador, 148 in Peru and 10,723 in Chile. We include in headcount employees of third-party distributors and non-management store employees. The table below sets forth headcount for the years ended December 31, 2015, 2014 and 2013:

Headcount for the Year Ended December 31,

	2015			2014			2013		
	Non-Union	Union	Total	Non-Union	Union	Total	Non-Union	Union	Total
Sub-holding company:									
Coca-Cola FEMSA[1]	33,857	49,855	83,712	34,221	49,150	83,371	33,846	51,076	84,922
FEMSA Comercio Retail Division[2]	77,072	56,676	133,748	66,699	43,972	110,671	64,186	38,803	102,989
FEMSA Comercio Fuel Division	625	3,926	4,551						
Other	11,070	13,077	24,147	10,896	11,802	22,698	9,424	10,322	19,746
Total	122,624	123,534	246,158	111,816	104,924	216,740	107,456	100,201	207,657

(1) Includes employees of third-party distributors whom we do not consider to be our employees, amounting to 9,859,8,681 and 7,837 in 2015, 2014 and 2013.

(2) Includes non-management store employees, whom we do not consider to be our employees, amounting to 55,464, 51,585 and 50,862 in 2015, 2014 and 2013.

As of December 31, 2015, our subsidiaries had entered into 628 collective bargaining or similar agreements with personnel employed at our operations. Each of the labor unions in Mexico is associated with one of eight different national Mexican labor organizations. In general, we have a good relationship with the labor unions throughout our operations except in Colombia, Venezuela and Guatemala, which are or have been the subjects of significant labor-related litigation. The agreements applicable to our Mexican operations generally have an indefinite term and provide for an annual salary review and for review of other terms and conditions, such as fringe benefits, every two years.

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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, 2015

	2015	
Sub-holding Company	**Collective Bargaining Agreements**	**Labor Unions**
Coca-Cola FEMSA	260	110
FEMSA Comercio[(1)]	133	11
Others	235	102
Total	628	223

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

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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 the company as of March 8, 2016. 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 March 8, 2016

	Series B Shares[1]		Series D-B Shares[2]		Series D-L Shares[3]		Total Shares of
	Shares Owned	Percent of Class	Shares Owned	Percent of Class	Shares Owned	Percent of Class	FEMSA Capital Stock
Shareholder							
Technical Committee and Trust Participants under the Voting Trust[4]	6,922,159,485	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%
Aberdeen Asset Management PLC [6]	196,341,480	2.1%	392,682,960	9.1%	392,682,960	9.1%	5.5%

(1) As of March 8, 2016, there were 2,161,177,770 Series B Shares outstanding.

(2) As of March 8, 2016, there were 4,322,355,540 Series D-B Shares outstanding.

(3) As of March 8, 2016, 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 over those same deposited shares: BBVA Bancomer, S.A., as Trustee under Trust No. F/25078-7 (controlled by the estate of Max Michel Suberville), J.P. Morgan Trust Company (New Zealand) Limited as Trustee under a trust controlled by Paulina Garza Lagüera Gonda, Bárbara Garza Lagüera Gonda, Mariana Garza Lagüera Gonda, Eva Maria Garza Lagüera Gonda, Eva Gonda Rivera, Consuelo Garza Lagüera de Garza, Alfonso Garza Garza, Patricio Garza Garza, Juan Carlos Garza Garza, Eduardo Garza Garza, Eugenio Garza Garza, Alberto Bailleres González, Maria Teresa Gual Aspe de Bailleres, Inversiones Bursátiles Industriales, S.A. de C.V. (controlled by the Garza Lagüera family), Corbal, S.A. de C.V. (controlled by Alberto Bailleres González), Magdalena Michel de David, Alepage, S.A. (controlled by Consuelo Garza Lagüera de Garza), BBVA Bancomer, S.A. as Trustee under Trust No. F/29013-0 (controlled by the Calderón Rojas family), the estate of Max Michel Suberville, Max David Michel, Juan David Michel, Monique David de VanLathem, Renee Michel de Guichard, Magdalena Guichard Michel, Rene Guichard Michel, Miguel Guichard Michel, Graciano Guichard Michel, Juan Guichard Michel, Franca Servicios, S.A. de C.V. (controlled by the Calderón Rojas family), BBVA Bancomer, S.A., as Trustee under Trust No. F/29490-0 (controlled by Alberto, Susana and Cecilia Bailleres), BBVA Bancomer, S.A., as Trustee under Trust No. F/710004 (controlled by Magdalena Michel de David) and BBVA Bancomer, S.A., as Trustee under Trust No. F/700005 (controlled by Renee Michel de Guichard).

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

(6) As reported on Schedule 13F filed on February 2, 2016 by Aberdeen Asset Management PLC/UK.

As of March 31, 2016, there were 46 holders of record of ADSs in the United States, which represented approximately 50.8% 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 principal 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. as trustee to the voting trust, which agreement was subsequently renewed on March 15, 2013. 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 January 17, 2020 (subject to additional five-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 a 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, serves as a member of the Heineken Holding Board and the Heineken Supervisory Board. Javier Astaburuaga Sanjines, our Vice President of Corporate Development, also serves on the Heineken Supervisory Board. We made purchases of beer and raw materials in the ordinary course of business from the Heineken Group in the amount of Ps. 11,865 million in 2013, Ps. 15,133 million in 2014 and Ps. 14,467 million in 2015. We also supplied logistics and administrative services to subsidiaries of Heineken for a total of Ps. 2,412 million in 2013, Ps. 3,544 million in 2014 and Ps. 3,396 million in 2015. As of the end of December 31, 2015, 2014 and 2013, our net balance due to Heineken amounted to Ps. 1,834, Ps. 1,597 and Ps. 1,885 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 BBVA Bancomer, a financial services holding company of which Alberto Bailleres González, Ricardo Guajardo Touché, Carlos Salazar Lomelín and Arturo Fernández Pérez who are also directors or alternate directors of FEMSA, are directors, and for which José Manuel Canal Hernando, also a director of FEMSA, serves as Statutory Auditor. We made interest expense payments and fees paid to BBVA Bancomer in respect of these transactions of Ps. 68 million, Ps. 99 million and Ps. 77 million as of December 31, 2015, 2014 and 2013, respectively. The total amount due to BBVA Bancomer as of the end of December 31, 2015, 2014 and 2013 was Ps. 292 million, Ps.149 million and Ps. 1,080 million, respectively, and we also had a receivable balance with BBVA Bancomer of Ps. 2,683 million, Ps. 4,083 million and Ps. 2,357 million, respectively, as of December 31, 2015, 2014 and 2013.

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We maintain an insurance policy covering medical expenses for executives issued by GNP, an insurance company of which Alberto Bailleres González, director of FEMSA, and Arturo Fernández Pérez, alternate director of FEMSA, are directors. The aggregate amount of premiums paid under these policies was approximately Ps. 58 million, Ps. 131 million and Ps. 67 million in 2015, 2014 and 2013, respectively.

We, along with certain of our subsidiaries, spent Ps. 175 million, Ps. 158 million, Ps. 92 million in the ordinary course of business in 2015, 2014 and 2013, respectively, in publicity and advertisement purchased from Televisa, a media corporation in which our Executive Chairman of the Board, José Antonio Fernández Carbajal, two of our directors, Alberto Bailleres González and Alfonso de Angoitia Noriega, and our alternate director, Enrique F. Senior Hernández, serve as directors.

FEMSA Comercio, in its ordinary course of business, purchased Ps. 3,740 million, Ps. 3,674 million and Ps. 2,860 million in 2015, 2014 and 2013, respectively, in baked goods and snacks for its stores from subsidiaries of Bimbo, of which Ricardo Guajardo Touché, one of FEMSA s directors, Arturo Fernández Pérez, one of FEMSA s alternate directors and Daniel Servitje Montull, one of Coca-Cola FEMSA s directors, are directors. FEMSA Comercio also purchased Ps. 947 million, Ps. 780 million and Ps. 808 million in 2015, 2014 and 2013, respectively, in juices from subsidiaries of Jugos del Valle.

José Antonio Fernández Carbajal, Eva Maria Garza Lagüera Gonda, Mariana Garza Lagüera Gonda, Ricardo Guajardo Touché, Alfonso Garza Garza, Alfonso González Migoya, Ricardo Saldívar Escajadillo and Armando Garza Sada, who are directors or alternate directors of 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, 2014 and 2013, donations to ITESM amounted to Ps. 42 million and Ps. 78 million, respectively.

José Antonio Fernández Carbajal, Carlos Salazar Lomelín, Alfonso Garza Garza, Federico Reyes Garcia, Javier Astaburuaga Sanjines, Miguel Eduardo Padilla Silva, Genaro Borrego Estrada and Daniel Alberto Rodríguez Cofré, who are directors, alternate directors and senior officers of 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, 2015 and 2013, donations to Fundación FEMSA, A.C. amounted to Ps. 30 million and Ps. 27 million, respectively.

Coca-Cola FEMSA, in its ordinary course of business, purchased Ps. 2,135 million, Ps. 1,803 million and Ps. 1,814 million in 2015, 2014 and 2013, respectively, in juices from subsidiaries of Jugos del Valle.

In October 2011, Coca-Cola FEMSA executed certain agreements with affiliates of Grupo Tampico to acquire specific products and services, such as plastic cases, certain trucks and car brands, as well as auto parts, exclusively for the territories of Grupo Tampico. The agreements provide for certain preferences to be elected as suppliers in Coca-Cola FEMSA s suppliers bidding processes.

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

Coca-Cola FEMSA regularly engages in transactions with The Coca-Cola Company and its affiliates. Coca-Cola FEMSA purchases all of its concentrate requirements for *Coca-Cola* trademark beverages from The Coca-Cola Company. Total costs charged to Coca-Cola FEMSA by The Coca-Cola Company for concentrates were approximately Ps. 27,330 million, Ps. 28,084 million and Ps. 25,985 million in 2015, 2014 and 2013, respectively. Coca-Cola FEMSA and The Coca-Cola Company pay and reimburse each other for marketing expenditures. The Coca-Cola Company also contributes to Coca-Cola FEMSA s coolers, bottles and case investment program. Coca-Cola FEMSA received contributions to its marketing expenses of Ps. 3,749 million, Ps. 4,118 million and Ps. 4,206 million in 2015, 2014 and 2013, respectively.

In December 2007 and May 2008, Coca-Cola FEMSA sold most of its proprietary brands to The Coca-Cola Company. The proprietary brands are licensed back to Coca-Cola FEMSA by The Coca-Cola Company pursuant to its bottler agreements. The December 2007 transaction was valued at US$ 48 million and the May 2008 transaction was valued at US$ 16 million. Revenues in prior years from the sale of proprietary brands were deferred and amortized against the related costs of future sales over the estimated sales period.

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 The Coca-Cola Company with operations in Argentina, Chile, Brazil and Paraguay in which The Coca-Cola Company has a substantial interest, and other local suppliers. Coca-Cola FEMSA also acquires plastic preforms from Alpla Avellaneda S.A. and other suppliers.

In November 2007, Coca-Cola FEMSA together with The Coca-Cola Company acquired 100% of the shares of capital stock of Jugos del Valle, S.A.P.I. de C.V., or Jugos del Valle. Jugos del Valle sells fruit juice-based beverages and fruit derivatives. The business of Jugos del Valle in the United States was acquired and sold by The Coca-Cola Company. In 2008, Coca-Cola FEMSA, The Coca-Cola Company and all Mexican and Brazilian *Coca-Cola* bottlers entered into a joint business for the Mexican and Brazilian operations, respectively, of Jugos del Valle. As of April 8, 2016, Coca-Cola FEMSA held an interest of 26.3% in the Mexican joint business. In August 2010, Coca-Cola FEMSA acquired from The Coca-Cola Company, along with other Brazilian Coca-Cola bottlers, Leão Alimentos, manufacturer and distributor of the *Matte Leão* tea brand. In January 2013, Coca-Cola FEMSA s Brazilian joint business of Jugos del Valle merged with Leão Alimentos. As of April 8, 2016, Coca-Cola FEMSA held a 24.4% indirect interest in the *Matte Leão* business in Brazil.

In February 2009, Coca-Cola FEMSA together with The Coca-Cola Company acquired the *Brisa* bottled water business in Colombia from Bavaria, S.A., a subsidiary of SABMiller plc. Coca-Cola FEMSA acquired the production assets and the distribution territory, and The Coca-Cola Company acquired the *Brisa* brand. Coca-Cola FEMSA and The Coca-Cola Company equally shared in paying the purchase price of US$ 92 million. Following a transition period, in June 2009, Coca-Cola FEMSA started to sell and distribute the *Brisa* portfolio of products in Colombia.

In May 2009, Coca-Cola FEMSA completed a transaction to develop the *Crystal* trademark water business in Brazil with The Coca-Cola Company.

In March 2011, Coca-Cola FEMSA, together with The Coca-Cola Company and through Compañía Panameña de Bebidas, S.A.P.I. de C.V., acquired Estrella Azul, a Panamanian conglomerate that participates in the dairy and juice-based beverage categories in Panama. Coca-Cola FEMSA continues to develop this business with The Coca-Cola Company.

In March 2011, Coca-Cola FEMSA entered along with The Coca-Cola Company, through Compañía Panameña de Bebidas, S.A.P.I. de C.V., into several credit agreements, or the Credit Facilities, the proceeds of which were used to lend an aggregate amount of US$ 112.3 million to Estrella Azul. Subject to certain events which could have led to an acceleration of payments, the principal balance of the Credit Facilities was payable in one installment on March 24, 2021. In March 2014, these Credit Facilities were paid in full.

In August 2012, Coca-Cola FEMSA acquired, through Jugos del Valle, an indirect participation in Santa Clara, a producer of milk and dairy products in Mexico. As of April 8, 2016, Coca-Cola FEMSA held an indirect participation of 26.3% in Santa Clara.

On January 25, 2013, as part of its efforts to expand our geographic reach, Coca-Cola FEMSA acquired a 51% non-controlling majority stake in CCFPI from The Coca-Cola Company. Coca-Cola FEMSA has an option to acquire the remaining 49% stake in CCFPI at any time during the seven years following the closing date. Coca-Cola FEMSA also has a put option to sell its ownership in CCFPI to The Coca-Cola commencing on the fifth anniversary of the closing date and ending on the sixth anniversary of the closing date. Coca-Cola FEMSA currently manages the day-to-day operations of the business; however, pursuant to Coca-Cola FEMSA s shareholders agreement with The Coca-Cola Company (a) during a four-year period ending January 25, 2017, all decisions must be approved jointly with The Coca-Cola Company, (b) following this four-year period, all decisions related to the annual normal operations plan and any other ordinary matters will be approved only by us, (c) The Coca-Cola Company has the right to appoint (and may remove) CCFPI s chief financial officer, and (d) Coca-Cola FEMSA has the right to appoint (and may remove) the chief executive officer and all other officers of CCFPI. Coca-Cola FEMSA currently recognizes the results of CCFPI in its financial statements using the equity method.

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ITEM 8. FINANCIAL INFORMATION
Consolidated Financial Statements

See pages F-1 through F-117, 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

Mexico

Antitrust Matters

During 2000, the COFECE, motivated by complaints filed by PepsiCo and certain of its bottlers in Mexico, began an investigation of The Coca-Cola Company Export Corporation and the Mexican Coca-Cola bottlers for alleged monopolistic practices through exclusivity arrangements with certain retailers. Nine of our Mexican subsidiaries, including those acquired through our merger with Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano, were involved in this matter. After the corresponding legal proceedings in 2008, a Mexican Federal Court rendered an adverse judgment against three of our nine Mexican subsidiaries involved in the proceedings, upholding a fine of approximately Ps. 10.5 million imposed by the COFECE on each of the three subsidiaries and ordering the immediate suspension of such practices of alleged exclusivity arrangements and conditional dealings. On August 7, 2012, a Federal Court dismissed and denied an appeal that we filed on behalf of one of our subsidiaries after the merger with Grupo Fomento Queretano, which had received an adverse judgment. Coca-Cola FEMSA filed a motion for reconsideration on September 12, 2012, which was resolved on March 22, 2013 confirming the Ps. 10.5 million fine imposed by the COFECE. With respect to the complaints against the remaining six subsidiaries, a favorable resolution was issued in the Mexican Federal Courts and, consequently, the COFECE withdrew the fines and ruled in favor of six of Coca-Cola FEMSA s subsidiaries on the grounds of insufficient evidence to prove individual and specific liability in the alleged antitrust violations.

In addition, among the companies involved in the 2000 complaint filed by PepsiCo and other bottlers in Mexico, were some of Coca-Cola FEMSA s less significant subsidiaries acquired with the Grupo Yoli merger. On June 30, 2005, the COFECE imposed a fine on one of Coca-Cola FEMSA s subsidiaries for approximately Ps. 10.5 million. A motion for reconsideration on this matter was filed on September 21, 2005, which was resolved by the COFECE confirming the original resolution on December 1, 2005. An *amparo* was filed against said resolution and a Federal Court issued a favorable resolution in our benefit. Both the COFECE and PepsiCo filed appeals against said resolution and a Circuit Court in Acapulco, Guerrero resolved to request the COFECE to issue a new resolution regarding the Ps. 10.5 million fine. The COFECE then fined Coca-Cola FEMSA s subsidiary again, for the same amount. A new *amparo* claim was filed against said resolution. On May 17, 2012, such new *amparo* claim was resolved, again in favor of one of Coca-Cola FEMSA s subsidiaries, requesting the COFECE to recalculate the amount of the fine. The COFECE maintained the amount of the fine in a new resolution which we challenged through a new *amparo* claim filed on July 31, 2013 before a District Judge in Acapulco, Guerrero and are still awaiting final resolution.

In February 2009, the COFECE began a new investigation of alleged monopolistic practices filed by PepsiCo consisting of sparkling beverage sales subject to exclusivity agreements and the granting of discounts and/or benefits in exchange for exclusivity arrangements with certain retailers. In December 2011, the COFECE closed this investigation on the grounds of insufficient evidence of monopolistic practices by The Coca-Cola Company and some of its bottlers, including Coca-Cola FEMSA. On February 9, 2012, PepsiCo appealed the decision of the COFECE. The COFECE confirmed its decision on May 3, 2012.

In June and July 2010, Ajemex, S.A. de C.V., or Ajemex, filed two complaints with the COFECE against The Coca-Cola Export Corporation and certain *Coca-Cola* bottlers, including Coca-Cola FEMSA, for alleged monopolistic practices in breach of COFECE s resolution dated June 30, 2005. On January 23, 2015, The Coca-Cola Export Corporation and the *Coca-Cola* bottlers provided evidence to COFECE against these allegations. The COFECE ruled upon these proceedings in favor of The Coca-Cola Export Corporation and the *Coca-Cola* bottlers. On April 6, 2015, Ajemex filed an *amparo* claim against said resolution, which was dismissed and denied by a Federal District Judge. No further action was pursued by Ajemex, and the resolution became final.

Significant Changes

Except as disclosed under Recent Developments in Item 5, 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.

At our AGM held on March 29, 2007, our shareholders approved a three-for-one stock split in respect all of our outstanding capital stock, which became effective in May 2007. Following the stock split, our total capital stock consists of 2,161,177,770 BD Units and 1,417,048,500 B Units. Our stock split also resulted in a three-for-one stock split of our ADSs. The stock-split was conducted on a pro-rata basis in respect of all holders of our shares and all ADS holders of record as of May 25, 2007, and the ratio of voting and non-voting shares was maintained, thereby preserving our ownership structure as it was prior to the stock-split.

On April 22, 2008, FEMSA shareholders approved a proposal to amend our bylaws in order to preserve the unit structure for our shares that has been in place since May 1998, and to maintain our existing share structure beyond May 11, 2008, absent further shareholder action.

Previously, our bylaws provided that on May 11, 2008, each Series D-B Share would automatically convert into one Series B Share with full voting rights, and each Series D-L Share would automatically convert into one Series L Share with limited voting rights. At that time:

- the BD Units and the B Units would cease to exist and the underlying Series B Shares and Series L Shares would be separate; and

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the Series B Shares and Series L Shares would be entitled to share equally in any dividend, and the dividend preferences of the Series D-B Shares and Series D-L Shares of 125% of any amount distributed in respect of each Series B Share existing prior to May 11, 2008, would be terminated.

However, following the April 22, 2008 shareholder approvals, these changes will no longer occur and instead our share and unit structure will remain unchanged, absent shareholder action, as follows:

the BD Units and the B Units will continue to exist; and

the dividend preferences of the Series D-B Shares and Series D-L Shares of 125% of any amount distributed in respect of each Series B Share will continue to exist.

The following table sets forth information regarding our capital stock as of March 31, 2016:

Class	Number	Percentage of Capital	Percentage of Full Voting Rights
Series B Shares (no par value)	9,246,420,270	51.68%	100%
Series D-B Shares (no par value)	4,322,355,540	24.16%	0%
Series D-L Shares (no par value)	4,322,355,540	24.16%	0%
Total Shares	17,891,131,350	100%	100%
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%	100%

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 depositary. As of March 31, 2016, approximately 50.8% 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. **See Item 3. Key Information Exchange Rate Information.**

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Trading on the Mexican Stock Exchange

The Mexican Stock Exchange, located in Mexico City, is the only stock exchange in Mexico. Founded in 1907, it is organized as a *sociedad anónima bursátil*. 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*, or CNBV. Most securities traded on the Mexican Stock Exchange, including ours, are on deposit with *S.D. Indeval Instituto para el Depósito de Valores S.A. de C.V.*, which we refer to as Indeval, a privately owned securities depositary that acts as a clearinghouse for Mexican Stock Exchange transactions.

Price History

The following tables set forth, for the periods indicated, the reported high, low and closing sale prices and the average daily trading volumes for the B Units and BD Units on the Mexican Stock Exchange and the reported high, low and closing sale prices and the average daily trading volumes for the ADSs on the NYSE.

	B Units(1)				
	Nominal pesos				Average
	High(2)	Low(2)	Close(3)	Close US$(4)	Daily Trading Volume (Units)
2011	81.00	50.00	78.05	5.59	1,500
2012	99.00	75.00	99.00	7.65	6,004
2013	126.00	99.00	106.00	8.09	47,136
2014					
First Quarter	106.90	103.00	106.00	8.12	1,286
Second Quarter	110.00	104.00	104.00	8.02	3,650
Third Quarter	116.00	109.00	112.00	8.34	1,956
Fourth Quarter	125.00	109.00	122.50	8.31	1,525
2015					
First Quarter	131.50	121.00	131.49	8.63	1,775
Second Quarter	142.66	133.00	139.41	8.89	10,134
Third Quarter	136.50	135.00	136.50	8.08	1,876
Fourth Quarter	154.00	137.91	145.80	8.48	2,759
October	153.00	138.75	152.00	9.20	1,959
November	154.00	150.00	154.00	9.28	683
December	154.00	137.91	145.80	8.48	5,881
2016					
January	148.50	144.50	148.50	8.15	4,036
February	150.00	139.50	148.17	8.20	1,532
March	149.50	147.00	147.00	8.54	8,730
First Quarter	150.00	139.50	147.00	8.54	4,834

(1) The prices and average daily trading volume for the B Units were taken from Bloomberg and reflect our 3:1 stock split, which was effective May 25, 2007.

(2) High and low closing prices for the periods presented.

(3) Closing price on the last day of the periods presented.

(4) Represents the translation from Mexican pesos to U.S. dollars of the closing price of the B Units on the last day of the periods presented based on the noon buying rate for the purchase of U.S. dollars, as reported by the U.S. Federal Reserve Board using the period-end exchange rate.

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	BD Units[1]				
	Nominal pesos				Average Daily Trading Volume (Units)
	High[2]	Low[2]	Close[3]	Close US$[4]	
2011	97.80	64.01	97.02	6.95	2,709,323
2012	130.64	88.64	129.31	9.99	2,135,503
2013	151.72	117.05	126.40	9.65	3,082,463
2014					
First Quarter	126.17	109.62	121.61	9.31	3,063,251
Second Quarter	129.52	118.34	121.59	9.38	2,771,898
Third Quarter	129.65	121.11	123.63	9.21	2,403,749
Fourth Quarter	134.71	117.39	130.88	8.87	2,290,740
2015					
First Quarter	143.54	123.68	143.11	9.39	2,560,379
Second Quarter	147.73	136.36	139.97	8.92	2,598,477
Third Quarter	154.36	140.26	151.27	8.95	2,297,879
Fourth Quarter	168.78	149.68	161.63	9.40	2,242,941
October	168.78	149.68	163.17	9.87	2,076,294
November	167.44	160.43	160.43	9.66	2,490,418
December	164.16	157.79	161.63	9.40	2,277,197
2016					
January	171.81	152.61	171.81	9.43	3,241,701
February	176.27	164.42	169.91	9.40	2,703,903
March	172.12	160.15	166.80	9.69	3,661,743
First Quarter	176.27	152.61	166.80	9.69	3,160,365

(1) The prices and average daily trading volume for the BD Units were taken from Bloomberg and reflect our 3:1 stock split, which was effective May 25, 2007.

(2) High and low closing prices for the periods presented.

(3) Closing price on the last day of the periods presented.

(4) Represents the translation from Mexican pesos to U.S. dollars of the closing price of the BD Units on the last day of the periods presented based on the noon buying rate for the purchase of U.S. dollars, as reported by the U.S. Federal Reserve Board using the period-end exchange rate.

	ADSs[1] U.S. dollars			Average Daily Trading Volume (ADSs)
	High[2]	Low[2]	Close[3]	
2011	73.00	52.67	69.71	553,338
2012	101.70	52.95	100.70	537,000
2013	124.96	88.66	97.87	604,552
2014				
First Quarter	96.94	82.59	93.24	658,259
Second Quarter	100.22	90.57	93.65	379,657
Third Quarter	100.26	92.03	92.05	301,778
Fourth Quarter	98.28	81.94	88.03	339,972
2015				
First Quarter	95.74	82.97	93.50	426,634
Second Quarter	98.88	87.52	89.09	338,531
Third Quarter	93.83	81.90	89.25	373,119
Fourth Quarter	101.96	88.43	92.35	377,262
October	101.86	88.43	99.09	449,999
November	101.96	96.18	96.38	362,102
December	98.10	91.00	92.35	318,307
2016				
January	94.82	85.25	94.82	418,209
February	96.51	87.25	93.59	460,486
March	96.60	89.44	96.31	555,516
First Quarter	96.60	85.25	96.31	481,591

(1) Each ADS comprises 10 BD Units. Prices and average daily trading volume were taken from Bloomberg and reflect our 3:1 stock split, which was effective May 25, 2007.

(2) High and low closing prices for the periods presented.

(3) Closing price on the last day of the periods presented.

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 April 22, 2008. 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 *sociedad anónima bursátil de capital variable* organized in Mexico under the *Ley General de Sociedades Mercantiles* (Mexican General Corporations Law) and the Mexican Securities Law. 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 *Registro Público de la Propiedad y del Comercio* (Public Registry of Property and Commerce) 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 11 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.

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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: (1) 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, (2) 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, (3) change of our jurisdiction of incorporation, (4) dissolution and liquidation and (5) 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 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 (2) 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 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 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;

- 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 (1) the challenged resolution violates Mexican law or our bylaws, (2) the opposing shareholders neither attended the meeting nor voted in favor of the challenged resolution and (3) 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

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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 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, or 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 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 *Secretaría de Economía* (Secretary of Economy) and in the *Periódico Oficial del Estado de Nuevo León* (Official State Gazette of Nuevo León, or the Official State Gazette) 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 the 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 the 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.

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Dividend Rights

At the AGM, the board of directors submits the financial statements of the 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 sufficient 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: (1) 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 (2) 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 the 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 Law; and (iv) capital increase made through the payment in kind of the issued shares or through the cancellation of debt of the Company.

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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 the Company

Management of the 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 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 the 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 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 are 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 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 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. 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 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 (1) are considered to be Mexican with respect to such shares that they acquire or hold and (2) 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 Carlos Eduardo Aldrete Ancira, 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, 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 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.

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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 the company. The Mexican Securities 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 Law provides that the members of the board of directors will not incur, individually or jointly, liability for damages and losses caused to the company, when their acts were made in good faith, in any of the following events (1) the directors complied with the requirements of the Mexican Securities Law and with the company s bylaws, (2) 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; (3) the negative economic effects could not have been foreseen, based on the information available; and (4) they comply with the resolutions of the shareholders meeting when such resolutions comply with applicable law.

Fiduciary Duties Duty of Care

The Mexican Securities 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, to appear at board of directors meetings to report 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 (1) 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, (2) 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 (3) failed to comply with the duties imposed by the Mexican Securities Law or our bylaws.

Fiduciary Duties Duty of Loyalty

The Mexican Securities 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;

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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 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 by 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, whom we refer to as a U.S. holder, 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. 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, or investors who have a functional currency other than the U.S. dollar. This summary deals only with U.S. holders that 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 voting shares (including ADSs) of the 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 *Centro de Intereses Vitales* (Center of Vital Interests) (as defined in the Mexican Tax Code) is located in Mexico and, among other circumstances, more than 50% of that person s total income during a calendar year comes from 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 generated after or during 2014 will be subject to Mexican withholding tax at a rate of 10%. **See Item 4. Information on the Company Regulatory Matters Mexican Tax Reform.**

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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%, 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

Taxation of Dividends. The gross amount of any dividends paid with respect to our shares represented by our ADSs 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 depositary and will not be eligible for the dividends received deduction allowed to corporations under the Internal Revenue Code of 1986, as amended. 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 depositary (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. Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual U.S. holder in respect of the ADSs is subject to taxation at the reduced rate applicable to long-term capital gains if the dividends are qualified dividends. Dividends paid on the ADSs will be treated as qualified dividends if (1) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service 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 (2) 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. 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 2015 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 2016 taxable year. Dividends generally will constitute foreign source passive income for U.S. foreign tax credit purposes.

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.

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A holder of ADSs that is, with respect to the United States, a foreign corporation or non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on dividends received on ADSs unless such income is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States.

Taxation of Capital Gains. A 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 a 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. Any long-term capital gain recognized by a U.S. holder that is an individual is subject to a reduced rate of 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.

Any gain realized by a U.S. holder on the sale or other disposition of ADSs generally will be treated as U.S. source income for U.S. foreign tax credit purposes.

A non-U.S. holder of ADSs will not be subject to U.S. federal income or withholding tax on any gain realized on the sale of ADSs, unless (1) such gain is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States, or (2) in the case of a gain realized by an individual non-U.S. holder, the non-U.S. holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

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, interest or the proceeds of a sale or disposition of ADSs, unless such holder (1) is a corporation or comes within certain exempt categories, and demonstrates this fact when so required, or (2) 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. 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 The Coca-Cola Company 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 February 2010, Coca-Cola FEMSA s main shareholders, FEMSA and The Coca-Cola Company, 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: (1) ordinary operations within an annual business plan and (2) appointment of the chief executive officer and all officers reporting to him, all of which now 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 retained earnings, may be approved by a simple majority of the shareholders. 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 The Coca-Cola Company. Also, any decision related to such extraordinary matters or any payment of dividends above 20% of the preceding years retained earnings shall require the approval of a majority of the shareholders of Coca-Cola FEMSA s Series A and Series D Shares voting together as a single class.

Under Coca-Cola FEMSA s bylaws and shareholders agreement, its Series A 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 The Coca-Cola Company 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 The Coca-Cola Company under any bottler agreement between The Coca-Cola Company and Coca-Cola FEMSA or any of its subsidiaries is materially adverse to Coca-Cola FEMSA s business interests and that The Coca-Cola Company 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: (1) a change in control in a principal shareholder; (2) the existence of irreconcilable differences between the principal shareholders; or (3) the occurrence of certain specified events of default.

In the event that (1) one of the principal shareholders buys the other s interest in Coca-Cola FEMSA in any of the circumstances described above or (2) the ownership of Coca-Cola FEMSA s shares of capital stock other than the Series L Shares of the subsidiaries of The Coca-Cola Company or FEMSA is reduced below 20% and upon the request of the shareholder whose interest is not so reduced, the shareholders agreement requires that Coca-Cola FEMSA s bylaws be amended to eliminate all share transfer restrictions and all special-majority voting and quorum requirements, after which the shareholders agreement would terminate.

The shareholders agreement also contains provisions relating to the principal shareholders understanding as to Coca-Cola FEMSA s growth. It states that it is The Coca-Cola Company 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, The Coca-Cola Company 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. The Coca-Cola Company has also agreed to support reasonable and sound modifications to Coca-Cola FEMSA s capital structure to support horizontal growth. The Coca-Cola Company s agreement as to horizontal growth expires upon either the elimination of the super-majority voting requirements described above or The Coca-Cola Company s election to terminate the agreement as a result of a default.

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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 The Coca-Cola Company 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 The Coca-Cola Company (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 principal terms are as follows:

The shareholder arrangements between our company and The Coca-Cola Company and certain of its subsidiaries will continue in place. On February 1, 2010, FEMSA amended its shareholders agreement with The Coca-Cola Company. **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.

The Coca-Cola Company 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.

There will be no changes in concentrate pricing or marketing support by The Coca-Cola Company up to May 2004. After such time, The Coca-Cola Company has complete discretion to implement any changes with respect to these matters, but any decision in this regard will be discussed with Coca-Cola FEMSA and will take Coca-Cola FEMSA s operating condition into consideration.

The Coca-Cola Company may require the establishment of a different long-term strategy for Brazil. If, after taking into account our performance in Brazil, The Coca-Cola Company does not consider us to be part of this long-term strategic solution for Brazil, then we will sell our Brazilian franchise to The Coca-Cola Company 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. Coca-Cola FEMSA currently believes the likelihood of this term applying is remote.

We, The Coca-Cola Company and Coca-Cola FEMSA will meet to discuss the optimal Latin American territorial configuration for the Coca-Cola bottler system. During these meetings, Coca-Cola FEMSA will consider all possible combinations and any asset swap transactions that may arise from these discussions. In addition, Coca-Cola FEMSA will entertain any potential combination as long as it is strategically sound and done at fair market value.

Coca-Cola FEMSA would like to keep open strategic alternatives that relate to the integration of sparkling beverages and beer. The Coca-Cola Company, our company and Coca-Cola FEMSA would explore these alternatives on a market-by-market basis at the appropriate time.

The Coca-Cola Company 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 The Coca-Cola Company, 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. The Coca-Cola Company 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 The Coca-Cola Company 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.

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Coca-Cola FEMSA entered into a stand-by credit facility in December 2003 with The Coca-Cola Export Corporation, which expired in December 2006 and was never used.

Cooperation Framework with The Coca-Cola Company

In September 2006, Coca-Cola FEMSA and The Coca-Cola Company reached a comprehensive cooperation framework for a new stage of collaboration going forward. This new framework includes the main aspects of Coca-Cola FEMSA s relationship with The Coca-Cola Company and defines the terms for the new collaborative business model. The framework is structured around three main objectives, which have been implemented as outlined below.

Sustainable growth of sparkling beverages, still beverages and waters: Together with The Coca-Cola Company, Coca-Cola FEMSA has defined a platform to jointly pursue incremental growth in the sparkling beverage category, as well as accelerated development of still beverages and water across Latin America. To this end, The Coca-Cola Company will provide a relevant portion of the funds derived from the concentrate increase for marketing support of the entire portfolio. In addition, the framework contemplates a new, all-encompassing business model for the development, organically and through acquisitions, of still beverages and water that further aligns Coca-Cola FEMSA s and The Coca-Cola Company s objectives and should contribute to incremental long-term value creation at both companies. With this objective in mind, Coca-Cola FEMSA has jointly acquired the *Brisa* bottled water business in Colombia, it has a joint venture with respect to the Jugos del Valle products in Mexico and Brazil, and has agreements to develop the *Crystal* water business and the *Matte Leão* business in Brazil jointly with other bottlers and the business of Estrella Azul in Panama. During 2011, Coca-Cola FEMSA and The Coca-Cola Company entered into a joint venture to develop certain coffee products in Coca-Cola FEMSA s territories. In addition, during 2012 Coca-Cola FEMSA acquired, through Jugos del Valle, an indirect participation in Santa Clara, producer of milk and dairy products in Mexico.

Horizontal growth: The framework includes The Coca-Cola Company s endorsement of Coca-Cola FEMSA s aspiration to continue being a leading participant in the consolidation of the Coca-Cola system in Latin America, as well as the exploration of potential opportunities in other markets where Coca-Cola FEMSA s operating model and strong execution capabilities could be leveraged. For example, in 2008 Coca-Cola FEMSA entered into a transaction with The Coca-Cola Company to acquire from it REMIL, which was The Coca-Cola Company s wholly-owned bottling franchise in the majority of the State of Minas Gerais of Brazil. On January 25, 2013, Coca-Cola FEMSA closed the acquisition of a 51% non-controlling stake in the outstanding shares of CCFPI from The Coca-Cola Company. From 2011 to 2013, Coca-Cola FEMSA closed four mergers in Mexico and two acquisitions in Brazil. **See Item. 4 Information on the Company Coca-Cola FEMSA Corporate History.**

Long-term vision in relationship economics: Coca-Cola FEMSA and The Coca-Cola Company understand each other s business objectives and growth plans, and the new framework provides long-term perspective on the economics of their relationship. This will allow Coca-Cola FEMSA and The Coca-Cola Company to focus on continuing to drive the business forward and generating profitable growth.

Bottler Agreements

Bottler agreements are the standard agreements for each territory that The Coca-Cola Company enters into with bottlers. Pursuant to its bottler agreements, Coca-Cola FEMSA is authorized to manufacture, sell, and distribute *Coca-Cola* trademark beverages within specific geographic areas, and is required to purchase concentrate for all *Coca-Cola* trademark beverages in all of its territories from companies designated by The Coca-Cola Company, and sweeteners and other raw materials from companies authorized by The Coca-Cola Company.

These bottler agreements also provide that Coca-Cola FEMSA will purchase its entire requirement of concentrate for *Coca-Cola* trademark beverages at prices, terms of payment and on other terms and conditions of supply as determined from time to time by The

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Coca-Cola Company at its sole discretion. 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 the price multipliers used to calculate the cost of concentrate and the currency of payment, among other terms, are set by The Coca-Cola Company at its sole discretion, Coca-Cola FEMSA sets the price of products sold to customers at its discretion, subject to the applicability of price restraints imposed by authorities in certain territories. Coca-Cola FEMSA has the exclusive right to distribute *Coca-Cola* trademark beverages for sale in its territories in authorized containers of the nature approved by the bottler agreements and currently used by Coca-Cola FEMSA. These containers include various configurations of cans and returnable and non-returnable bottles made of glass, aluminum and plastic and fountain containers.

The bottler agreements include an acknowledgment by Coca-Cola FEMSA that The Coca-Cola Company is the sole owner of the trademarks that identify the *Coca-Cola* trademark beverages and of the secret formulas with which The Coca-Cola Company s concentrates are made. Subject to Coca-Cola FEMSA s exclusive right to distribute *Coca-Cola* trademark beverages in its territories, The Coca-Cola Company reserves the right to import and export *Coca-Cola* trademark beverages to and from each of its territories. Coca-Cola FEMSA s bottler agreements do not contain restrictions on The Coca-Cola Company s ability to set the price of concentrates and do not impose minimum marketing obligations on The Coca-Cola Company. The prices at which Coca-Cola FEMSA purchases concentrates under the bottler agreements may vary materially from the prices it has historically paid. However, under Coca-Cola FEMSA s bylaws and the shareholders agreement among our company and The Coca-Cola Company and certain of its subsidiaries, an adverse action by The Coca-Cola Company under any of the bottler agreements may result in a suspension of certain voting rights of the directors appointed by The Coca-Cola Company. This provides Coca-Cola FEMSA with limited protection against The Coca-Cola Company s ability to raise concentrate prices to the extent that such increase is deemed detrimental to Coca-Cola FEMSA pursuant to such shareholders agreement and the Coca-Cola FEMSA s bylaws. **See Item 10. Additional Information Material Contracts Material Contracts Relating to Coca-Cola FEMSA Shareholders Agreement.**

The Coca-Cola Company has the ability, at its sole discretion, to reformulate any of the *Coca-Cola* trademark beverages and to discontinue any of the *Coca-Cola* trademark beverages, subject to certain limitations, so long as all *Coca-Cola* trademark beverages are not discontinued. The Coca-Cola Company may also introduce new beverages in Coca-Cola FEMSA s territories in which case Coca-Cola FEMSA has a right of first refusal with respect to the manufacturing, packaging, distribution and sale of such new beverages subject to the same obligations as then exist with respect to the *Coca-Cola* trademark beverages under the bottler agreements. The bottler agreements prohibit Coca-Cola FEMSA from producing, bottling or handling beverages other than those of The Coca-Cola Company trademark beverages, or other products or packages that would imitate, infringe upon, or cause confusion with the products, trade dress, containers or trademarks of The Coca-Cola Company, except under the authority of, or with the consent of, The Coca-Cola Company. The bottler agreements also prohibit Coca-Cola FEMSA from acquiring or holding an interest in a party that engages in such restricted activities. The bottler agreements impose restrictions concerning the use of certain trademarks, authorized containers, packaging and labeling of The Coca-Cola Company so as to conform to policies approved by The Coca-Cola Company. In particular, Coca-Cola FEMSA is obligated to:

- maintain plant and equipment, staff and distribution facilities capable of manufacturing, packaging and distributing the *Coca-Cola* trademark beverages in authorized containers in accordance with Coca-Cola FEMSA bottler agreements and in sufficient quantities to satisfy fully the demand in its territories;

- undertake adequate quality control measures established by The Coca-Cola Company;

- develop, stimulate and satisfy fully the demand for *Coca-Cola* trademark beverages using all approved means, which includes the investment in advertising and marketing plans;

- maintain a sound financial capacity as may be reasonably necessary to assure performance by Coca-Cola FEMSA and its subsidiaries of their obligations to The Coca-Cola Company; and

- submit annually, to The Coca-Cola Company, Coca-Cola FEMSA s marketing, management, promotional and advertising plans for the ensuing year.

The Coca-Cola Company contributed a significant portion of Coca-Cola FEMSA s total marketing expenses in its territories

during 2015 and has reiterated its intention to continue providing such support as part of its cooperation framework. Although Coca-Cola FEMSA believes that The Coca-Cola Company will continue to provide funds for advertising and marketing, it is not obligated to do so. Consequently, future levels of advertising and marketing support provided by The Coca-Cola Company may vary materially from the levels historically provided. See Item 10. Additional Information Material Contracts Material Contracts Relating to Coca-Cola FEMSA Shareholders Agreement.

Coca-Cola FEMSA has separate bottler agreements with The Coca-Cola Company for each of the territories where it operates, on substantially the same terms and conditions. These bottler agreements are automatically renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew a specific agreement.

As of December 31, 2015, we had:

- nine bottler agreements in Mexico: (i) two agreements for the Valley of Mexico territory, which are up for renewal in May 2016 and June 2023, (ii) the agreement for the Southeast territory, which is up for renewal in June 2023, (iii) three agreements for the Central territory, which are up for renewal in May 2016, July 2016 and May 2025, (iv) the agreement for the Northeast territory, which is up for renewal in May 2016, and (v) two agreements for the Bajio territory, which are up for renewal in May 2016 and May 2025;

- four bottler agreements in Brazil, which are up for renewal in October 2017 (two agreements) and April 2024 (two agreements); and

- one bottler agreement in each of Argentina, which is up for renewal in September 2024, Colombia, which is up for renewal in June 2024; Venezuela, which is up for renewal in August 2016; Guatemala, which is up for renewal in March 2025; Costa Rica, which is up for renewal in September 2017; Nicaragua, which is up for renewal in May 2016 and Panama, which is up for renewal in November 2024.

The bottler agreements are subject to termination by The Coca-Cola Company in the event of default by Coca-Cola FEMSA. The default provisions include limitations on the change in ownership or control of Coca-Cola FEMSA and the assignment or transfer of the bottler agreements and are designed to preclude any person not acceptable to The Coca-Cola Company from obtaining an assignment of a bottler agreement or from acquiring Coca-Cola FEMSA independently of other rights set forth in the shareholders agreement. These provisions may prevent changes in Coca-Cola FEMSA s principal shareholders, including mergers or acquisitions involving sales or dispositions of Coca-Cola FEMSA s capital stock, which will involve an effective change of control without the consent of The Coca-Cola Company. **See Item 10.Additional Information Material Contracts Material Contracts Relating to Coca-Cola FEMSA Shareholders Agreement.**

Coca-Cola FEMSA has also entered into tradename license agreements with The Coca-Cola Company pursuant to which Coca-Cola FEMSA is authorized to use certain trademark names of The Coca-Cola Company with its corporate name. These agreements have a ten-year term and are automatically renewed for ten-year terms, but are terminated if Coca-Cola FEMSA s ceases to manufacture, market, sell and distribute *Coca-Cola* trademark products pursuant to the bottler agreements or if the shareholders agreement is terminated. The Coca-Cola Company also has the right to terminate a license agreement if Coca-Cola FEMSA uses its trademark names in a manner not authorized by the bottler agreements.

Material Contracts Relating to our Holding of Heineken Shares

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 Holding N.V. and Heineken N.V. 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.

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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, represents an aggregate 20% economic interest in the Heineken Group.

Under the terms of the Share Exchange Agreement, in exchange for such economic interest in the Heineken Group, 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 the Heineken Group 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 N.V. and Heineken Holding N.V. to FEMSA of indemnities customary in transactions of this nature concerning the Heineken Group; 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 N.V. & Heineken Holding N.V. Exchange Shares and Allotted Shares), Heineken N.V., Heineken Holding N.V. 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 Board and the Heineken 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 Supervisory Board;

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FEMSA s commitment to not increase its holding in Heineken Holding N.V. above 20% and to not increase its holding in the Heineken Group above a maximum 20% economic interest (subject to certain exceptions); and

FEMSA s agreement not to transfer any shares in Heineken N.V. or Heineken Holding N.V. 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 is entitled to nominate two representatives to the Heineken Supervisory Board, one of whom will be appointed as its vice-chairman and will also serve as a representative of FEMSA on the Heineken Supervisory Board. Our nominees for appointment to the Heineken Supervisory Board were José Antonio Fernández Carbajal, our Executive Chairman of the Board, and Javier Astaburuaga Sanjines, our Vice President of Corporate Development, who were both approved by Heineken N.V. s general meeting of shareholders. Mr. Fernández Carbajal was also approved to the Heineken Holding N.V. Board of Directors by the general meeting of shareholders of Heineken Holding N.V.

In addition, the Heineken Supervisory Board has created an Americas committee to oversee the strategic direction of the business in the American continent and assess new business opportunities in that region. The Americas committee consists of two existing members of the Heineken Supervisory Board and one FEMSA representative, who acts as the chairman. The chairman of the Americas committee is José Antonio Fernández Carbajal, our Executive Chairman of the 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. For example, in certain circumstances, FEMSA would be entitled to only one representative on the Heineken Supervisory Board, including in the event that FEMSA s economic interest in the Heineken Group were to fall below 14%, the current FEMSA control structure were to change or FEMSA were to be subject to a change of control. In the event that FEMSA s economic interest in Heineken falls below 7% or a beer producer acquires control of FEMSA, all of FEMSA s corporate governance rights would end pursuant to the Corporate Governance Agreement.

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. You may read and copy any materials filed with the SEC at its public reference rooms in Washington, D.C., at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Filings we make electronically with the SEC are also available to the public over the Internet at the SEC s website at www.sec.gov.

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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, 2015, we had outstanding total debt of Ps. 91,864 million, of which 7.6% bore interest at variable interest rates and 92.4% bore interest at fixed interest rates. Swap contracts held by us effectively switch a portion of our variable rate indebtedness into fixed-rate indebtedness. After giving effect to these contracts, as of December 31, 2015, 79.6% of our total debt was fixed rate and 20.4% 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 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). The interest rate on our variable rate debt is determined by reference to the London Interbank Offered Rate, or LIBOR, (a benchmark rate used for Eurodollar loans), the *Tasa de Interés Interbancaria de Equilibrio* (Equilibrium Interbank Interest Rate, or TIIE), and the *Certificados de la Tesorería* (Treasury Certificates, or CETES) rate. If these 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, 2015, 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, 2015 exchange rate of Ps. 17.2065 per U.S. dollar.

The table below also includes the estimated fair value as of December 31, 2015 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 and capital leases, 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, 2015.

As of December 31, 2015, the fair value represents a decrease in total debt of Ps. 313 million less than book value.

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Principal by Year of Maturity

(in millions of Mexican pesos)	At December 31,(1) 2016	2017	2018	2019	2020	2021 and Thereafter	Carrying Value at December 31, 2015	Fair Value at December 31, 2015	Carrying Value at December 31, 2014(1)
Short-term debt:									
Fixed rate debt:									
Colombian pesos									
Bank loans	Ps. 219	Ps.	Ps.	Ps.	Ps.	Ps.	**Ps. 219**	**Ps. 220**	Ps.
Interest rate	6.5%						**6.5%**		
Argentine pesos									
Notes payable	165						**165**	**164**	301
Interest rate	26.2%						**26.2%**		30.9%
Chilean pesos									
Bank loans	1,442						**1,442**	**1,442**	
Interest rate	4.2%						**4.2%**		
Finance leases	10						**10**	**10**	
Interest rate	2.4%						**2.4%**		
Variable rate debt:									
Colombian pesos									
Bank loans	235						**235**	**235**	
Interest rate	8.2%						**8.2%**		
Brazilian reais									
Bank loans	168						**168**	**168**	148
Interest rate	14.8%						**14.8%**		12.6%
Total short-term debt	Ps. 2,239	Ps.	Ps.	Ps.	Ps.	Ps.	**Ps. 2,239**	**Ps. 2,239**	Ps. 449
Long-term debt:									
Fixed rate debt:									
U.S. dollars									
Yankee bond	Ps.	Ps.	Ps. 17,158	Ps.	Ps. 8,566	Ps. 25,609	**Ps. 51,333**	**Ps. 52,990**	Ps. 43,893
Interest rate			2.4%		4.6%	4.4%	**3.8%**		3.8%
Bank of NY (FEMSA USD 2023)						5,068	**5,068**	**4,852**	4,308
Interest rate						2.9%	**2.9%**		2.9%
Bank of NY (FEMSA USD 2043)						11,675	**11,675**	**10,737**	9,900
Interest rate						4.4%	**4.4%**		4.4%
Bank loans									30
Interest rate									3.9%
Mexican pesos									
Units of investment (UDIs)		3,385					**3,385**	**3,385**	3,599
Interest rate		4.2%					**4.2%**		4.2%
Domestic senior notes						9,989	**9,989**	**9,527**	9,988
Interest rate						6.2%	**6.2%**		6.2%
Brazilian reais									
Bank loans	174	187	151	116	80	111	**819**	**653**	601
Interest rate	5.4%	5.7%	6.3%	6.6%	6.7%	5.6%	**6.0%**		4.6%
Finance leases	67	66	65	62	51	149	**460**	**356**	762
Interest rate	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	**4.6%**		4.6%
Argentine pesos									
Bank loans	18						**18**	**17**	309
Interest rate	15.3%						**15.3%**		26.8%
Chilean pesos									
Bank loans	120	82	30				**232**	**232**	
Interest rate	7.3%	7.6%	7.9%				**7.5%**		
Finance leases	14	15	16	17	18	12	**92**	**92**	
Interest rate	3.6%	3.6%	3.5%	3.5%	3.3%	3.2%	**3.4%**		

Subtotal	Ps.	393	Ps.	3,735	Ps.	17,420	Ps.	195	Ps.	8,715	Ps.	52,613	**Ps.**	**83,071**	**Ps.**	**82,841**	Ps.	73,390

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

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(in millions of Mexican pesos)	At December 31,[1] 2016	2017	2018	2019	2020	2021 and Thereafter	Carrying Value at December 31, 2015	Fair Value at December 31, 2015	Carrying Value at December 31, 2014[1]
Variable rate debt:									
U.S. dollars									
Bank loans	Ps.	Ps.	Ps.	Ps.	Ps.	Ps.	**Ps.**	**Ps.**	Ps. 6,956
Interest rate									0.9%
Mexican pesos									
Domestic senior notes	2,496						**2,496**	**2,500**	2,473
Interest rate	3.6%						**3.6%**		3.4%
Argentine pesos									
Bank loans	82	41					**123**	**120**	232
Interest rate	32.2%	32.2%					**32.2%**		21.5%
Brazilian reais									
Bank loans	189	107	107	107	74		**584**	**511**	156
Interest rate	11.9%	9.2%	9.2%	9.2%	9.2%		**10.1%**		6.7%
Finance leases									63
Interest rate									10.0%
Colombian pesos									
Bank loans	280	684	54	53	53	52	**1,176**	**1,165**	769
Interest rate	6.9%	6.5%	8.0%	8.0%	8.0%	8.2%	**6.9%**		5.9%
Finance leases	0.04	0.04	0.05	0.05	0.01		**0.19**	**0.19**	
Interest rate	8.4%	8.4%	8.4%	8.4%	8.4%		**8.4%**		
Chilean pesos									
Bank loans	216	283	374	358	549	395	**2,175**	**2,175**	
Interest rate	6.2%	6.3%	6.2%	6.2%	5.7%	5.9%	**6.0%**		
Subtotal	Ps. 3,263	Ps. 1,115	Ps. 535	Ps. 518	Ps. 676	Ps. 447	**Ps. 6,554**	**Ps. 6,471**	Ps. 10,649
Total long-term debt	Ps. 3,656	Ps. 4,850	Ps. 17,955	Ps. 713	Ps. 9,391	Ps. 53,060	**Ps. 89,625**	**Ps. 89,312**	Ps. 84,039

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

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Hedging Derivative Financial Instruments [1]	2016	2017	2018	2019	2020	2021 and Thereafter	Total 2015	Total 2014
			(notional amounts in millions of Mexican pesos)					
Interest rate swaps:								
Mexican pesos								
Variable to fixed rate:				76		1,197	**1,273**	
Interest pay rate				6.5%		7.1%	**7.0%**	
Interest receive rate				4.5%		5.5%	**5.5%**	
Variable to fixed rate[2]								
Interest pay rate		5.2%					**5.2%**	5.0%
Interest receive rate		3.4%					**3.4%**	3.2%
Variable to fixed rate[3]								
Interest pay rate						7.2%	**7.2%**	7.2%
Interest receive rate						4.8%	**4.8%**	4.6%
Cross currency swaps:								
Units of investments to Mexican pesos and variable rate:								
Fixed to variable[2]	Ps.	Ps. 2,500	Ps.	Ps.	Ps.	Ps.	**Ps. 2,500**	Ps. 2,500
Interest pay rate		3.4%					**3.4%**	3.1%
Interest receive rate		4.2%					**4.2%**	4.2%
U.S. dollars to Mexican pesos								
Fixed to variable[3]						11,403	**11,403**	11,403
Interest pay rate						4.8%	**4.8%**	4.6%
Interest receive rate						4.0%	**4.0%**	4.0%
Variable to fixed			7,571				**7,571**	6,476
Interest pay rate			3.5%				**3.5%**	3.2%
Interest receive rate			2.4%				**2.4%**	2.4%
Fixed to fixed						1,267	**1,267**	1,267
Interest pay rate						5.7%	**5.7%**	5.7%
Interest receive rate						2.9%	**2.9%**	2.9%
U.S. dollars to Brazilian reais								
Fixed to variable			5,592				**5,592**	6,653
Interest pay rate			12.7%				**12.7%**	11.3%
Interest receive rate			2.7%				**2.7%**	2.7%
Variable to variable			17,551				**17,551**	20,311
Interest pay rate			12.6%				**12.6%**	11.3%
Interest receive rate			2.1%				**2.1%**	1.5%
Chilean pesos								
Variable to fixed					1,097		**1,097**	
Interest pay rate					6.9%		**6.9%**	
Interest receive rate					6.8%		**6.8%**	

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

(2) Interest rate swaps with a notional amount of Ps. 1,250 that receive a variable rate of 3.4% and pay a fixed rate of 5.2%; joined with a cross currency swap of the same notional amount, which covers units of investments to Mexican pesos, that receives a fixed rate of 4.2% and pays a variable rate of 3.4%.

(3) Interest rate swaps with a notional amount of Ps. 11,403 that receive a variable rate of 4.8% and pay a fixed rate of 7.2%; joined with a cross currency swap of the same notional amount, which covers U.S. dollars to Mexican pesos, that receives a fixed rate of 4% and pay a variable rate of 4.8%.

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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, 2015 would increase our interest expense by approximately Ps. 192 million, or 2.5%, over the 12-month period of 2016, 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 2015, the percentage of our consolidated total revenues was denominated as follows:

Total Revenues by Currency At December 31, 2015

Region	Currency	% of Consolidated Total Revenues
Mexico and Central America[1]	Mexican peso and others	73%
Venezuela[2]	Bolívar fuerte	3%
South America	Brazilian reais, Argentine peso, Colombian peso, Chilean peso	24%

(1) Mexican peso, Quetzal, Balboa, Colón and U.S. dollar.

(2) We have translated the revenues for the entire year using SIMADI exchange rate. As of December 31, 2015, this rate was 198.70 bolivars per US$ 1.00 (0.09 Mexican pesos per bolivar).

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, 2015, after giving effect to all cross currency swaps and interest rate swaps, 39.2% of our long-term indebtedness was denominated in Mexican pesos, 26.4% was denominated in U.S. dollars, 1.1% was denominated in Colombian pesos, 0.1% was denominated in Argentine pesos, 30.5% was denominated in Brazilian reais and 2.7% was denominated in Chilean pesos. We also have short-term indebtedness, which mostly consists of bank loans in Colombian pesos, Argentine pesos, Chilean pesos and Brazilian reais. 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-denominated debt obligations as shown in the interest 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.

As of December 31, 2015, we had forward agreements that met the hedging criteria for accounting purposes, to hedge our transactions denominated in U.S. dollars and Euros. The notional amount of these forward agreements was Ps. 6,735 million, for which we have recorded a fair value asset of Ps. 299 million. The maturity date of these forward agreements is in 2016. 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, 2015, a gain of Ps. 180 million on expired forward agreements was recorded in our consolidated results.

As of December 31, 2014, we had forward agreements that met the hedging criteria for accounting purposes, to hedge our transactions denominated in U.S. dollars and Euros. The notional amount of these forward agreements was Ps. 5,603 million, for which we have recorded a fair value asset of Ps. 272 million. The maturity date of these forward agreements is in 2015 and 2016. 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, 2014, a loss of Ps. 38 million was recorded in our consolidated results.

As of December 31, 2013, we had forward agreements that met the hedging criteria for accounting purposes, to hedge our transactions denominated in U.S. dollars and Euros. The notional amount of these forward agreements was Ps. 3,616 million, for which we have recorded a fair value liability of Ps. 16 million. The maturity date of these forward agreements was in 2014 and 2015. 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, 2013, a gain of Ps. 1,710 million was recorded in our consolidated results.

As of December 31, 2015, we had options to purchase U.S. dollars to reduce our exposure to the risk of exchange rate fluctuations. The notional amount of these options was Ps. 1,612 million, for which we have recorded a net fair value asset of Ps. 65 million as part of cumulative other comprehensive income. The maturity date of these options is in 2016.

As of December 31, 2014, we had options to purchase U.S. dollars to reduce our exposure to the risk of exchange rate fluctuations. The notional amount of these options was Ps. 402 million, for which we have recorded a net fair value asset of Ps. 56 million as part of cumulative other comprehensive income. The maturity date of these options was in 2015.

As of December 31, 2013, the Company had no outstanding options to purchase U.S. dollars.

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 reais and Colombian peso, would have on our equity and profit or loss:

Foreign Currency Risk[1]	**Change in Exchange Rate**	**Effect on Equity**	**Effect on Profit or Loss**
2015			
FEMSA[2]	+14%MXN/EUR	Ps. (319)	Ps.
	-14% MXN/EUR	319	
	+10%CLP/USD	(9)	
	-10% CLP/USD		
Coca-Cola FEMSA	+11%MXN/USD	(197)	
	+21%BRL/USD	(387)	
	+17%COP/USD	(113)	
	+36%ARS/USD	(231)	
	-11%MXN/USD	197	
	-21%BRL/USD	387	
	-17%COP/USD	113	
	-36%ARS/USD	231	
2014			
FEMSA[2]	+9%MXN/EUR	Ps. (278)	Ps.
	-9% MXN/EUR	278	
Coca-Cola FEMSA	+7%MXN/USD	119	
	+14%BRL/USD	96	
	+9%COP/USD	42	
	+11%ARS/USD	22	
	-7%MXN/USD	(119)	
	-14%BRL/USD	(96)	
	-9%COP/USD	(42)	
	-11%ARS/USD	(22)	
2013			
FEMSA[2]	+7%MXN/EUR	Ps. (157)	Ps.
	-7% MXN/EUR	157	
Coca-Cola FEMSA	+11%MXN/USD	67	
	+13%BRL/USD	86	
	+6%COP/USD	19	
	-11%MXN/USD	(67)	
	-13%BRL/USD	(86)	

	-6%COP/USD	(19)

(1) Includes the sensitivity analysis effects of all derivative financial instruments related to foreign exchange risk.

(2) The sensitivity analysis effects include all subsidiaries of the Company, except Coca-Cola FEMSA.

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As of December 31, 2015, we had (i) cross currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 2,711 million that expire in 2017, for which we have recorded a net fair value asset of Ps. 1,159 million; (ii) cross currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 30,714 million that expire in 2018, for which we have recorded a net fair value asset of Ps. 2,216 million; (iii) cross currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 4,034 million that expire in 2020, for which we have recorded a net fair value liability of Ps. 116 million; and (iv) cross currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 12,670 million that expire in 2023, for which we have recorded a net fair value asset of Ps. 4,859 million.

As of December 31, 2014, we had (i) cross currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 30 million that expire in 2015, for which we have recorded a net fair value asset of Ps. 6 million; (ii) cross currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 2,711 million that expire in 2017, for which we have recorded a net fair value asset of Ps. 1,209 million; (iii) cross currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 33,410 million that expire in 2018, for which we have recorded a net fair value asset of Ps. 3,002 million; (iv) cross currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 369 million that expire in 2019, for which we have recorded a net fair value asset of Ps. 15 million; (v) cross currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 12,670 million that expire in 2023, for which we have recorded a net fair value asset of Ps. 2,060 million.

As of December 31, 2013, we had (i) cross currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 50 million that expire in 2014, for which we have recorded a net fair value asset of Ps. 5 million; (ii) cross currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 83 million that expire in 2015, for which we have recorded a net fair value asset of Ps. 11 million; (iii) cross currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 2,500 million that expire in 2017, for which we have recorded a net fair value asset of Ps. 1,142 million; (iv) cross currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 5,884 million that expire in 2018, for which we have recorded a net fair value asset of Ps. 156 million; (v) cross currency swaps designated as fair value hedges under contracts with an aggregate notional amount of Ps. 11,403 million that expire in 2023, for which we have recorded a net fair value liability of Ps. 394 million. As of December 31, 2013, we had (i) cross currency swaps designated as cash flow hedges under contracts with an aggregate notional amount of Ps 1,308 million that expire in 2014, for which we have recorded a net fair value asset of Ps. 13 million; (ii) cross currency swaps designated as cash flow hedges under contracts with an aggregate notional amount of Ps 211 million that expire in 2017, for which we have recorded a net fair value asset of Ps. 38 million; (iii) cross currency swaps designated as cash flow hedges under contracts with an aggregate notional amount of Ps 18,046 million that expire in 2018, for which we have recorded a net fair value liability of Ps. 981 million; (iv) cross currency swaps designated as cash flow hedges under contracts with an aggregate notional amount of Ps 1,267 million that expire in 2023, for which we have recorded a net fair value asset of Ps. 44 million.

For the years ended December 31, 2015, 2014, and 2013, certain cross currency swap instruments did not meet the hedging criteria for accounting purposes; consequently, 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 20 million in 2015 and a gain of Ps. 59 million in 2014 and Ps. 33 million in 2013.

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A hypothetical, instantaneous and unfavorable 10% devaluation of the Mexican peso relative to the U.S. dollar occurring on December 31, 2015 would result in a foreign exchange loss decreasing our consolidated net income by approximately Ps. 927 million over the 12-month period of 2016, 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 15, 2016, the exchange rates relative to the U.S. dollar of all the countries where we operate, as well as their devaluation/revaluation effect compared to December 31, 2015, were as follows:

Country	Currency	Exchange Rate as of April 15, 2016	(Devaluation) / Revaluation
Mexico	Mexican peso	17.49	1.6%
Brazil	Brazilian reais	3.53	(9.7)%
Venezuela	Bolívar fuerte	339.45[1]	70.8%
Colombia	Colombian peso	3,000.78	(4.7)%
Argentina	Argentine peso	14.30	9.6%
Costa Rica	Colón	541.79	(0.6)%
Guatemala	Quetzal	7.74	1.5%
Nicaragua	Cordoba	28.33	1.4%
Panama	U.S. dollar	1.00	0.0%
Euro Zone	Euro	0.88	(2.8)%
Peru	Nuevo sol	3.28	(3.9)%
Chile	Chilean peso	668.38	(5.5)%

(1) DICOM exchange rate.

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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, 2015, 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	693
Brazil	Brazilian reais	1,795
Venezuela	Bolívar fuerte	268
Colombia	Colombian peso	884
Costa Rica	Colón	357
Argentina	Argentine peso	123
Guatemala	Quetzal	86
Nicaragua	Cordoba	83
Panama	U.S. dollar	228
Peru	Nuevo sol	22
Chile	Chilean peso	558
Euro Zone	Euro	8,300

Equity Risk

As of December 31, 2015, 2014 and 2013, we did not have any equity derivative agreements, other than as described in Notes 4.1 and 20.7 of our audited consolidated financial statements.

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, 2015, we had various derivative instruments contracts with maturity dates through 2016, notional amounts of Ps. 1,933 million and a fair value liability of Ps. 274 million. The results of our commodity price contracts for the years ended December 31, 2015, 2014, and 2013, were a loss of Ps. 619 million, Ps. 291 million, and Ps. 362 million, respectively, which were recorded in the results of each year.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

ITEM 12A. DEBT SECURITIES

Not applicable.

ITEM 12B. WARRANTS AND RIGHTS

Not applicable.

ITEM 12C. OTHER SECURITIES

Not applicable.

ITEM 12D. AMERICAN DEPOSITARY SHARES

The Bank of New York Mellon serves as the depositary for our ADSs. Holders of our ADSs, evidenced by ADRs, are required to pay various fees to the depositary, and the depositary 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 depositary amounts in respect of expenses incurred by the depositary 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 depositary 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 depositary, as set forth in the table below.

Depositary 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[1]	Up to US$ 0.02 per ADS
Withdrawal of shares underlying ADSs	Up to US$ 5.00 per 100 ADSs (or portion thereof)

(1) As of the date of this annual report, holders of our ADSs were not required to pay additional fees with respect to this service.

Direct and indirect payments by the depositary

The depositary 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, 2015, this amount was US$ 493,005.50.

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, 2015. 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 in Internal Control Integrated Framework, as 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

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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 in Internal Controls Integrated Framework, as 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, 2015.

Our management s assessment and conclusion on the effectiveness of internal control over financial reporting as of December 31, 2015 excludes, in accordance with applicable guidance provided by the SEC, an assessment of the internal control over financial reporting of Grupo Socofar, which we acquired in September 2015 and other businesses acquired in 2015 by us. These acquisitions collectively represented 4.2% and 1.6% of our total and net assets, respectively, as of December 31, 2015, and 8.6% and 2% of our revenues and net income, respectively, for the year ended December 31, 2015. No material changes in our internal control over financial reporting were identified as a result of these transactions.

The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by Mancera, S.C., a member practice of Ernst & Young Global, 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

The Board of Directors and Shareholders of

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

We have audited Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the 2013 Framework) (the COSO criteria). Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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.

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 International Financial Reporting Standards, as issued by the International Accounting Standard Board. 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 International Financial Reporting Standards as issued by the International Accounting Standard Board, 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 the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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 Socofar S.A. and its subsidiaries (collectively Grupo Socofar) which was acquired on September 2015 and other businesses acquired in 2015, which are included in the 2015 consolidated financial statements of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries, and constituted 4.2% and 1.6% of Fomento Economico Mexicano, S.A.B. de C.V. s total and net assets respectively, as of December 31, 2015 and 8.6% and 2.0% of revenues and net income respectively, for the year then ended. Our audit of internal control over financial reporting of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries, also did not include an evaluation of the internal control over financial reporting of Grupo Socofar and these other businesses.

In our opinion, Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015 and our report dated April 20, 2016 expressed an unqualified opinion thereon.

Mancera, S.C.

A member practice of

Ernst & Young Global Limited

/s/ Agustín Aguilar Laurents

Monterrey, N.L., México

April 20, 2016

(d) Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during 2015 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 José Manuel Canal Hernando, an independent director under the Mexican Securities Law and applicable U.S. Securities Laws and NYSE listing standards, as an 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 as well as to our directors and other officers and employees. Our code of ethics is available on our website at www.femsa.com. 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.

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ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit and Non-Audit Fees

For the fiscal years ended December 31, 2015, 2014 and 2013, 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 2015, 2014 and 2013 by Mancera, S.C., which is an independent registered public accounting firm, during the fiscal years ended December 31, 2015, 2014 and 2013:

	Year ended December 31,		
	2015	**2014**	**2013**
	(in millions of Mexican pesos)		
Audit fees	Ps. 101	Ps. 101	Ps. 101
Audit-related fees	2	3	10
Tax fees	7	15	12
Other fees	36	5	6
Total	Ps. 146	Ps. 124	Ps. 129

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.

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ITEM 16D. NOT APPLICABLE

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

We did not purchase any of our equity securities in 2015. 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
March 2015	1,491,330	Ps. 129.76		

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 Law and the regulations issued by the CNBV. We also disclose the extent of compliance with the *Código de Mejores Prácticas Corporativas* (Mexican Code of Best Corporate Practices), which was created by a group of Mexican business leaders and was endorsed by the *Bolsa Mexicana de Valores*, or BMV.

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The table below discloses the significant differences between our corporate governance practices and the NYSE standards.

NYSE Standards	Our Corporate Governance Practices
Directors independence: A majority of the board of directors must be independent.	**Directors independence:** Pursuant to the Mexican Securities 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 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 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 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: Non-management directors must meet at regularly scheduled executive sessions without management.	**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: A nominating/corporate governance committee composed entirely of independent directors is required.	**Nominating/Corporate Governance Committee:** We are not required to have a nominating committee, and the Mexican Code of Best Corporate Practices does not provide for a nominating committee.
	However, Mexican law requires us to have a Corporate Practices Committee. Our Corporate Practices Committee is composed of three members, and as required by the Mexican Securities Law and our bylaws, the three members are independent, and its chairman is elected at the shareholders meeting.

Compensation Committee: A compensation committee composed entirely independent directors is required.	**Compensation Committee:** We do not have a committee that exclusively oversees compensation issues. Our Corporate Practices 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.

NYSE Standards	Our Corporate Governance Practices
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.	**Audit Committee:** We have an Audit Committee of four members, as required by the Mexican Securities Law. Each member of the Audit Committee is an independent director, and its chairman is elected at the shareholders meeting.
Equity compensation plan: Equity compensation plans require shareholder approval, subject to limited exemptions.	**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: Corporate governance guidelines and a code of conduct and ethics are required, with disclosure of any waiver for directors or executive officers.	**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 as well as to our directors and other officers and employees. Our code of ethics is available on our website at www.femsa.com. 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 17. NOT APPLICABLE

ITEM 18. FINANCIAL STATEMENTS

See pages F-1 through F-106, incorporated herein by reference.

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ITEM 19. EXHIBITS

1.1 Bylaws (estatutos sociales) of Fomento Económico Mexicano, S.A.B. de C.V., approved on April 22, 2008, together with an English translation thereof (incorporated by reference to Exhibit 1.1 of FEMSA s Annual Report on Form 20-F filed on June 30, 2008 (File No. 333-08752)).

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. 333-8618)).

2.3 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)).

2.4 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)).

2.5 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)).

2.6 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)).

2.7 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)).

2.8 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., 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)).

2.9 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)).

2.10 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.1-2260)).

2.11 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.1-2260)).

2.12 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)).

2.13 Second Supplemental Indenture, dated as of March18, 2016, 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.

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 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 Amended and Restated Bottler Agreement, dated June 21, 2003, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in the southeast of Mexico (incorporated by reference to Exhibit 4.3 to Coca-Cola FEMSA s Annual Report on Form 20-F filed on April 5, 2004 (File No. 1-12260)).

4.5 Supplemental Agreement, dated June 21, 1993, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in the southeast of Mexico (with English translation) (incorporated by reference to Exhibit 10.3 to Coca-Cola FEMSA s Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).

4.6 Amended and Restated Bottler Agreement, dated June 21, 2003, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in the southeast of Mexico (incorporated by reference to Coca-Cola FEMSA s Annual Report on Form 20-F filed on April 5, 2004 (File No. 1-12260)).

4.7 Supplemental Agreement, dated June 21, 1993, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in the southeast of Mexico (with English translation) (incorporated by reference to Exhibit 10.4 to Coca-Cola FEMSA s Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).

4.8 Amendments, dated May 17 and July 20, 1995, to Bottler Agreement and Letter of Agreement, dated August 22, 1994, each with respect to operations in Argentina between Coca-Cola FEMSA and The Coca-Cola Company (with English translation) (incorporated by reference to Exhibit 10.3 to Coca-Cola FEMSA s Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).

4.9 Bottler Agreement, dated December 1, 1995, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in SIRSA (with English translation) (incorporated by reference to Exhibit 10.4 to Coca-Cola FEMSA s Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).

4.10 Supplemental Agreement, dated December 1, 1995, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in SIRSA (with English translation) (incorporated by reference to Exhibit 10.6 to Coca-Cola FEMSA s Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).

4.11 Amendment, dated February 1, 1996, to Bottler Agreement between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in SIRSA, dated December 1, 1995 (with English translation) (incorporated by reference to Exhibit 10.5 to Coca-Cola FEMSA s Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).

4.12 Amendment, dated May 22, 1998, to Bottler Agreement with respect to the former SIRSA territory, dated December 1, 1995, between Coca-Cola FEMSA and The Coca-Cola Company (with English translation) (incorporated by reference to Exhibit 4.12 to Coca-Cola FEMSA s Annual Report on Form 20-F filed on June 20, 2001 (File No. 1-12260)).

4.13 Supply Agreement, dated June 21, 1993, between Coca-Cola FEMSA and FEMSA Empaques (incorporated by reference to FEMSA s registration statement on Form F-4 filed on April 9, 1998 (File No. 333-8618)).

4.14 Bottler Agreement and Side Letter dated June 1, 2005, between Panamco Golfo, S.A. de C.V. and The Coca-Cola Company with respect to operations in Golfo, Mexico (English translation) (incorporated by reference to Exhibit 4.7 to Coca-Cola FEMSA s Annual Report on Form 20-F filed on April 18, 2006 (File No. 1-12260)).

4.15 Bottler Agreement and Side Letter dated June 1, 2005, between Panamco Bajio, S.A. de C.V., and The Coca-Cola Company with respect to operations in Bajio, Mexico (English translation). (incorporated by reference to Exhibit 4.8 to Coca-Cola FEMSA s Annual Report on Form 20-F filed on April 18, 2006 (File No. 1-12260)).

4.16 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. 333-8618)).

4.17 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. 1-2290)).

4.18 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)).

4.19 Trademark Sub-License Agreement, dated January 4, 2003, entered by and among Panamco Bajio, 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)).

4.20 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)).

4.21 Services Agreement, dated November 7, 2000, between Coca-Cola FEMSA and FEMSA Logística (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)).

4.22 Promotion and Non-Compete Agreement, dated March 11, 2003, entered by and among The Coca-Cola Export Corporation Mexico branch and Panamco Bajio, 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)).

4.23 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)).

4.24 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)).

4.25 Bottler Agreement, dated August 22, 1994, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in Argentina (with English translation) (incorporated by reference to Exhibit 10.1 to Coca-Cola FEMSA s Annual Report on Form 20-F filed on June 30, 1995 (File No. 1-12260)).

4.26 Supplemental Agreement, dated August 22, 1994, between Coca-Cola FEMSA and The Coca-Cola Company with respect to operations in Argentina (with English translation) (incorporated by reference to Exhibit 10.2 to Coca-Cola FEMSA s Annual Report on Form 20-F filed on June 30, 1995 (File No. 1-12260)).

4.27 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)).

4.28 Shareholders Agreement dated as of January 25, 2013, by and among CCFPI, Coca-Cola South Asia Holdings, Inc., Coca-Cola Holdings (Overseas) Limited and Controladora de Inversiones en Bebidas Refrescantes, S.L. (incorporated by reference to Exhibit 4.27 to Coca-Cola FEMSA s Annual Report on Form 20-F filed on March 15, 2013 (File No. 1-12260)).

8.1 Significant Subsidiaries.

12.1 CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated April 20, 2016.

12.2 CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated April 20, 2016.

13.1 Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated April 20, 2016.

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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 20, 2016

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

By: /s/ Miguel Eduardo Padilla Silva
Miguel Eduardo Padilla Silva

Chief Financial and Corporate 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

The Board of Directors and Shareholders of

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

We have audited the accompanying consolidated statements of financial position of Fomento Económico Mexicano, S.A.B. de C.V. and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated financial statements of Heineken N.V. (a corporation in which the Company has a 12.53% interest) which is majority owned by Heineken Holding N.V. (a corporation in which the Company has a 14.94% interest) (collectively Heineken). In the consolidated financial statements, the Company s investment in Heineken includes Ps. 51,265 (. 2,707) and Ps. 44,491 (. 2,482) million at December 31, 2015 and 2014, respectively, and equity in the net income of Heineken of Ps. 6,567 (. 378) Ps. 5,362 (. 303) and Ps. 4,680 (. 273) million for the three years in the period ended December 31, 2015, which are exclusive of the impact of goodwill and other adjustments recorded by the Company. The financial statements of Heineken N.V., which reflect the amounts listed above, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts specified above, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fomento Económico Mexicano, S.A.B. de C.V. and its subsidiaries as of December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Fomento Económico Mexicano, S.A.B. de C.V. and its subsidiaries internal control over financial reporting as of December 31, 2015, 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 20, 2016 expressed an unqualified opinion thereon.

Mancera, S.C.

A member practice of

Ernst & Young Global Limited

/s/ Agustin Aguilar Laurents

Monterrey, N.L., México

April 20, 2016

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FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES

MONTERREY, N.L., MEXICO

Consolidated Statements of Financial Position

As of December 31, 2015 and 2014.

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

	Note	December 2015 (*)	December 2015	December 2014
ASSETS				
Current Assets:				
Cash and cash equivalents	5	**$ 1,710**	**Ps. 29,396**	Ps. 35,497
Investments	6	**1**	**19**	144
Accounts receivable, net	7	**1,047**	**18,012**	13,842
Inventories	8	**1,435**	**24,680**	17,214
Recoverable taxes		**497**	**8,544**	8,030
Other current financial assets	9	**141**	**2,418**	2,597
Other current assets	9	**213**	**3,654**	1,788
Total current assets		**5,044**	**86,723**	79,112
Investments in associates and joint ventures	10	**6,498**	**111,731**	102,159
Property, plant and equipment, net	11	**4,670**	**80,296**	75,629
Intangible assets, net	12	**6,301**	**108,341**	101,527
Deferred tax assets	24	**482**	**8,293**	6,278
Other financial assets	13	**521**	**8,955**	6,551
Other assets, net	13	**289**	**4,993**	4,917
TOTAL ASSETS		**$ 23,805**	**Ps. 409,332**	Ps. 376,173
LIABILITIES AND EQUITY				
Current Liabilities:				
Bank loans and notes payable	18	**$ 130**	**Ps. 2,239**	Ps. 449
Current portion of long-term debt	18	**213**	**3,656**	1,104
Interest payable		**35**	**597**	482
Suppliers		**2,080**	**35,773**	26,467
Accounts payable		**537**	**9,236**	7,778
Taxes payable		**531**	**9,136**	8,177
Other current financial liabilities	25	**274**	**4,709**	4,862
Total current liabilities		**3,800**	**65,346**	49,319
Long-Term Liabilities:				
Bank loans and notes payable	18	**5,000**	**85,969**	82,935
Post-employment and other long-term employee benefits	16	**246**	**4,229**	4,207
Deferred tax liabilities	24	**362**	**6,230**	3,643
Other financial liabilities	25	**29**	**495**	328
Provisions and other long-term liabilities	25	**303**	**5,207**	5,619
Total long-term liabilities		**5,940**	**102,130**	96,732

Total liabilities		**9,740**	**167,476**	146,051
Equity:				
Controlling interest:				
Capital stock		**195**	**3,348**	3,347
Additional paid-in capital		**1,501**	**25,807**	25,649
Retained earnings		**9,103**	**156,532**	147,122
Cumulative other comprehensive (loss)		**(243)**	**(4,163)**	(5,645)
Total controlling interest		**10,556**	**181,524**	170,473
Non-controlling interest in consolidated subsidiaries	21	**3,509**	**60,332**	59,649
Total equity		**14,065**	**241,856**	230,122
TOTAL LIABILITIES AND EQUITY		**$ 23,805**	**Ps. 409,332**	Ps. 376,173

(*) 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.

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FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES

MONTERREY, N.L., MEXICO

Consolidated Income Statements

For the years ended December 31, 2015, 2014 and 2013.

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

	Note	2015 (*)	2015	2014	2013
Net sales		**$ 18,078**	**Ps. 310,849**	Ps. 262,779	Ps. 256,804
Other operating revenues		**43**	**740**	670	1,293
Total revenues		**18,121**	**311,589**	263,449	258,097
Cost of goods sold		**10,957**	**188,410**	153,278	148,443
Gross profit		**7,164**	**123,179**	110,171	109,654
Administrative expenses		**681**	**11,705**	10,244	9,963
Selling expenses		**4,442**	**76,375**	69,016	69,574
Other income	19	**24**	**423**	1,098	651
Other expenses	19	**(159)**	**(2,741)**	(1,277)	(1,439)
Interest expense	18	**(452)**	**(7,777)**	(6,701)	(4,331)
Interest income		**59**	**1,024**	862	1,225
Foreign exchange loss, net		**(69)**	**(1,193)**	(903)	(724)
Monetary position loss, net		**(2)**	**(36)**	(319)	(427)
Market value gain on financial instruments		**21**	**364**	73	8
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method		**1,463**	**25,163**	23,744	25,080
Income taxes	24	**461**	**7,932**	6,253	7,756
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	10	**352**	**6,045**	5,139	4,831
Consolidated net income		**$ 1,354**	**Ps. 23,276**	Ps. 22,630	Ps. 22,155
Attributable to:					
Controlling interest		**1,029**	**17,683**	16,701	15,922
Non-controlling interest		**325**	**5,593**	5,929	6,233
Consolidated net income		**$ 1,354**	**Ps. 23,276**	Ps. 22,630	Ps. 22,155
Basic net controlling interest income:					
Per series B share	23	**$ 0.05**	**Ps. 0.88**	Ps. 0.83	Ps. 0.79
Per series D share	23	**0.06**	**1.10**	1.04	1.00
Diluted net controlling interest income:					
Per series B share	23	**0.05**	**0.88**	0.83	0.79
Per series D share	23	**0.06**	**1.10**	1.04	0.99

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

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

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FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES

MONTERREY, N.L., MEXICO

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2015, 2014 and 2013.

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

	Note	2015 (*)	2015	2014	2013
Consolidated net income		**$ 1,354**	**Ps. 23,276**	Ps. 22,630	Ps. 22,155
Other comprehensive income:					
Items that may be reclassified to consolidated net income, net of tax:					
Unrealized loss on available for sale securities					(2)
Valuation of the effective portion of derivative financial instruments		**7**	**122**	493	(246)
Exchange differences on the translation of foreign operations and associates		**(129)**	**(2,234)**	(12,256)	1,151
Share of other comprehensive income (loss) of associates and joint ventures	10	**16**	**282**	1,322	(3,120)
Total items that may be reclassified		**(106)**	**(1,830)**	(10,441)	(2,217)
Items that will not to be reclassified to consolidated net income in subsequent periods, net of tax:					
Remeasurements of the net defined benefit share of other comprehensive income (loss) of associates and joint ventures		**10**	**169**	(881)	491
Remeasurements of the net defined benefit liability		**8**	**144**	(361)	(112)
Total items that will not be reclassified		**18**	**313**	(1,242)	379
Total other comprehensive loss, net of tax		**(88)**	**(1,517)**	(11,683)	(1,838)
Consolidated comprehensive income, net of tax		**$ 1,266**	**Ps. 21,759**	Ps. 10,947	Ps. 20,317
Controlling interest comprehensive income		**1,115**	**19,165**	11,283	15,030
Reattribution to non-controlling interest of other comprehensive income by acquisition of Grupo YOLI					(36)
Controlling interest, net of reattribution		**$ 1,115**	**Ps. 19,165**	Ps. 11,283	Ps. 14,994
Non-controlling interest comprehensive income		**151**	**2,594**	(336)	5,287
Reattribution from controlling interest of other comprehensive income by acquisition of Grupo YOLI					36
Non-controlling interest, net of reatribution		**$ 151**	**Ps. 2,594**	Ps. (336)	Ps. 5,323
Consolidated comprehensive income, net of tax		**$ 1,266**	**Ps. 21,759**	Ps. 10,947	Ps. 20,317

(*) 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.

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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, 2015, 2014 and 2013.

Amounts expressed in millions of Mexican pesos (Ps.)

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain (Loss) on Available for sale Securities	Valuation of the Effective Portion of Derivative Financial Instrument	Exchange Differences on the Translation of Foreign Operations and Associates	Remeasurements of the Net Defined Benefit Liability	Total Controlling Interest	Non-Controlling Interest	Total Equity
Balances at January 1, 2013	**Ps. 3,346**	**Ps. 22,740**	**Ps. 128,508**	**Ps. 2**	**Ps. 349**	**Ps. 1,961**	**Ps. (1,647)**	**Ps. 155,259**	**Ps. 54,902**	**Ps. 210,161**
Net income			15,922					15,922	6,233	22,155
Other comprehensive income, net of tax				(2)	(170)	(1,214)	458	(928)	(910)	(1,838)
Comprehensive income			15,922	(2)	(170)	(1,214)	458	14,994	5,323	20,317
Dividends declared			(13,368)					(13,368)	(3,125)	(16,493)
Repurchase of shares associated with share-based payment plans		(172)						(172)	(7)	(179)
Acquisition of Grupo Yoli through issuance of Coca-Cola FEMSA shares (see Note 4)		2,865			2	32	2	2,901	5,120	8,021
Other acquisitions (see Note 4)									430	430
Increase in share of non-controlling interest									515	515
Other movements of equity method of associates, net of taxes			(222)					(222)		(222)
Balances at December 31, 2013	**3,346**	**25,433**	**130,840**		**181**	**779**	**(1,187)**	**159,392**	**63,158**	**222,550**
Net income			16,701					16,701	5,929	22,630
Other comprehensive income, net of tax					126	(4,412)	(1,132)	(5,418)	(6,265)	(11,683)
			16,701		126	(4,412)	(1,132)	11,283	(336)	10,947

Comprehensive income										
Dividends declared									(3,152)	(3,152)
Issuance (repurchase) of shares associated with share-based payment plans	1	216						217	(21)	196
Other movements of equity method of associates, net of taxes			(419)					(419)		(419)
Balances at December 31, 2014	3,347	25,649	147,122		307	(3,633)	(2,319)	170,473	59,649	230,122
Net income			**17,683**					**17,683**	**5,593**	**23,276**
Other comprehensive income, net of tax					**299**	**945**	**238**	**1,482**	**(2,999)**	**(1,517)**
Comprehensive income			**17,683**		**299**	**945**	**238**	**19,165**	**2,594**	**21,759**
Dividends declared			**(7,350)**					**(7,350)**	**(3,351)**	**(10,701)**
Issuance of shares associated with share-based payment plans	**1**	**158**						**159**	**57**	**216**
Acquisition of Grupo Socofar (see Note 4)									**1,133**	**1,133**
Contributions from non-controlling interest									**250**	**250**
Other movements of equity method of associates, net of taxes			**(923)**					**(923)**		**(923)**
Balances at December 31, 2015	**Ps. 3,348**	**Ps. 25,807**	**Ps. 156,532**	**Ps.**	**Ps. 606**	**Ps. (2,688)**	**Ps. (2,081)**	**Ps. 181,524**	**Ps. 60,332**	**Ps. 241,856**

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

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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, 2015, 2014 and 2013.

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

	2015 (*)	**2015**	2014	2013
Cash flows from operating activities:				
Income before income taxes	**$ 1,815**	**Ps. 31,208**	Ps. 28,883	Ps. 29,911
Adjustments for:				
Non-cash operating expenses	**167**	**2,873**	209	752
Employee profit sharing	**72**	**1,243**	1,138	1,936
Depreciation	**568**	**9,761**	9,029	8,805
Amortization	**62**	**1,064**	985	891
(Gain) loss on sale of long-lived assets	**(14)**	**(249)**	7	(41)
(Gain) on sale of shares	**(1)**	**(14)**		
Disposal of long-lived assets	**24**	**416**	153	122
Impairment of long-lived assets	**8**	**134**	145	
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	**(352)**	**(6,045)**	(5,139)	(4,831)
Interest income	**(59)**	**(1,024)**	(862)	(1,225)
Interest expense	**452**	**7,777**	6,701	4,331
Foreign exchange loss, net	**69**	**1,193**	903	724
Monetary position loss, net	**2**	**36**	319	427
Market value (gain) on financial instruments	**(21)**	**(364)**	(73)	(8)
Cash flow from operating activities before changes in operating accounts and employee profit sharing	**2,792**	**48,009**	42,398	41,794
Accounts receivable and other current assets	**(255)**	**(4,379)**	(4,962)	(1,948)
Other current financial assets	**18**	**318**	1,736	(1,508)
Inventories	**(252)**	**(4,330)**	(1,122)	(1,541)
Derivative financial instruments	**26**	**441**	245	402
Suppliers and other accounts payable	**323**	**5,556**	6,910	517
Other long-term liabilities	**48**	**822**	(2,308)	(109)
Other current financial liabilities	**(33)**	**(570)**	793	417
Post-employment and other long-term employee benefits	**(22)**	**(382)**	(416)	(317)
Cash generated from operations	**2,645**	**45,485**	43,274	37,707
Income taxes paid	**(508)**	**(8,743)**	(5,910)	(8,949)
Net cash generated by operating activities	**2,137**	**36,742**	37,364	28,758
Cash flows from investing activities:				
Acquisition of Grupo Socofar, net of cash acquired (see Note 4)	**(401)**	**(6,890)**		
Acquisition of Grupo Yoli, net of cash acquired (see Note 4)				(1,046)
Acquisition of Companhia Fluminense de Refrigerantes, net of cash acquired (see Note 4)				(4,648)
Acquisition of Spaipa S.A. Industria Brasileira de Bebidas, net of cash acquired (see Note 4)				(23,056)
Other acquisitions, net of cash acquired (see Note 4)	**(339)**	**(5,821)**		(3,021)

Investment in shares of Coca-Cola FEMSA Philippines, Inc. CCFPI (see Note 10)				(8,904)
Other investments in associates and joint ventures	**(17)**	**(291)**	90	(335)
Purchase of investments			(607)	(118)
Proceeds from investments	**7**	**126**	589	1,488
Interest received	**60**	**1,024**	863	1,224
Derivative financial instruments	**13**	**232**	(25)	119
Dividends received from associates and joint ventures	**139**	**2,394**	1,801	1,759
Property, plant and equipment acquisitions	**(1,017)**	**(17,485)**	(16,985)	(16,380)
Proceeds from the sale of property, plant and equipment	**37**	**630**	209	252
Acquisition of intangible assets	**(56)**	**(971)**	(706)	(1,077)
Investment in other assets	**(87)**	**(1,502)**	(796)	(1,436)
Collections of other assets	**13**	**223**		
Investment in other financial assets	**(2)**	**(28)**	(41)	(52)
Net cash used in investing activities	**(1,650)**	**(28,359)**	(15,608)	(55,231)
Cash flows from financing activities:				
Proceeds from borrowings	**490**	**8,422**	5,354	78,907
Payments of bank loans	**(903)**	**(15,520)**	(5,721)	(39,962)
Interest paid	**(265)**	**(4,563)**	(3,984)	(3,064)
Derivative financial instruments	**485**	**8,345**	(2,267)	697
Dividends paid	**(622)**	**(10,701)**	(3,152)	(16,493)
Contributions from non-controlling interest	**15**	**250**		
Increase in shares of non-controlling interest				515
Other financing activities	**2**	**26**	482	(16)
Net cash (used in) generated by financing activities	**(798)**	**(13,741)**	(9,288)	20,584
(Decrease) increase in cash and cash equivalents	**(311)**	**(5,358)**	12,468	(5,889)
Initial balance of cash and cash equivalents	**2,064**	**35,497**	27,259	36,521
Effects of exchange rate changes and inflation effects on cash and cash equivalents held in foreign currencies	**(43)**	**(743)**	(4,230)	(3,373)
Ending balance of cash and cash equivalents	**$ 1,710**	**Ps.29,396**	Ps. 35,497	Ps. 27,259

(*) Convenience translation to U.S. dollars ($) see Note 2.2.3

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

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FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES

MONTERREY, N.L., MEXICO

Notes to the Consolidated Financial Statements

As of December 31, 2015, 2014 and 2013.

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

Note 1. Activities of the Company

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

The following is a description of the Company´s activities as of the date of the issuance of these consolidated financial statements, together with the ownership interest in each subholding company or business unit:

Subholding Company	% Ownership December 31, 2015	% Ownership December 31, 2014	Activities
Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries(Coca-Cola FEMSA)	47.9% (1) (63.0% of the voting shares)	47.9% (1) (63.0% of the voting shares)	Production, distribution and marketing of certain Coca-Cola trademark beverages in Mexico, Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, Brazil, Argentina and Philippines (see Note 10). At December 31, 2015, The Coca-Cola Company (TCCC) indirectly owns 28.1% of Coca-Cola FEMSA s capital stock. In addition, shares representing 24.0% of Coca-Cola FEMSA s capital stock are traded on the Bolsa Mexicana de Valores (Mexican Stock Exchange BMV) and on the New York Stock Exchange, Inc (NYSE) in the form of American Depositary Shares (ADS) .
FEMSA Comercio, S.A. de C.V. and subsidiaries (FEMSA Comercio Retail Division)	100%	100%	Small-box retail chain format operations in Mexico, Colombia and the United States, mainly under the trade name OXXO ; drugstore operations in Chile and Colombia, mainly under the trademark Cruz Verde and Mexico under different brands such as Farmacon, YZA and Moderna.
FEMSA Comercio, S.A. de C.V. and subsidiaries (FEMSA Comercio Fuel Division)	100%		Retail service stations for fuels, motor oils, lubricants and car care products under the trade name OXXO GAS with operations in Mexico.
CB Equity, LLP (CB Equity)	100%	100%	This Company holds Heineken N.V. and Heineken Holding N.V. shares, which represents in the aggregate a 20% economic interest in both entities (Heineken Company).
Other companies	100%	100%	Companies engaged in the production and distribution of coolers, commercial refrigeration equipment and plastic cases; as well as transportation logistics and maintenance services to FEMSA s

subsidiaries and to third parties.

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

Note 2. Basis of Preparation

2.1 Statement of compliance

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

The Company s consolidated financial statements and notes were authorized for issuance by the Company s Chief Executive Officer Carlos Salazar Lomelín and Chief Financial and Corporate Officer Eduardo Padilla Silva on February 19, 2016. Those consolidated financial statements and notes were then approved by the Company s Board of Directors on February 23, 2016 and by the Shareholders on March 8, 2016. 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 Financial and Corporate Officer on April 20, 2016, and subsequent events have been considered through that date (See Note 28).

2.2 Basis of measurement and presentation

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

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

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

2.2.1 Presentation of consolidated income statement

The Company classifies its costs and expenses by function in the consolidated income statement, in order to conform to the industry practices where the Company operates.

2.2.2 Presentation of consolidated statements of cash flows

The Company s consolidated statement of cash flows is presented using the indirect method.

2.2.3 Convenience translation to U.S. dollars ($)

The consolidated financial statements are stated in millions of Mexican pesos (Ps.) and rounded to the nearest million unless stated otherwise. However, solely for the convenience of the readers, the consolidated statement of financial position as of December 31, 2015, the consolidated income statement, the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2015 were converted into U.S. dollars at the exchange rate of 17.1950 Mexican pesos per U.S. dollar as published by the U.S. Federal Reserve Board in its H.10 Weekly Release of Foreign Exchange Rates as of that date. This arithmetic conversion should not be construed as representation that the amounts expressed in Mexican pesos may be converted into U.S. dollars at that or any other exchange rate. As explained in Note 2.1 above, as of February 23, 2016 (the issuance date of these financial statements) such exchange rate was Ps. 18.2762 per U.S. dollar, a devaluation of 6.2% since December 31, 2015.

2.3 Critical accounting judgments and estimates

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

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

2.3.1 Key sources of estimation uncertainty

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

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

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

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset s recoverable amount. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

Property, plant and equipment, including returnable bottles as they are expected to provide benefits over a period of more than one year, as well as intangible assets with defined useful lives are depreciated/amortized over their estimated useful lives. The Company bases its estimates on the experience of its technical personnel as well as based on its experience in the industry for similar assets, see Notes 3.12, 3.14, 11 and 12.

2.3.1.3 Post-employment and other long-term employee benefits

The Company regularly evaluates the reasonableness of the assumptions used in its post-employment and other long-term employee benefit computations. Information about such assumptions is described in Note 16.

2.3.1.4 Income taxes

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

2.3.1.5 Tax, labor and legal contingencies and provisions

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

2.3.1.6 Valuation of financial instruments

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

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

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2.3.1.7 Business combinations

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

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

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, *Income Taxes* and IAS 19, *Employee Benefits,* respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, *Share-based Payment* at the acquisition date, see Note 3.24; and

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

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

2.3.1.8 Investments in associates

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

- Representation on the board of directors or equivalent governing body of the investee;

- Participation in policy-making processes, including participation in decisions about dividends or other distributions;

Material transactions between the Company and the investee;

Interchange of managerial personnel; or

Provision of essential technical information.

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

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

Whether the extent of the Company s ownership is significant relative to other shareholders (i.e., a lack of concentration of other shareholders);

Whether the Company s significant shareholders, fellow subsidiaries, or officers hold additional investment in the investee; and

Whether the Company is a part of significant investee committees, such as the executive committee or the finance committee.

2.3.1.9 Joint arrangements

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

a) Whether all the parties or a group of the parties, control the arrangement, considering definition of joint control, as described in Note 3.11.2; and

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

As mentioned in Note 10, Coca-Cola FEMSA accounts for its 51% investment at Coca-Cola FEMSA Philippines, Inc. (CCFPI) as a joint venture. This is based on the facts that Coca-Cola FEMSA and TCCC: (i) during the initial four-year period all decisions are taken jointly by Coca-Cola FEMSA and TCCC; and (ii) potential voting rights to acquire the remaining 49% of CCFPI are not probable to be executed in the foreseeable future due to the fact the call option was out of the money as of December 31, 2015 and 2014.

2.3.1.10 Venezuela exchange rates and consolidation

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

As is also explained in Note 3.3 below, the Company believes that it currently controls its subsidiary operations in Venezuela but recognizes the challenging economic and political environment in Venezuela. Should the Company in the future conclude that it no longer controls such operations, its consolidated financial statements would change by material amounts as further explained below.

2.4 Changes in accounting policies

The Company has adopted the following amendments to IFRS, during 2015:

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements, such as:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be classified as either those items that will be subsequently reclassified to profit or loss and those that will not, and be presented as a single line item within each of those categories.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Company adopted these amendments and the only impact on the Company´s consolidated financial statements was presentation and disclosure.

Note 3. Significant Accounting Policies

3.1 Basis of consolidation

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

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

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

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

- The contractual arrangements with the other vote holders of the investee;

Rights arising from other contractual arrangements; and

The Company s voting rights and potential voting rights.

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

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

3.1.1 Acquisitions of non-controlling interests

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

3.2 Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Company. In assessing control, the Company takes into consideration substantive potential voting rights.

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

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

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

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

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

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

In preparing the financial statements of each individual subsidiary and accounting for investments in associates and joint ventures, transactions in currencies other than the individual entity s functional currency (foreign currencies) are

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recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not remeasured.

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

- The variations in the net investment in foreign subsidiaries generated by exchange rate fluctuation which are included as part of the exchange differences on translation of foreign operations within the cumulative other comprehensive income (loss) item, which is recorded in equity.

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

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

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 19) while fluctuations related to non-operating activities such as financing activities are presented as part of foreign exchange gain (loss) line in the income statement.

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

- For hyperinflationary economic environments, the inflation effects of the origin country are recognized, and subsequently translated into Mexican pesos using the year-end exchange rate for the consolidated statements of financial position and consolidated income statement and comprehensive income; and

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

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		Exchange Rates of Local Currencies Translated to Mexican Pesos				
		Average Exchange Rate for			Exchange Rate as of	
Country or Zone	Functional / Recording Currency	**2015**	2014	2013	**December 31, 2015**	December 31, 2014
Guatemala	Quetzal	**2.07**	1.72	1.62	**2.25**	1.94
Costa Rica	Colon	**0.03**	0.02	0.03	**0.03**	0.03
Panama	U.S. dollar	**15.85**	13.30	12.77	**17.21**	14.72
Colombia	Colombian peso	**0.01**	0.01	0.01	**0.01**	0.01
Nicaragua	Cordoba	**0.58**	0.51	0.52	**0.62**	0.55
Argentina b)	Argentine peso	**1.71**	1.64	2.34	**1.32**	1.72
Venezuela a)	Bolivar	**a)**	a)	a)	**a)**	a)
Brazil	Reai	**4.81**	5.66	5.94	**4.41**	5.54
Chile	Chilean peso	**0.02**	0.02	0.03	**0.02**	0.02
Euro Zone	Euro ( )	**17.60**	17.66	16.95	**18.94**	17.93
Philippines	Philippine peso	**0.35**	0.30	0.30	**0.36**	0.33

a) Venezuela

The Company has operated under exchange controls in Venezuela since 2003, which limit its ability to remit dividends abroad or make payments other than in local currency and that may increase the real price paid for raw materials and services purchased in local currency. Cash balances of the Company s Venezuela subsidiary which are not available for use at the time the Company prepares its consolidated financial statements are disclosed in Note 5.

The exchange rate used by the Company for its Venezuela operations depends on the type of the transaction as explained below.

As of December 31, 2015 and 2014, the companies in Venezuela were able to convert bolivars to U.S. dollars at one of the following legal exchange rates:

i) The official exchange rate. Used for transactions involving what the Venezuelan government considers to be essential goods and services . Certain of Coca-Cola FEMSA concentrate purchases from The Coca-Cola Company and other strategic suppliers qualify for such treatment. As of December 31, 2015 and 2014, the official exchange rate was 6.30 bolivars per U.S. dollar.

ii) SICAD. Used for certain transactions, including payment of services and payments related to foreign investments in Venezuela, determined by the state-run system known as Sistema Complementario de Administración de Divisas or SICAD exchange rate. The SICAD determined this alternative exchange rate based on limited periodic sales of U.S. dollars through auctions. As of December 31, 2015 the SICAD exchange rate was 13.50 bolivars per U.S. dollar(1.27 mexican peso per bolivar) and as of December 31, 2014 the SICAD exchange rate was 12.00 bolivars per U.S. dollar (1.23 mexican peso per bolivar).

iii) SICAD II. The Venezuelan government enacted a new law in 2014 that authorized an additional method of exchanging Venezuelan bolivars to U.S. dollars. During 2014 and part of 2015 SICAD-II was used for certain types of transactions not covered by the official exchange rate or the SICAD exchange rate. The SICAD-II exchange rate as of December 31, 2014 was 49.99 bolivars per U.S. dollar (0.29 mexican peso per bolivar). In February 2015, this exchange rate was eliminated.

iv) SIMADI. In February 2015, the Venezuelan government enacted a new market-based exchange rate determined by the system known as the Sistema Marginal de Divisas, or SIMADI. The SIMADI determines the exchange rates based on supply and demand of U.S. dollars. The SIMADI exchange rate as of December 31, 2015 was 198.70 bolivars per U.S. dollar (0.09 mexican peso per bolivar).

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

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

As of December 31, 2014, Coca-Cola FEMSA had U.S. $449 million in monetary liabilities recorded using the official exchange rate, as Coca-Cola FEMSA believes that such items qualify as essential goods and services as explained above. As of December 31, 2015, Coca-Cola FEMSA had U.S. $418.5 million in monetary liabilities recorded using the official exchange rate and U.S. $138.7 recorded at SICAD.

Coca-Cola FEMSA believes that these payables for imports of essential goods should continue to qualify for settlement at the official exchange rate they were recorded, but also recognizes the current illiquidity of the U.S. dollar market in Venezuela. If there is a change in the official exchange rate used in the future, or should Coca-Cola FEMSA determine these amounts no longer qualify, the Coca-Cola FEMSA might need to will recognize a portion of such impact of this change in the income statement.

Step-two.- In order to integrate the results of the Venezuelan operations into the consolidated figures of Coca-Cola FEMSA, such Venezuelan results are translated from Venezuelan bolivars into Mexican pesos. During 2015, Coca-Cola FEMSA used SIMADI exchange rate based on the expectations that this would have been the exchange rate to what dividends will be settled. During 2014, the Company decided to use the SICAD II exchange rate to better reflect the economic conditions in Venezuela at the time. Prior to 2014, the Company used the official exchange rate (6.30 bolivars per U.S. dollar).

b) Argentina

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

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On the disposal of a foreign operation (i.e., a disposal of the Company s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in other comprehensive income in respect of that operation attributable to the owners of the Company are recognized in the consolidated income statement. The Company continues to monitor all of its foreign operations, but most notably its Venezuela operations for the reasons explained herein. Over the past few years, the Company has accumulated significant amounts of accumulated other comprehensive loss (approximating Ps. 15,536 million) related to such Venezuela operations. To the extent that economic and or operational conditions were to worsen in the future resulting in a conclusion that the Company no longer controls such operations, such would involve both deconsolidation and an income statement charge for accumulated amounts. There can be no assurances that such might not happen in the future.

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

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

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

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

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

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

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

Including the monetary position gain or loss in consolidated net income.
The Company restates the financial information of subsidiaries that operate in a hyperinflationary economic environment (Venezuela) using the consumer price index of that country. The Venezuelan economy s cumulative inflation rate for the period 2013-2015, 2012-2014 and 2011-2013 was 562.9%, 210.2% and 139.3%; respectively.

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

3.5 Cash and cash equivalents and restricted cash

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

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

3.6 Financial assets

Financial assets are classified into the following specified categories: fair value through profit or loss (FVTPL) , held-to-maturity investments, available-for-sale and loans and receivables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the nature and purpose of holding the financial assets and is determined at the time of initial recognition.

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

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

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

3.6.1 Effective interest rate method

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

3.6.2 Investments

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

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

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

3.6.3 Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that