NUSSBAUM JOHN L
Form 4/A
March 29, 2010

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person [*]
NUSSBAUM JOHN L
(Last) (First) (Middle)
55 JEWELERS PARK DRIVE
(Street)
NEENAH, WI 54956
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
PLEXUS CORP [PLXS]

3. Date of Earliest Transaction (Month/Day/Year)
03/16/2010

4. If Amendment, Date Original Filed(Month/Day/Year)
03/18/2010

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) __X__ Other (specify below)
Chairman of the Board

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, $.01 par value								4,199	I	401(k) [(1)]
Common Stock, $.01 par value	03/16/2010		M		805	A	$ 35.5469	118,023	D [(2)]	
Common Stock, $.01 par value	03/16/2010		S		805	D	$ 37.5	117,218	D [(2)]	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
NUSSBAUM JOHN L 55 JEWELERS PARK DRIVE NEENAH, WI 54956	X		Chairman of the Board	

Signatures

John L. Nussbaum, by Mary J. Bathke, Attorney-in-Fact	03/29/2010
**Signature of Reporting Person	Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- **(1)** Shares of Plexus Corp. common stock held in the Plexus Corp. 401(k) Savings Plan as of the last date of a statement from the Plan's trustee.
- **(2)** Includes shares of Plexus Corp. common stock held in the John L. and Sandra K. Nussbaum Revocable Trust.

Remarks:
This amendment is being filed to correct the transaction date of the sale of the shares underlying the options that were exercise

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. FONT SIZE="1"> 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

Ps. 3,346	Ps. 25,433	Ps. 130,840	Ps.	Ps. 181	Ps. 779	Ps. (1,187)	Ps. 159,392	Ps. 63,158	Ps. 222,550

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

Table of Contents

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES

MONTERREY, N.L., MÉXICO

Consolidated Statements of Cash Flows

For the years ended December 31, 2013, 2012 and 2011.

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

	2013 (*)	**2013**	2012	2011
Cash flows from operating activities:				
Income before income taxes	**$ 2,284**	**Ps. 29,911**	Ps. 36,000	Ps. 28,519
Adjustments for:				
Non-cash operating expenses	**58**	**752**	1,683	474
Employee profit sharing	**147**	**1,936**	1,650	1,237
Depreciation	**672**	**8,805**	7,175	5,694
Amortization	**68**	**891**	715	469
Gain on sale of long-lived assets	**(3)**	**(41)**	(132)	(95)
Gain on sale of shares			(2,148)	
Disposal of long-lived assets	**9**	**122**	133	656
Impairment of long-lived assets			384	146
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	**(369)**	**(4,831)**	(8,470)	(4,967)
Interest income	**(94)**	**(1,225)**	(783)	(1,014)
Interest expense	**331**	**4,331**	2,506	2,302
Foreign exchange loss (gain), net	**55**	**724**	176	(1,148)
Monetary position loss(gain), net	**33**	**427**	13	(53)
Market value (gain) loss on financial instruments	**(1)**	**(8)**	(8)	109
Cash flow from operating activities before changes in operating accounts and employee profit sharing	**3,190**	**41,794**	38,894	32,329
Accounts receivable and other current assets	**(149)**	**(1,948)**	(746)	(2,990)
Other current financial assets	**(115)**	**(1,508)**	(977)	(94)
Inventories	**(118)**	**(1,541)**	(2,289)	(2,277)
Derivative financial instruments	**31**	**402**	(17)	(43)
Suppliers and other accounts payable	**39**	**517**	3,833	1,364
Other long-term liabilities	**(8)**	**(109)**	(18)	(391)
Other current financial liabilities	**32**	**417**	329	116
Post-employment and other long-term employee benefits	**(24)**	**(317)**	(209)	(348)
Cash generated from operations	**2,878**	**37,707**	38,800	27,666
Income taxes paid	**(683)**	**(8,949)**	(8,015)	(6,419)
Net cash generated by operating activities	**2,195**	**28,758**	30,785	21,247
Cash flows from investing activities:				
Acquisition of Grupo Tampico, net of cash acquired (see Note 4)	**$**	**Ps.**	Ps.	Ps. (2,414)
Acquisition of Grupo CIMSA, net of cash acquired (see Note 4)				(1,912)
Acquisition of Grupo Fomento Queretano, net of cash acquired (see Note 4)			(1,114)	
Acquisition of Grupo Yoli, net of cash acquired (see Note 4)	**(80)**	**(1,046)**		
Acquisition of Companhia Fluminense de Refrigerantes, net of cash acquired (see Note 4)	**(355)**	**(4,648)**		
	(1,760)	**(23,056)**		

Acquisition of Spaipa S.A. Industria Brasileira de Bebidas, net of cash acquired (see Note 4)				
Other acquisitions, net of cash acquired (see Note 4)	**(231)**	**(3,021)**		
Investment in shares of Coca-Cola Bottlers Philippines, Inc. CCBPI (see Note 10)	**(680)**	**(8,904)**		
Other investments in associates and joint ventures (see Note 10)	**(26)**	**(335)**	(1,207)	(955)
Disposals of subsidiaries and associates, net of cash			1,055	
Purchase of investments	**(9)**	**(118)**	(2,808)	(1,351)
Proceeds from investments	**114**	**1,488**	2,534	68
Interest received	**93**	**1,224**	777	1,029
Derivative financial instruments	**9**	**119**	94	6
Dividends received from associates and joint ventures	**134**	**1,759**	1,697	1,661
Long-lived assets acquisitions	**(1,251)**	**(16,380)**	(14,844)	(12,046)
Proceeds from the sale of long-lived assets	**19**	**252**	362	535
Acquisition of intangible assets	**(82)**	**(1,077)**	(441)	(639)
Investment in other assets	**(109)**	**(1,436)**	(1,264)	(1,147)
Investment in other financial assets	**(4)**	**(52)**		(924)
Collection in other financial assets			516	
Net cash used in investing activities	**$ (4,218)**	**Ps. (55,231)**	Ps. (14,643)	Ps. (18,089)
Cash flows from financing activities:				
Proceeds from borrowings	**$ 6,025**	**Ps. 78,907**	Ps. 14,048	Ps. 6,606
Payments of bank loans	**(3,051)**	**(39,962)**	(5,872)	(3,732)
Interest paid	**(234)**	**(3,064)**	(2,172)	(2,020)
Derivative financial instruments	**53**	**697**	(209)	(359)
Dividends paid	**(1,259)**	**(16,493)**	(9,186)	(6,625)
Acquisition of non-controlling interests			(6)	(115)
Increase in shares of non-controlling interest	**39**	**515**		
Other financing activities	**(1)**	**(16)**	(21)	(13)
Net cash generated by (used in) financing activities	**1,572**	**20,584**	(3,418)	(6,258)
(Decrease) increase in cash and cash equivalents	**(451)**	**(5,889)**	12,724	(3,100)
Initial balance of cash and cash equivalents	**2,788**	**36,521**	25,841	26,705
Effects of exchange rate changes and inflation effects on cash and cash equivalents held in foreign currencies	**(256)**	**(3,373)**	(2,044)	2,236
Ending balance of cash and cash equivalents	**$ 2,081**	**Ps. 27,259**	Ps. 36,521	Ps. 25,841

(*) 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.

Table of Contents

FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. AND SUBSIDIARIES

MONTERREY, N.L., MÉXICO

Notes to the Consolidated Financial Statements

As of December 31, 2013, 2012 and 2011.

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

Note 1. Activities of the Company

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

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

	% Ownership		
Subholding Company	**December 31, 2013**	**December 31, 2012**	**Activities**
Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries (Coca-Cola FEMSA)	47.9% (1)(2) (63.0% of the voting shares)	48.9% (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, 2013, The Coca-Cola Company (TCCC) indirectly owns 28.1% of Coca-Cola FEMSA s capital stock. In addition, shares representing 24.0% of Coca-Cola FEMSA s capital stock are traded on the Bolsa Mexicana de Valores (Mexican Stock Exchange BMV). Its American Depositary Shares (ADS) trade on the New York Stock Exchange, Inc (NYSE).
FEMSA Comercio, S.A. de C.V. and subsidiaries (FEMSA Comercio)	100%	100%	Operation of chains of small-box retail formats in Mexico, Colombia and the United States, mainly under the trade name OXXO.
CB Equity, LLP (CB Equity)	100%	100%	This Company holds Heineken N.V. and Heineken Holding N.V. shares, which represents in the aggregate a 20% economic interest in both entities (Heineken Company).
Other companies	100%	100%	Companies engaged in the production and distribution of coolers, commercial refrigeration equipment and plastic cases; as well as transportation logistics and maintenance services to FEMSA s subsidiaries and to third parties.

(1) The Company controls Coca-Cola FEMSA s relevant activities.
(2) The ownership decreased from 48.9% as of December 31, 2012 to 47.9% as of December 31, 2013 as a result of merger with Grupo Yoli (see Note 4).

F-7

Table of Contents

Note 2. Basis of Preparation

2.1 Statement of compliance

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

The Company s consolidated financial statements and notes were authorized for issuance by the Company s Chief Executive Officer Carlos Salazar Lomelín and Chief Financial and Administrative Officer Javier Astaburuaga Sanjines on February 21, 2014. Those consolidated financial statements and notes were then approved by the Company s Board of Directors on February 26, 2014 and by the Shareholders on March 14, 2014. 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 Administrative Officer on April 16, 2014, 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. Information about expenses by their nature is disclosed in notes of these financial statements.

2.2.2 Presentation of consolidated statements of cash flows

The Company s consolidated statement of cash flows is presented using the indirect method.

2.2.3 Convenience translation to U.S. dollars ($)

The consolidated financial statements are stated in millions of Mexican pesos (Ps.) and rounded to the nearest million unless stated otherwise. However, solely for the convenience of the readers, the consolidated statement of financial position as of December 31, 2013, the consolidated income statement, the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2013 were converted into U.S. dollars at the exchange rate of 13.0980 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.

Table of Contents

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 other 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 Company assesses at each reporting date whether there is an indication that a depreciable long lived asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset s recoverable amount. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset 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. 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.

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

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

2.3.1.3 Post-employment and other long-term employee benefits

The Company regularly evaluates the reasonableness of the assumptions used in its post-employment and other long-term employee benefit computations. Information about such assumptions is described in Note 16.

2.3.1.4 Income taxes

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

2.3.1.5 Tax, labor and legal contingencies and provisions

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

2.3.1.6 Valuation of financial instruments

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

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

2.3.1.7 Business combinations

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

Table of Contents

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

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

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

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

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

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

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

2.3.1.8 Investments in associates

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

Representation on the board of directors or equivalent governing body of the investee;

Participation in policy-making processes, including participation in decisions about dividends or other distributions;

Material transactions between the Company and the investee;

Interchange of managerial personnel; or

Provision of essential technical information.

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

Table of Contents

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 significants shareholders, fellow subsidiaries, or officers hold additional investment in the investee; and

Whether the Company is a part of significant investee committees, such as the executive committee or the finance committee.

2.3.1.9 Joint arrangements

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

a) Whether all the parties or a group of the parties, control the arrangement, considering definition of joint control, as described in note 3.11.2; and

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

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

2.4 Changes in accounting policies

The Company has adopted the following new IFRS and amendments to IFRS, during 2013:

IAS 28, Investments in Associates and Joint Ventures (2011).

IFRS 10, Consolidated Financial Statements.

IFRS 11, Joint Arrangements.

IFRS 12, Disclosure of Interests in Other Entities.

IFRS 13, Fair Value Measurement.

Amendments to IFRS 7, Financial Instruments: Disclosures.

The Company early adopted Amendments to IAS 19, Employee Benefits as of January 1, 2012.

Table of Contents

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

IAS 28, Investments in Associates and Joint Ventures (2011):

IAS 28, Investments in Associates and Joint Ventures (2011), (which the Company refers to as IAS 28 -2011-) prescribes the accounting for investments in associates and establishes the requirements to apply the equity method for those investments in associates and in joint ventures. The standard is applicable to all entities with joint control of, or significant influence over, an investee. This standard supersedes the previous version of IAS 28, Investments in Associates, which did not include jointly controlled investments under its scope for evaluation purposes due to the existence of IAS 31, Interests in Joint Ventures, which required entities to apply either, proportionate consolidation or the equity method to ownership in joint ventures. As the Company s investments in associates and joint ventures were accounted for using the equity method since before the entry into force of IAS 28 (2011), the adoption of this standard did not impact the Company s consolidated financial statements.

IFRS 10, Consolidated Financial Statements :

IFRS 10, Consolidated Financial Statements, establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. The standard requires the controlling company to present its consolidated financial statements and replaces portions of IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation Special Purpose Entities. As a result of IFRS 10, the Company changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees, by focusing on whether the Company has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In accordance with the transitional provisions of IFRS 10, the Company reassessed the control conclusion for its investees as at January 1, 2013 and concluded that the adoption of this standard had no impact on the Company s consolidated financial statements.

IFRS 11, Joint Arrangements :

IFRS 11, Joint Arrangements, classifies joint arrangements as either joint operations (combining the existing concepts of jointly controlled assets and jointly controlled operations) or joint ventures (equivalent to the existing concept of a jointly controlled entity). Joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 requires the use of the equity method of accounting for interests in joint ventures thereby eliminating the proportionate consolidation method. As a result of IFRS 11, the Company has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Company classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Company s rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Company considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the existence of a separate legal vehicle was the key factor for classification. The Company reassessed its involvement in its joint arrangements and concluded that the adoption of this standard had no impact on the Company s consolidated financial statements.

IFRS 12, Disclosure of Interests in Other Entities :

IFRS 12, Disclosure of Interests in Other Entities, is a consolidated disclosure standard requiring a wide range of extensive disclosures about an entity s interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities and has the objective to require the disclosure of information to allow the users of financial information to evaluate the nature and risk associated with their interests in other entities, and the effects of such interests on their financial position, financial performance and cash flows. IFRS 12 requires to disclose whatever additional information is necessary to disclosures required by IFRS 12, together with disclosures required by other IFRS to enable such evaluation. Disclosures in regards to interests in other entities were previously required by IAS 27 (2008), Consolidated and Separate Financial Statements, IAS 28, Investments in Associates and IAS 31, Interests in Joint Ventures. As a result of the adoption of IFRS 12 the Company added additional disclosures regarding to the following items:

Joint ventures.- At December 31, 2013 and 2012, the Company does not have material joint ventures. Additional summarized aggregate financial information for non-material joint ventures, such as: current and non-current assets, current and non-current liabilities, revenues, costs and expenses and net income (loss). These disclosures are presented in Note 10.

Non-controlling interest.- For each subsidiary that has non-controlling interest that are material to the Company, it disclosed summarized financial information about current and non-current assets, current and non-current liabilities, net income, comprehensive income and cash flows of the subsidiary (see Note 21).

F-13

Table of Contents

IFRS 13, Fair Value Measurement :

IFRS 13, Fair Value Measurement, establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Company re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

Amendments to IFRS 7, Financial Instruments: Disclosures :

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The Company evaluated the amendments to IFRS 7 and concluded that they do not impact its previous disclosures of financial instruments, as no enforceable master netting agreements exist for its financial instruments.

Amendments to IAS 19, Employee Benefits (2011):

IAS 19 (2011), which was early adopted by the Company in 2012 (mandatory effective as of January 1, 2013), eliminates the use of the corridor method, which defers the remeasurements of the net defined benefit liability, and requires that such items be recorded directly within other comprehensive income in each reporting period. The standard also eliminates deferral of past service costs and requires entities to record them in earnings in each reporting period. These requirements increased the Company s liability for post-employment and other long-term employee benefits with a corresponding reduction in retained earnings at the transition date. Based on these requirements, the items pending to be amortized in accordance with Mexican FRS were reclassified as of December 31, 2011 and January 1, 2011 upon adoption of IFRS in 2012 to retained earnings at those dates for Ps. 840 and Ps. 708, respectively, in the consolidated statement of financial position.

Note 3. Significant Accounting Policies

3.1 Basis of consolidation

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

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

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

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

- The contractual arrangements with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and

The Company s voting rights and potential voting rights.

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

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

3.1.1 Acquisitions of non-controlling interests

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

3.1.2 Loss of control

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

3.2 Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Company. In assessing control, the Company takes into consideration substantive potential voting rights.

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

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

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

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

Table of Contents

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

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

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

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

The variations in the net investment in foreign subsidiaries generated by exchange rate fluctuation which are included as part of the exchange differences on translation of foreign operations within the cumulative other comprehensive income (loss) item, which is recorded in equity.

Intercompany financing balances with foreign subsidiaries that are considered as long-term investments, since there is no plan to pay such financing in the foreseeable future. Monetary position and exchange rate fluctuation regarding this financing is included in the exchange differences on translation of foreign operations, which is recorded in the exchange differences on translation of foreign operations within the cumulative other comprehensive income (loss) item, which is recorded in equity.

Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

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

For hyperinflationary economic environments, the inflation effects of the origin country are recognized, and subsequently translated into Mexican pesos using the year-end exchange rate for the consolidated statements of financial position and consolidated income statement and comprehensive income; and

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

		Exchange Rates of Local Currencies Translated to Mexican Pesos				
		Average Exchange Rate for			**Exchange Rate as of**	
Country or Zone	**Functional / Recording Currency**	**2013**	2012	2011	**December 31, 2013**	December 31, 2012
Guatemala	Quetzal	**1.62**	1.68	1.59	**1.67**	1.65
Costa Rica	Colon	**0.03**	0.03	0.02	**0.03**	0.03
Panama	U.S. dollar	**12.77**	13.17	12.43	**13.08**	13.01
Colombia	Colombian peso	**0.01**	0.01	0.01	**0.01**	0.01
Nicaragua	Cordoba	**0.52**	0.56	0.55	**0.52**	0.54

Argentina	Argentine peso	**2.34**	2.90	3.01	**2.01**	2.65
Venezuela	Bolivar	**2.13**	3.06	2.89	**2.08**	3.03
Brazil	Reai	**5.94**	6.76	7.42	**5.58**	6.37
Euro Zone	Euro ( )	**16.95**	16.92	17.28	**17.98**	17.12
Philippines	Philippine peso	**0.30**	0.31	0.29	**0.29**	0.32

F-16

Table of Contents

The Company has operated under exchange controls in Venezuela since 2003 that affect its ability to remit dividends abroad or make payments other than in local currencies and that may increase the real price of raw materials purchased in local currency.

In February 2013, the Venezuelan government announced a devaluation of its official exchange rates from 4.30 to 6.30 bolivars per U.S. dollar. Because the financial statements of the Venezuelan subsidiary are translated from Bolivars to Pesos for the purposes of group consolidation, as a result of this devaluation, the statement of financial position of the Company s Venezuelan subsidiary reflected a reduction in shareholders equity of Ps. 3,700, approximately, which was accounted since February 2013 as part of other comprehensive income.

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

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

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

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

Table of Contents

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.

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

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, 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.

F-18

3.6.2 Investments

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

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

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

3.6.3 Loans and receivables

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

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. For the years ended December 31, 2013, 2012 and 2011 the interest income on loans and receivables recognized in the interest income line item within the consolidated income statements is Ps. 127, Ps. 87 and Ps. 61, respectively.

3.6.4 Other financial assets

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

3.6.5 Impairment of financial assets

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

Evidence of impairment may include indicators as follows:

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

F-19

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

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

For the year ended December 31, 2012, the Company recognized impairment of Ps. 384 (see Note 19). No impairment was recognized for the years ended December 31, 2013 and 2011.

3.6.6 Derecognition

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

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

3.6.7 Offsetting of financial instruments

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

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

3.7 Derivative financial instruments

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

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

Table of Contents

3.7.1 Hedge accounting

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

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

3.7.2 Cash flow hedges

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

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

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

3.7.3 Fair value hedges

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

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

Table of Contents

3.8 Fair value measurement

The Company measures financial instruments, such as derivatives and non-financial assets, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in Notes 13 and 18.

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

In the principal market for the asset or liability; or

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

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

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

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

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

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

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

3.9 Inventories and cost of goods sold

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

Inventories represent the acquisition or production cost which is incurred when purchasing or producing a product, and are based on the weighted average cost formula. The operating segments of the Company use inventory costing methodologies to value their inventories, such as the standard cost method in Coca-Cola FEMSA and retail method in FEMSA Comercio.

F-22

Table of Contents

Cost of goods sold is based on average cost of the inventories at the time of sale. Cost of goods sold in Coca-Cola FEMSA includes expenses related to the purchase of raw materials used in the production process, as well as labor costs (wages and other benefits, including employee profit sharing), depreciation of production facilities, equipment and other costs, including fuel, electricity, breakage of returnable bottles during the production process, equipment maintenance, inspection and plant transfer costs.

3.10 Other current assets

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

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

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

Coca-Cola FEMSA has agreements with customers for the right to sell and promote Coca-Cola FEMSA s products over a certain period. The majority of these agreements have terms of more than one year, and the related costs are amortized using the straight-line method over the term of the contract, with amortization presented as a reduction of net sales. During the years ended December 31, 2013, 2012 and 2011, such amortization aggregated to Ps. 696, Ps. 970 and Ps. 793, respectively.

3.11 Investments in associates and joint arrangements

3.11.1 Investments in associates

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

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

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

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

When the Company s share of losses exceeds the carrying amount of the associate, including any long-term investments, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has a legal or constructive obligation or has made payments on behalf of the associate.

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

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

3.11.2 Joint arrangements

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

Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Company recognizes its interest in the joint ventures as an investment and accounts for that investment using the equity method, as describes in note 3.11.1. As of December 31, 2013 and 2012 the Company does not have an interest in joint operations.

3.12 Property, plant and equipment

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

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

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

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

Table of Contents

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

	Years
Buildings	40-50
Machinery and equipment	10-20
Distribution equipment	7-15
Refrigeration equipment	5-7
Returnable bottles	1.5-4
Leasehold improvements	The shorter of lease term or 15 years
Information technology equipment	3-5
Other equipment	3-10

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

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

Returnable and non-returnable bottles:

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

Non returnable: Are recorded in consolidated net income at the time of product sale.

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

There are two types of returnable bottles:

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

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

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

Coca-Cola FEMSA s returnable bottles are depreciated according to their estimated useful lives. Deposits received from customers are amortized over the same useful estimated lives of the bottles.

Table of Contents

3.13 Borrowing costs

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

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

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

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

3.14 Intangible assets

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

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

- Information technology and management system costs incurred during the development stage which are currently in use. Such amounts are capitalized and then amortized using the straight-line method over their expected useful lives, with a range in useful lives from 3 to 10 years. Expenses that do not fulfill the requirements for capitalization are expensed as incurred.
- Long-term alcohol licenses are amortized using the straight-line method over their estimated useful lives, which range between 12 and 15 years, and are presented as part of intangible assets with finite useful lives.

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

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

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

As of December 31, 2013, Coca-Cola FEMSA had nine bottler agreements in Mexico: (i) the agreements for Mexico s Valley territory, which expire in April 2016 and June 2023, (ii) the agreements for the Central territory, which expire in August 2014 (two agreements), May 2015 and July 2016, (iii) the agreement for the Northeast territory, which expires in September 2014, (iv) the agreement for the Bajio territory, which expires in May 2015, and (v) the agreement for the Southeast territory, which expires in June 2023. As of December 31, 2013, Coca-Cola FEMSA had four bottler agreements in Brazil, two expiring in October 2017 and the other two expiring in April 2024. The bottler agreements with The Coca-Cola Company will expire for territories in other countries as follows: Argentina in September 2014; Colombia in June 2014; Venezuela in August 2016; Guatemala in March 2015; Costa Rica in September 2017; Nicaragua in May 2016 and Panama in November 2014. All of these bottler agreements are automatically renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew the applicable agreement. In addition, these agreements generally may be terminated in the case of material breach.

Table of Contents

3.15 Non-current assets held for sale

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

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

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

3.16 Impairment of non financial assets

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

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

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

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

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

Table of Contents

For the year ended December 31, 2011, the Company recognized impairment of Ps. 146 (see Note 12), regarding to indefinite life intangible assets. No impairment was recognized regarding to depreciable long-lived assets, goodwill nor investment in associates and joint ventures.

3.17 Leases

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

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

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

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

3.18 Financial liabilities and equity instruments

3.18.1 Classification as debt or equity

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

3.18.2 Equity instruments

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

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

Table of Contents

3.18.3 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

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

The Company financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments, see Note 3.7.

Subsequent measurement

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

3.18.4 Loans and borrowings

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

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

3.18.5 Derecognition

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

3.19 Provisions

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

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

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

Table of Contents

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

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

3.20 Post-employment and other long-term employee benefits

Post-employment and other long-term employee benefits, which are considered to be monetary items, include obligations for pension and retirement plans, seniority premiums and postretirement medical services, are all based on actuarial calculations, using the projected unit credit method.

In Mexico and Brazil, the economic benefits from employee benefits and retirement pensions are granted to employees with 10 years of service and minimum age of 60 and 65, respectively. In accordance with Mexican Labor Law, the Company provides seniority premium benefits to its employees under certain circumstances. These benefits consist of a one-time payment equivalent to 12 days wages for each year of service (at the employee s most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit. For qualifying employees, the Company also provides certain post-employment healthcare benefits such as the medical-surgical services, pharmaceuticals and hospital.

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

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

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

a) When it can no longer withdraw the offer of those benefits; or

b) When it recognizes costs for a restructuring that is within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and involves the payment of termination benefits.

Table of Contents

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

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

3.21 Revenue recognition

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

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

All of the above conditions are typically met at the point in time that goods are delivered to the customer at the customers facilities. Net sales reflect units delivered at list prices reduced by promotional allowances, discounts and the amortization of the agreements with customers to obtain the rights to sell and promote the Company s products.

Rendering of services and other

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

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

a) The amount of revenue can be measured reliably;

b) It is probable that the economic benefits associated with the transaction will flow to the entity.

Interest income

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

The amount of the revenue can be measured reliably; and

It is probable that the economic benefits associated with the transaction will flow to the entity.

F-31

Table of Contents

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

3.22 Administrative and selling expenses

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

Selling expenses include:

- Distribution: labor costs (salaries and other related benefits), outbound freight costs, warehousing costs of finished products, write off of returnable bottles in the distribution process, depreciation and maintenance of trucks and other distribution facilities and equipment. For the years ended December 31, 2013, 2012 and 2011, these distribution costs amounted to Ps. 17,971, Ps. 16,839 and Ps. 14,967, respectively;

- Sales: labor costs (salaries and other benefits, including PTU) and sales commissions paid to sales personnel; and

- Marketing: labor costs (salaries and other benefits), promotional expenses and advertising costs.

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

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

3.23 Income taxes

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

3.23.1 Current income taxes

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

Table of Contents

3.23.2 Deferred income taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized and if any, future benefits from tax loss carry forwards and certain tax credits. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from initial recognition of goodwill (no recognition of deferred tax liabilities) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, except in the case of Brazil, where certain goodwill amounts are at times deductible for tax purposes.

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

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

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

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

In Mexico, the income tax rate is 30% for 2011, 2012 and 2013, and as result of Mexican Tax Reform for 2014, it will no longer be 29% and 28% for 2014 and 2015 respectively; it will remain at 30% for the following years (see Note 24).

3.24 Share-based payments arrangements

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

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

Table of Contents

3.25 Earnings per share

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

3.26 Issuance of subsidiary stock

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

Note 4. Mergers, Acquisitions and Disposals

4.1 Mergers and acquisitions

The Company has certain business mergers and acquisitions that were recorded using the acquisition method of accounting. The results of the acquired operations have been included in the consolidated financial statements since the date on which the Company obtained control of the business, as disclosed below. Therefore, the consolidated income statements and the consolidated statements of financial position in the years of such acquisitions are not comparable with previous periods. The consolidated statements of cash flows for the years ended December 31, 2013, 2012 and 2011 show the merged and acquired operations net of the cash related to those mergers and acquisitions.

While the acquired companies disclosed below, from note 4.1.1 to note 4.1.6, represent bottlers of Coca-Cola trademarked beverages, such entities were not under common ownership control prior to their acquisition.

4.1.1 Acquisition of Grupo Spaipa

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

As of December 31, 2013 Coca-Cola FEMSA is still in the process of completing its purchase price allocation of this transaction. Specifically, it is in the process of evaluating the fair value of the net assets acquired which are in the process of completion with the assistance of a third party valuation expert. Coca-Cola FEMSA ultimately anticipates allocating a large component of this purchase price to the value of the distribution agreement with the Coca-Cola Company, which will be an indefinite life intangible asset.

Table of Contents

The Coca-Cola FEMSA preliminary estimate of fair value of Spaipa s net assets acquired is as follows:

	2013
Total current assets (including cash acquired of Ps. 3,800)	Ps. 5,918
Total non-current assets	5,390
Distribution rights	13,731
Total assets	25,039
Total liabilities	(5,734)
Net assets acquired	19,305
Goodwill	7,551
Total consideration transferred	Ps. 26,856

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

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

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

4.1.2 Acquisition of Companhia Fluminense de Refrigerantes

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

As of December 31, 2013 Coca-Cola FEMSA is still in the process of completing its purchase price allocation of this transaction. Specifically, it is in the process of evaluating the fair value of the net assets acquired which are in the process of completion with the assistance of a third party valuation expert. Coca-Cola FEMSA ultimately anticipates allocating a large component of this purchase price to the value of the distribution agreement with the Coca-Cola Company, which will be an indefinite life intangible asset.

Table of Contents

Coca-Cola FEMSA preliminary estimate of fair value of Companhia Fluminense s net assets acquired is as follows:

	2013
Total current assets (including cash acquired of Ps. 9)	Ps. 515
Total non-current assets	1,467
Distribution rights	2,634
Total assets	4,616
Total liabilities	(1,581)
Net assets acquired	3,035
Goodwill	1,622
Total consideration transferred	Ps. 4,657

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

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

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

4.1.3 Merger with Grupo YOLI

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

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

	2013
Total current assets (including cash acquired of Ps. 63)	Ps. 837
Total non-current assets	2,144
Distribution rights	3,503

Total assets	**6,484**
Total liabilities	**(1,487)**
Net assets acquired	**4,997**
Goodwill	**4,133**
Total consideration transferred	**Ps. 9,130**

F-36

Table of Contents

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

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

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

4.1.4 Merger with Grupo Fomento Queretano

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

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

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

Table of Contents

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

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

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

4.1.5 Merger with Grupo CIMSA

On December 9, 2011, Coca-Cola FEMSA completed the merger of 100% of Grupo CIMSA. Grupo CIMSA comprises the bottler entity Grupo Embotellador CIMSA, S.A. de C.V. and other four entities. Grupo CIMSA is a bottler of Coca-Cola trademark products, which operates mainly in the states of Morelos and Mexico, as well as in parts of the states of Guerrero and Michoacan in Mexico. This merger was also made to reinforce the Coca-Cola FEMSA s leadership position in Mexico and throughout Latin America. The transaction involved the issuance of 75,423,728 new L shares of Coca-Cola FEMSA along with a cash payment prior to closing of Ps. 2,100 in exchange for 100% share ownership of Grupo CIMSA, which was accomplished through a merger. The total purchase price was Ps. 11,117 based on a share price of Ps. 119.55 per share on December 9, 2011. Transaction related costs of Ps. 24 were expensed by Coca-Cola FEMSA as incurred, and recorded as a component of administrative expenses in the accompanying consolidated income statements. Grupo CIMSA was included in operating results from December 2011.

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

	2011
Total current assets (including cash acquired of Ps. 188)	Ps. 603
Total non-current assets	3,055
Distribution rights	6,186
Total assets	9,844
Total liabilities	(558)
Net assets acquired	9,286
Goodwill	1,831
Total consideration transferred	Ps. 11,117

Table of Contents

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

Selected income statement information of Grupo CIMSA for the one month of December 31, 2011 is as follows:

Income Statement	2011
Total revenues	Ps. 429
Income before taxes	32
Net income	Ps. 23

4.1.6 Merger with Grupo Tampico

On October 10, 2011, Coca-Cola FEMSA completed the merger of 100% of Grupo Tampico. Grupo Tampico comprises the bottler entity Comercializadora la Pureza, S.A. de C.V. and another entity. Grupo Tampico is a bottler of Coca-Cola trademark products in the states of Tamaulipas, San Luis Potosí and Veracruz; as well as in parts of the states of Hidalgo, Puebla and Queretaro in Mexico. This merger also was made to reinforce Coca-Cola FEMSA s leadership position in Mexico and throughout Latin America. The transaction involved the issuance of 63,500,000 new L shares of Coca-Cola FEMSA along with a cash payment prior to closing of Ps. 2,436, in exchange for 100% share ownership of Grupo Tampico, which was accomplished through a merger. The total purchase price was Ps. 10,264 based on a share price of Ps. 123.27 per share on October 10, 2011. Transaction related costs of Ps. 20 were expensed by Coca-Cola FEMSA as incurred, and recorded as a component of administrative expenses in the accompanying consolidated income statements. Grupo Tampico was included in operating results from October 2011.

The fair value of the Grupo Tampico s net assets acquired is as follows:

	2011
Total current assets (including cash acquired of Ps. 22)	Ps. 461
Total non-current assets	2,512
Distribution rights	5,499
Total assets	8,472
Total liabilities	(744)
Net assets acquired	7,728
Goodwill	2,536
Total consideration transferred	Ps. 10,264

F-39

Table of Contents

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

Selected income statement of Grupo Tampico for the period from to the acquisition date through December 31, 2011 is as follows:

Income Statement		2011
Total revenues	Ps.	1,056
Income before taxes		43
Net income	Ps.	31

4.1.7 Other acquisitions

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

Table of Contents

Unaudited Pro Forma Financial Data

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

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

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

		Unaudited pro forma financial information for the year ended December 31, 2012
Total revenues	Ps.	239,297
Income before income taxes and share of the profit of associates and joint ventures accounting for using the equity method		27,618
Net income		28,104
Basic net controlling interest income per share Series B		1.03
Basic net controlling interest income per share Series D		1.30

Table of Contents

Below are pro-forma 2011 results as if Grupo Tampico and Grupo CIMSA were acquired on January 1, 2011:

	Unaudited pro forma financial information for the year ended December 31, 2011	
Total revenues	Ps.	210,760
Income before income taxes and share of the profit of associates and joint ventures accounting for using the equity method		24,477
Net income		21,536
Basic net controlling interest income per share Series B		0.78
Basic net controlling interest income per share Series D		0.98

4.2 Disposals

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

Note 5. Cash and Cash Equivalents

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

	December 31, 2013		December 31, 2012	
Cash and bank balances	**Ps.**	**16,862**	Ps.	10,577
Cash equivalents (see Note 3.5)		**10,397**		25,944
	Ps.	**27,259**	Ps.	36,521

F-42

Table of Contents

Note 6. Investments

As of December 31, 2013 and 2012 investments are classified as available-for-sale and held-to maturity. The carrying value of held-to maturity investments is similar to its fair value. The following is a detail of available-for-sale and held-to maturity investments:

		2013		2012
Available-for-Sale [1]				
Debt Securities				
Acquisition cost	**Ps.**		Ps.	10
Unrealized gain recognized in other comprehensive income				2
Fair value	**Ps.**		Ps.	12
Held-to Maturity [2]				
Bank Deposits				
Acquisition cost	**Ps.**	**125**	Ps.	1,579
Accrued interest		**1**		4
Amortized cost	**Ps.**	**126**	Ps.	1,583
	Ps.	**126**		1,595

(1) Denominated in U.S. dollars as of December 31, 2012.

(2) Denominated in euros at a fixed interest rate. Investments as of December 31, 2013 mature during 2014.

For the years ended December 31, 2013, 2012 and 2011, the effect of the investments in the consolidated income statements under the interest income caption is Ps. 3, Ps. 23 and Ps. 37, respectively.

Note 7. Accounts Receivable, Net

		December 31, 2013	December 31, 2012
Trade receivables	**Ps.**	**9,294**	Ps. 7,519
Allowance for doubtful accounts		**(489)**	(413)
Current trade customer notes receivable		**185**	434
The Coca-Cola Company (see Note 14)		**1,700**	1,835
Loans to employees		**211**	172
Travel advances to employees		**64**	46
Other related parties (see Note 14)		**235**	211
Heineken Company (see Note 14)		**454**	462
Others		**1,144**	571
	Ps.	**12,798**	Ps. 10,837

F-43

Table of Contents

7.1 Trade receivables

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

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

The carrying value of accounts receivable approximates its fair value as of December 31, 2013 and 2012.

Aging of past due but not impaired (days outstanding)

	December 31, 2013	December 31, 2012
60-90 days	**Ps. 208**	Ps. 242
90-120 days	**40**	69
120+ days	**299**	144
Total	**Ps. 547**	Ps. 455

7.2 Movement in the allowance for doubtful accounts

	2013	2012	2011
Opening balance	**Ps. 413**	Ps. 343	Ps. 249
Allowance for the year	**154**	330	146
Charges and write-offs of uncollectible accounts	**(34)**	(232)	(84)
Restatement of beginning balance in hyperinflationary economies and effects of changes in foreign exchange rates	**(44)**	(28)	32
Ending balance	**Ps. 489**	Ps. 413	Ps. 343

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

Aging of impaired trade receivables (days outstanding)

	December 31, 2013	December 31, 2012
60-90 days	**Ps. 69**	Ps. 4
90-120 days	**14**	12
120+ days	**406**	397
Total	**Ps. 489**	Ps. 413

F-44

Table of Contents

7.3 Payments from The Coca-Cola Company

The Coca-Cola Company participates in certain advertising and promotional programs as well as in the Coca-Cola FEMSA s refrigeration equipment and returnable bottles investment program. Contributions received by Coca-Cola FEMSA for advertising and promotional incentives are recognized as a reduction in selling expenses and contributions received for the refrigeration equipment and returnable bottles investment program are recorded as a reduction in the investment in refrigeration equipment and returnable bottles items. For the years ended December 31, 2013, 2012 and 2011 contributions received were Ps. 4,206, Ps. 3,018 and Ps. 2,595, respectively.

Note 8. Inventories

		December 31, 2013		December 31, 2012
Finished products	**Ps.**	**10,492**	Ps.	9,630
Raw materials		**4,934**		4,541
Spare parts		**1,404**		978
Work in process		**238**		63
Inventories in transit		**1,057**		1,118
Other		**164**		15
	Ps.	**18,289**	Ps.	16,345

For the years ended at 2013, 2012 and 2011, the Company recognized write-downs of its inventories for Ps. 1,322, Ps. 793 and Ps. 747 to net realizable value, respectively.

For the years ended at 2013, 2012 and 2011, changes in inventories are comprised as follows and included in the consolidated income statement under the cost of goods sold caption:

		2013		2012		2011
Changes in inventories of finished goods and work in progress	**Ps.**	**76,163**	Ps.	68,712	Ps.	61,566
Raw materials and consumables used		**49,740**		51,033		44,578
	Ps.	**125,903**	Ps.	119,745	Ps.	106,144

Table of Contents

Note 9. Other Current Assets and Other Current Financial Assets

9.1 Other current assets

	December 31, 2013	December 31, 2012
Prepaid expenses	**Ps. 1,666**	Ps. 1,108
Agreements with customers	**148**	128
Short-term licenses	**55**	47
Other	**110**	51
	Ps. 1,979	Ps. 1,334

Prepaid expenses as of December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Advances for inventories	**Ps. 478**	Ps. 86
Advertising and promotional expenses paid in advance	**191**	284
Advances to service suppliers	**309**	339
Prepaid leases	**120**	101
Prepaid insurance	**33**	61
Others	**535**	237
	Ps. 1,666	Ps. 1,108

Advertising and deferred promotional expenses recorded in the consolidated income statement for the years ended December 31, 2013, 2012 and 2011 amounted to Ps. 6,232, Ps. 4,471 and Ps. 4,695, respectively.

9.2 Other current financial assets

	December 31, 2013	December 31, 2012
Restricted cash	**Ps. 3,106**	Ps. 1,465
Derivative financial instruments (see Note 20)	**28**	106
Short term note receivable	**843**	975
	Ps. 3,977	Ps. 2,546

The Company has pledged part of its short-term deposits in order to fulfill the collateral requirements for the accounts payable in different currencies. As of December 31, 2013 and 2012, the fair value of the short-term deposit pledged were:

	December 31, 2013		December 31, 2012	
Venezuelan bolivars	**Ps.**	**2,658**	Ps.	1,141
Brazilian reais		**340**		183
Colombian pesos		**108**		141
	Ps.	**3,106**	Ps.	1,465

F-46

Table of Contents

Note 10. Investments in Associates and Joint Ventures

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

Investee	Principal Activity	Place of Incorporation	Ownership Percentage December 31, 2013	Ownership Percentage December 31, 2012	Carrying Amount December 31, 2013	Carrying Amount December 31, 2012
Heineken Company [1] [2]	Beverages	The Netherlands	**20.0%**	20.0%	**Ps. 80,351**	Ps. 77,484
Coca-Cola FEMSA:						
Joint ventures:						
Grupo Panameño de Bebidas	Beverages	Panama	**50.0%**	50.0%	**892**	756
Dispensadoras de Café, S.A.P.I. de C.V.	Services	Mexico	**50.0%**	50.0%	**187**	167
Estancia Hidromineral Itabirito, LTDA	Bottling and distribution	Brazil	**50.0%**	50.0%	**142**	147
Coca-Cola Bottlers Philippines, Inc. (CCBPI)	Bottling	Philippines	**51.0%**		**9,398**	
Associates:						
Promotora Industrial Azucarera, S.A. de C.V. (PIASA) [3]	Sugar production	Mexico	**36.3%**	26.1%	**2,034**	1,447
Industria Envasadora de Queretaro, S.A. de C.V.(IEQSA)	Canned bottling	Mexico	**32.8%**	27.9%	**181**	141
Industria Mexicana de Reciclaje, S.A. de C.V. (IMER)	Recycling	Mexico	**35.0%**	35.0%	**90**	74
Jugos del Valle, S.A.P.I. de C.V.	Beverages	Mexico	**26.2%**	25.1%	**1,470**	1,351
KSP Partiçipações, LTDA	Beverages	Brazil	**38.7%**	38.7%	**85**	93
SABB Sistema de Alimentos e Bebidas Do Brasil, LTDA (formerly Sucos del Valle do Brasil LTDA) [4] [5]	Beverages	Brazil		19.7%		902
Holdfab2 Partiçipações Societárias, LTDA (Holdfab2) [4]	Beverages	Brazil		27.7%		205
Leao Alimentos e Bebidas, LTDA [4]	Beverages	Brazil	**26.1%**		**2,176**	
Other investments in Coca Cola FEMSA s companies	Various	Various	**Various**	Various	**112**	69
FEMSA Comercio:						
Café del Pacifico, S.A.P.I. de C.V. (Caffenio) [1]	Coffee	Mexico	**40.0%**	40.0%	**466**	459
Other investments [1] [6]	Various	Various	**Various**	Various	**746**	545
					Ps. 98,330	Ps. 83,840

(1) Associate.
(2) As of December 31, 2013, comprised of 12.53% of Heineken, N.V. and 14.94% of Heineken Holding, N.V., which represents an economic interest of 20% in Heineken. The Company has significant influence, mainly, due to the fact that it participates in the Board of Directors of Heineken Holding, N.V. and the Supervisory Board of Heineken N.V.; and for the material transactions between the Company and Heineken Company.
(3) As mentioned in Note 4, on May 24, 2013 and May 4, 2012, Coca-Cola FEMSA completed the merger of 100% of Grupo Yoli and Grupo Foque, respectively. As part of these mergers, Coca-Cola FEMSA increased its equity interest to 36.3% and 26.1% in Promotora Industrial Azucarera, S.A. de C.V., respectively.
(4) During March 2013, Holdfab2 Partiçipações Societárias, LTDA and SABB- Sistema de Alimentos e Bebidas Do Brasil, LTDA. were merged into Leao Alimentos e Bebidas, Ltda.
(5) The Company has significant influence due to the fact that it has power to participate in the financial and operating policy decisions of the investee.
(6) Joint ventures.

Table of Contents

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

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

On October 1, 2012 FEMSA Comercio acquired a 40% ownership interest in Café del Pacífico, S.A.P.I de C.V., a Mexican coffee producing company for Ps. 462. On the acquisition date, the difference between the cost of its investment and the FEMSA Comercio s share of the net book value and net fair value of the associate s identifiable assets, liabilities and contingent liabilities was accounted for in accordance with the Company s accounting policy described in Note 3.2 and resulted in the identification of amortizable intangible assets, primarily customer lists, step-up adjustments associated with the fair value of acquired fixed assets, including the associated deferred tax impacts as well as goodwill, which is not amortized, all of which are included in the carrying amount of the investment in associates. The Company made adjustments to its share of the associate s profits after the acquisition date to account for the depreciation of the depreciable assets and amortizable intangible assets based on their fair values at the acquisition date, net of their deferred tax impact and recognized a loss of Ps. 23 associated with its investment in this associate for the period from October 1, 2012 to December 31, 2012.

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

During 2012 Coca-Cola FEMSA made capital contributions to Jugos del Valle, S.A.P.I. de C.V. in the amount of Ps. 469. The funds were mainly used by Jugos del Valle to acquire Santa Clara in Mexico (a dairy products Company).

On March 17, 2011, a consortium of investors formed by FEMSA, the Macquarie Mexican Infrastructure Fund and other investors, acquired Energía Alterna Istmeña, S. de R.L. de C.V. (EAI), and Energía Eólica Mareña, S.A. de C.V. (EEM), from subsidiaries of Preneal, S.A. (Preneal). EAI and EEM are the owners of a 396 megawatt late-stage wind energy project in the southeastern region of the State of Oaxaca. On February 23, 2012, a wholly-owned subsidiary of Mitsubishi Corporation, and Stichting Depositary PGGM Infrastructure Funds, a pension fund managed by PGGM, acquired the 45% interest held by FEMSA in the parent companies of the Mareña Renovables Wind Power Farm. The sale of FEMSA s participation as an investor resulted in a gain of Ps. 933. Certain subsidiaries of FEMSA, FEMSA Comercio and Coca-Cola FEMSA have entered into 20-year wind power supply agreements with the Mareña Renovables Wind Power Farm to purchase some of the energy output produced by it. These agreements will remain in full force and effect.

Heineken s main activities are the production, distribution and marketing of beer worldwide. The Company recognized an equity income of Ps. 4,587, Ps. 8,311 and Ps. 4,880, net of taxes regarding its interest in Heineken for the years ended December 31, 2013, 2012 and 2011, respectively.

Table of Contents

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

	December 31, 2013		December 31, 2012 [1]	
	Peso	Million of Euro	Peso	Million of Euro
Total current assets	Ps. 98,814	. 5,495	Ps. 94,788	. 5,537
Total non-current assets	500,667	27,842	521,155	30,443
Total current liabilities	143,913	8,003	133,734	7,812
Total non-current liabilities	233,376	12,978	263,000	15,363
Total equity	222,192	12,356	219,209	12,805
Equity attributable to equity holders of Heineken	205,038	11,402	200,876	11,734
Total revenue and other income	Ps. 333,437	.19,429	Ps. 333,209	.19,893
Total cost and expenses	289,605	16,875	271,284	16,196
Net income	Ps. 27,236	. 1,587	Ps. 51,490	. 3,074
Net income attributable to equity holders of the company	23,409	1,364	48,810	2,914
Other comprehensive income	(18,998)	(1,107)	(5,327)	(318)
Total comprehensive income	Ps. 8,238	. 480	Ps. 46,163	. 2,756
Total comprehensive income attributable to equity holders of the company	5,766	336	43,684	2,608

(1) Heineken adjusted its comparative figures due to restatement for the revised IAS 19 and finalization of the purchase price allocation for APB.

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

	December 31, 2013		December 31, 2012	
	Peso	Million of Euro	Peso	Million of Euro
Equity attributable to equity holders of Heineken	Ps. 205,038	.11,402	Ps. 200,876	11,734
Restatement due to IAS 19 revised			(736)	(43)
Effects of fair value determined by Purchase Price Allocation	88,822	4,939	84,566	4,939
Goodwill	107,895	6,000	102,714	6,000
Equity attributable to equity holders of Heineken adjusted	401,755	22,341	387,420	22,630
Economic ownership percentage	20%	20%	20%	20%
Investment in Heineken Company	80,351	4,468	77,484	4,526

As of December 31, 2013 and 2012 fair value of Company s investment in Heineken N.V. Holding and Heineken N.V. represented by shares equivalent to 20% of its outstanding shares amounted to Ps. 99,279 (5,521 million) and Ps. 92,879 (5,425 million) based on quoted market prices of those dates. As of April 16, 2014, approval date of these consolidated financial statements, fair value amounted to 5,780 million.

During the years ended December 31, 2013, 2012 and 2011, the Company received dividends distributions from Heineken, amounted to Ps. 1,752, Ps. 1,697 and Ps. 1,661, respectively.

F-49

Table of Contents

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

	2013	2012	2011
Total current assets	**Ps. 8,232**	Ps. 6,958	Ps. 7,038
Total non-current assets	**11,750**	12,023	9,843
Total current liabilities	**4,080**	3,363	3,376
Total non-current liabilities	**3,575**	2,352	2,067
Total revenue	**Ps. 20,889**	Ps. 16,609	Ps. 16,087
Total cost and expenses	**20,581**	15,514	14,894
Net income [(1)]	**433**	858	1,053

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

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

	2013	2012	2011
Total current assets	**Ps. 8,622**	Ps. 1,612	Ps. 1,091
Total non-current assets	**13,561**	2,616	3,097
Total current liabilities	**6,547**	1,977	2,053
Total non-current liabilities	**960**	106	140
Total revenue	**Ps. 16,844**	Ps. 2,187	Ps. 2,095
Total cost and expenses	**16,622**	2,262	2,093
Net income (loss) [(1)]	**113**	(77)	(7)

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

The Company s share of other comprehensive income from equity investees, net of taxes for the year ended December 31, 2013, 2012 and 2011 are as follows:

	2013	2012	2011
Valuation of the effective portion of derivative financial instruments	**Ps. (91)**	Ps. 113	Ps. 94
Exchange differences on translating foreign operations	**(3,029)**	183	(1,253)
Remeasurements of the net defined benefit liability	**491**	(1,077)	(236)
	Ps. (2,629)	Ps. (781)	Ps. (1,395)

F-50

Table of Contents

Note 11. Property, Plant and Equipment, Net

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
Cost as of January 1, 2011	Ps. 4,006	Ps. 10,273	Ps. 32,600	Ps. 8,462	Ps. 2,930	Ps. 3,082	Ps. 7,270	Ps. 629	Ps. 69,252
Additions	233	271	3,348	960	1,236	5,849	45	104	12,046
Additions from business combinations	597	1,103	2,309	314	183	202			4,708
Transfer of completed projects in progress	23	379	2,542	421	521	(5,162)	1,277	(1)	
Transfer to/(from) assets classified as held for sale	111	144	(13)					(68)	174
Disposals	(58)	(15)	(2,315)	(325)	(901)	5	(331)	(162)	(4,102)
Effects of changes in foreign exchange rates	141	414	981	536	143	76	12	82	2,385
Changes in value on the recognition of inflation effects	91	497	1,155	268	3	50		11	2,075
Capitalization of borrowing costs			17						17
Cost as of December 31, 2011	Ps. 5,144	Ps. 13,066	Ps. 40,624	Ps. 10,636	Ps. 4,115	Ps. 4,102	Ps. 8,273	Ps. 595	Ps. 86,555
Cost as of January 1, 2012	Ps. 5,144	Ps. 13,066	Ps. 40,624	Ps. 10,636	Ps. 4,115	Ps. 4,102	Ps. 8,273	Ps. 595	Ps. 86,555
Additions	329	415	4,607	1,176	1,434	6,511	186	186	14,844
Additions from business combinations	206	390	486	84	18				1,184
Adjustments of fair value of past business combinations	57	312	(462)	(39)	(77)		(1)		(210)
Transfer of completed projects in progress	137	339	1,721	901	765	(5,183)	1,320		
Transfer to/(from) assets classified as held for sale			(34)						(34)
Disposals	(82)	(131)	(963)	(591)	(324)	(14)	(100)	(69)	(2,274)
Effects of changes in foreign exchange rates	(107)	(485)	(2,051)	(451)	(134)	(28)	(60)	(41)	(3,357)
Changes in value on the recognition of inflation effects	85	471	1,138	275	17	(31)		83	2,038
Capitalization of borrowing costs			16						16
Cost as of December 31, 2012	Ps. 5,769	Ps. 14,377	Ps. 45,082	Ps. 11,991	Ps. 5,814	Ps. 5,357	Ps. 9,618	Ps. 754	Ps. 98,762

Table of Contents

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
Cost as of January 1, 2013	**Ps. 5,769**	**Ps. 14,377**	**Ps. 45,082**	**Ps. 11,991**	**Ps. 5,814**	**Ps. 5,357**	**Ps. 9,618**	**Ps. 754**	**Ps. 98,762**
Additions	433	167	4,648	1,107	1,435	8,238	11	341	16,380
Additions from business combinations	536	2,278	2,814	428	96	614	36	264	7,066
Transfer of completed projects in progress	389	1,158	992	1,144	785	(6,296)	1,828		
Transfer to/(from) assets classified as held for sale			(216)						(216)
Disposals	(11)	(291)	(2,049)	(749)	(324)	(748)	(697)	(15)	(4,884)
Effects of changes in foreign exchange rates	(250)	(1,336)	(3,678)	(1,135)	(466)	(291)	(103)	(55)	(7,314)
Changes in value on the recognition of inflation effects	228	1,191	2,252	603	46	165		277	4,762
Capitalization of borrowing costs			32						32
Cost as of December 31, 2013	**Ps. 7,094**	**Ps. 17,544**	**Ps. 49,877**	**Ps. 13,389**	**Ps. 7,386**	**Ps. 7,039**	**Ps. 10,693**	**Ps. 1,566**	**Ps. 114,588**
Accumulated Depreciation									
Accumulated Depreciation as of January 1, 2011	Ps.	Ps. (3,347)	Ps. (15,829)	Ps. (4,778)	Ps. (478)	Ps.	Ps. (2,464)	Ps. (174)	Ps. (27,070)
Depreciation for the year		(328)	(2,985)	(948)	(853)		(533)	(47)	(5,694)
Transfer (to)/from assets classified as held for sale		(41)	(3)						(44)
Disposals		6	2,146	154	335		298	67	3,006
Effects of changes in foreign exchange rates		(171)	(525)	(270)	(35)			(29)	(1,030)
Changes in value on the recognition of inflation effects		(280)	(653)	(202)				(25)	(1,160)
Accumulated Depreciation as of December 31, 2011	Ps.	Ps. (4,161)	Ps. (17,849)	Ps. (6,044)	Ps. (1,031)	Ps.	Ps. (2,699)	Ps. (208)	Ps. (31,992)

F-52

Table of Contents

Accumulated Depreciation	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
Accumulated Depreciation as of January 1, 2012	Ps.	Ps. (4,161)	Ps. (17,849)	Ps. (6,044)	Ps. (1,031)	Ps.	Ps. (2,699)	Ps. (208)	Ps. (31,992)
Depreciation for the year		(361)	(3,781)	(1,173)	(1,149)		(639)	(72)	(7,175)
Transfer (to)/from assets classified as held for sale		1	10					(26)	(15)
Disposals		158	951	492	200		94	1	1,896
Effects of changes in foreign exchange rates		200	749	303	(5)		68	(5)	1,310
Changes in value on the recognition of inflation effects		(288)	(641)	(200)	(3)			(5)	(1,137)
Accumulated Depreciation as of December 31, 2012	Ps.	Ps. (4,451)	Ps. (20,561)	Ps. (6,622)	Ps. (1,988)	Ps.	Ps. (3,176)	Ps. (315)	Ps. (37,113)
Accumulated Depreciation as of January 1, 2013	**Ps.**	**Ps. (4,451)**	**Ps. (20,561)**	**Ps. (6,622)**	**Ps. (1,988)**	**Ps.**	**Ps. (3,176)**	**Ps. (315)**	**Ps. (37,113)**
Depreciation for the year		**(431)**	**(4,380)**	**(1,452)**	**(1,662)**		**(784)**	**(96)**	**(8,805)**
Transfer (to)/from assets classified as held for sale			**105**						**105**
Disposals		**200**	**1,992**	**785**	**33**		**682**	**6**	**3,698**
Effects of changes in foreign exchange rates		**591**	**2,061**	**755**	**143**		**8**	**73**	**3,631**
Changes in value on the recognition of inflation effects		**(583)**	**(996)**	**(442)**	**(6)**			**(122)**	**(2,149)**
Accumulated Depreciation as of December 31, 2013	**Ps.**	**Ps (4,674)**	**Ps. (21,779)**	**Ps. (6,976)**	**Ps. (3,480)**	**Ps.**	**Ps. (3,270)**	**Ps. (454)**	**Ps. (40,633)**

F-53

Carrying Amount	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
As of December 31, 2011	Ps. 5,144	Ps. 8,905	Ps. 22,775	Ps. 4,592	Ps. 3,084	Ps. 4,102	Ps. 5,574	Ps. 387	Ps .54,563
As of December 31, 2012	Ps. 5,769	Ps. 9,926	Ps. 24,521	Ps. 5,369	Ps. 3,826	Ps. 5,357	Ps. 6,442	Ps. 439	Ps. 61,649
As of December 31, 2013	**Ps. 7,094**	**Ps. 12,870**	**Ps. 28,098**	**Ps. 6,413**	**Ps. 3,906**	**Ps. 7,039**	**Ps. 7,423**	**Ps. 1,112**	**Ps. 73,955**

During the years ended December 31, 2013, 2012 and 2011 the Company capitalized Ps. 32, Ps. 16 and Ps. 17, respectively of borrowing costs in relation to Ps. 790, Ps. 196 and Ps. 256 in qualifying assets. The effective interest rates used to determine the amount of borrowing costs eligible for capitalization were 4.1%, 4.3% and 5.8%, respectively.

For the years ended December 31, 2013, 2012 and 2011 interest expense, interest income and net foreign exchange losses are analyzed as follows:

	2013	2012	2011
Interest expense, interest income and foreign exchange losses	**Ps. 3,887**	Ps. 1,937	Ps. 325
Amount capitalized (1)	**57**	38	185
Net amount in consolidated income statements	**Ps. 3,830**	Ps. 1,899	Ps. 140

(1) Amount capitalized in property, plant and equipment and amortized intangible assets.

Commitments related to acquisitions of property, plant and equipment are disclosed in Note 25.

Table of Contents

Note 12. Intangible Assets

Cost	Rights to Produce and Distribute Coca-Cola Trademark Products	Goodwill	Other Indefinite Lived Intangible Assets	Total Unamortized Intangible Assets	Technology Costs and Management Systems	Systems in Development	Alcohol Licenses	Other	Total Amortized Intangible Assets	Total Intangible Assets
Cost as of January 1, 2011	Ps. 41,173	Ps.	Ps. 386	Ps. 41,559	Ps. 1,627	Ps. 1,389	Ps. 499	Ps. 226	Ps. 3,741	Ps. 45,300
Purchases			9	9	221	300	61	48	630	639
Acquisition from business combinations	11,878	4,515		16,393	66	3			69	16,462
Transfer of completed development systems					261	(261)				
Effect of movements in exchange rates	1,072			1,072	30			7	37	1,109
Changes in value on the recognition of inflation effects	815			815						815
Capitalization of borrowing costs					168				168	168
Cost as of December 31, 2011	Ps. 54,938	Ps. 4,515	Ps. 395	Ps. 59,848	Ps. 2,373	Ps. 1,431	Ps. 560	Ps. 281	Ps. 4,645	Ps. 64,493
Cost										
Cost as of January 1, 2012	Ps. 54,938	Ps. 4,515	Ps. 395	Ps. 59,848	Ps. 2,373	Ps. 1,431	Ps. 560	Ps. 281	Ps. 4,645	Ps. 64,493
Purchases			6	6	35	90	166	106	397	403
Acquisition from business combinations	2,973	2,605		5,578						5,578
Internally developed						38			38	38
Adjustments of fair value of past business combinations	(42)	(148)		(190)						(190)
Transfer of completed development systems					559	(559)				
Disposals			(62)	(62)	(7)				(7)	(69)
Effect of movements in exchange rates	(478)			(478)	(97)	(3)		(3)	(103)	(581)
	(121)			(121)						(121)

Changes in value on the recognition of inflation effects										
Capitalization of borrowing costs						22			22	22
Balance as of December 31, 2012	**Ps. 57,270**	**Ps. 6,972**	**Ps. 339**	**Ps. 64,581**	**Ps. 2,863**	**Ps. 1,019**	**Ps. 726**	**Ps. 384**	**Ps. 4,992**	**Ps. 69,573**

Table of Contents

Cost	Rights to Produce and Distribute Coca-Cola Trademark Products	Goodwill	Other Indefinite Lived Intangible Assets	Total Unamortized Intangible Assets	Technology Costs and Management Systems	Systems in Development	Alcohol Licenses	Other	Total Amortized Intangible Assets	Total Intangible Assets
Cost as of January 1, 2013	**Ps. 57,270**	**Ps. 6,972**	**Ps. 339**	**Ps. 64,581**	**Ps. 2,863**	**Ps. 1,019**	**Ps. 726**	**Ps. 384**	**Ps. 4,992**	**Ps. 69,573**
Purchases					**164**	**644**	**179**	**123**	**1,110**	**1,110**
Acquisition from business combinations	**19,868**	**14,692**	**1,621**	**36,181**	**70**			**196**	**266**	**36,447**
Transfer of completed development systems					**172**	**(172)**				
Disposals			**(163)**	**(163)**			**(46)**		**(46)**	**(209)**
Effect of movements in exchange rates	**(1,828)**	**(356)**	**(10)**	**(2,194)**	**(75)**			**(13)**	**(88)**	**(2,282)**
Changes in value on the recognition of inflation effects	**417**			**417**		**113**			**113**	**530**
Capitalization of borrowing costs					**25**				**25**	**25**
Cost as of December 31, 2013	**Ps. 75,727**	**Ps. 21,308**	**Ps. 1,787**	**Ps. 98,822**	**Ps. 3,219**	**Ps. 1,604**	**Ps. 859**	**Ps. 690**	**Ps. 6,372**	**Ps. 105,194**
Amortization and Impairment Losses										
Amortization as of January 1, 2011	Ps.	Ps.	Ps.	Ps.	Ps. (914)	Ps.	Ps. (87)	Ps. (46)	Ps. (1,047)	Ps. (1,047)
Amortization expense					(187)		(27)	(41)	(255)	(255)
Impairment losses			(103)	(103)				(43)	(43)	(146)
Effect of movements in exchange rates					(15)				(15)	(15)
Amortization as of December 31, 2011	Ps.	Ps.	Ps. (103)	Ps. (103)	Ps. (1,116)	Ps.	Ps. (114)	Ps. (130)	Ps. (1,360)	Ps. (1,463)
Amortization as of January 1, 2012	**Ps.**	**Ps.**	**Ps. (103)**	**Ps. (103)**	**Ps. (1,116)**	**Ps.**	**Ps. (114)**	**Ps. (130)**	**Ps. (1,360)**	**Ps. (1,463)**
Amortization expense					(202)		(36)	(66)	(304)	(304)
Disposals					25				25	25
Effect of movements in exchange rates					65			(3)	62	62
Amortization as of December 31, 2012	**Ps.**	**Ps.**	**Ps. (103)**	**Ps. (103)**	**Ps. (1,228)**	**Ps.**	**Ps. (150)**	**Ps. (199)**	**Ps. (1,577)**	**Ps. (1,680)**

Table of Contents

Amortization and impairment losses	Rights to Produce and Distribute Coca-Cola Trademark Products	Goodwill	Other Indefinite Lived Intangible Assets	Total Unamortized Intangible Assets	Technology Costs and Management Systems	Systems in Development	Alcohol Licenses	Other	Total Amortized Intangible Assets	Total Intangible Assets
Amortization as of January 1, 2013	**Ps.**	**Ps.**	**Ps. (103)**	**Ps. (103)**	**Ps. (1,228)**	**Ps.**	**Ps. (150)**	**Ps. (199)**	**Ps. (1,577)**	**Ps. (1,680)**
Amortization expense					**(271)**		**(73)**	**(72)**	**(416)**	**(416)**
Disposals			**103**	**103**	**2**		**46**		**48**	**151**
Effect of movements in exchange rates					**35**			**9**	**44**	**44**
Amortization as of December 31, 2013	**Ps.**	**Ps.**	**Ps.**	**Ps.**	**Ps. (1,462)**	**Ps.**	**Ps. (177)**	**Ps. (262)**	**Ps. (1,901)**	**Ps. (1,901)**
Carrying Amount										
As of December 31, 2011	Ps. 54,938	Ps. 4,515	Ps. 292	Ps. 59,745	Ps. 1,257	Ps. 1,431	Ps. 446	Ps. 151	Ps. 3,285	Ps. 63,030
As of December 31, 2012	Ps. 57,270	Ps. 6,972	Ps. 236	Ps. 64,478	Ps. 1,635	Ps. 1,019	Ps. 576	Ps. 185	Ps. 3,415	Ps. 67,893
As of December 31, 2013	**Ps. 75,727**	**Ps. 21,308**	**Ps. 1,787**	**Ps. 98,822**	**Ps. 1,757**	**Ps. 1,604**	**Ps. 682**	**Ps. 428**	**Ps. 4,471**	**Ps. 103,293**

F-57

Table of Contents

During the years ended December 31, 2013, 2012 and 2011 the Company capitalized Ps. 25, Ps. 22 and Ps. 168, respectively of borrowing costs in relation to Ps. 630, Ps. 674 and Ps. 1,761 in qualifying assets, respectively. The effective interest rates used to determine the amount of borrowing costs eligible for capitalization were 4.1%, 4.3% and 5.8%, respectively.

For the years ended 2013, 2012 and 2011, allocation for amortization expense is as follows:

	2013	2012	2011
Cost of goods sold	**Ps. 10**	Ps. 3	Ps. 4
Administrative expenses	**249**	204	151
Selling expenses	**157**	97	100
	Ps. 416	Ps. 304	Ps. 255

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

	Years
Technology Costs and Management Systems	7
Alcohol Licenses	9

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

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

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

	December 31, 2013	December 31, 2012
Mexico	**Ps. 55,126**	Ps. 47,492
Guatemala	**303**	299
Nicaragua	**390**	407
Costa Rica	**1,134**	1,114
Panama	**785**	781
Colombia	**5,895**	6,387
Venezuela	**3,508**	3,236
Brazil	**28,405**	4,416
Argentina	**103**	110
Total	**Ps. 95,649**	Ps. 64,242

Table of Contents

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

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

Cash flows were projected based on actual operating results and the five-year business plan. Cash flows for a further five-year were forecasted maintaining the same stable growth and margins per country of the last year base. Coca-Cola FEMSA believes that this forecasted period is justified due to the non-current nature of the business and past experiences.

Cash flows after the first ten-year period were extrapolated using a perpetual growth rate equal to the expected annual population growth, in order to calculate the terminal recoverable amount.

A per CGU-specific Weighted Average Cost of Capital (WACC) was applied as a hurdle rate to discount cash flows to get the recoverable amount of the units; the calculation assumes, size premium adjusting.

The key assumptions by CGU for impairment test as of December 31, 2012 were as follows:

CGU	WACC real	Expected Annual Long-Term Inflation 2013-2023	Expected Volume Growth Rates 2013-2023
Mexico	5.5%	3.6%	2.8%
Colombia	5.8%	3.0%	6.1%
Venezuela	11.3%	25.8%	2.8%
Costa Rica	7.7%	5.7%	2.8%
Guatemala	8.1%	5.3%	4.0%
Nicaragua	9.5%	6.6%	5.1%
Panama	7.7%	4.6%	3.6%
Argentina	10.7%	10.0%	4.2%
Brazil	5.5%	5.8%	3.8%

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

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

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

F-59

Table of Contents

Sensitivity to Changes in Assumptions

At December 31, 2013 Coca-Cola FEMSA performed an additional impairment sensitivity calculation, taking into account an adverse change in WACC, according to the country risk premium, using for each country the relative standard deviation between equity and sovereign bonds and an additional sensitivity to the volume of a 100 basis points, except in Mexico and concluded that no impairment would be recorded.

CGU	Change in WACC	Change in Volume Growth CAGR[(1)]	Effect on Valuation
Mexico	+2.5 %	-0.25 %	Passes by 2.9x
Colombia	+0.9 %	-1.0 %	Passes by 4.6x
Venezuela	+5.5 %	-1.0 %	Passes by 7.4x
Costa Rica	+0.3 %	-1.0 %	Passes by 2.6x
Guatemala	+2.0 %	-1.0 %	Passes by 3.5x
Nicaragua	+4.1 %	-1.0 %	Passes by 1.5x
Panama	+1.8 %	-1.0 %	Passes by 8.4x
Argentina	+3.8 %	-1.0 %	Passes by 78.8x
Brazil	+3.7 %	-1.0 %	Passes by 8.1x

(1) Compound Annual Growth Rate (CAGR).

Note 13. Other Assets, Net and Other Financial Assets

13.1 Other assets, net

	December 31, 2013	December 31, 2012
Agreement with customers, net	**Ps. 314**	Ps. 278
Long term prepaid advertising expenses	**102**	78
Guarantee deposits [(1)]	**1,147**	953
Prepaid bonuses	**116**	117
Advances to acquire property, plant and equipment	**866**	973
Recoverable taxes	**185**	93
Others	**770**	331
	Ps. 3,500	Ps. 2,823

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

Table of Contents

13.2 Other financial assets

	December 31, 2013	December 31, 2012
Non-current accounts receivable	**Ps. 1,120**	Ps. 1,110
Derivative financial instruments (see Note 20)	**1,472**	1,144
Other non-current financial assets	**161**	
	Ps. 2,753	Ps. 2,254

As of December 31, 2013 and 2012, the fair value of long term accounts receivable amounted to Ps. 1,142 and Ps. 1,244, respectively. The fair value is calculated based on the discounted value of contractual cash flows whereby the discount rate is estimated using rates currently offered for receivable of similar amounts and maturities, which is considered to be level 2 in the fair value hierarchy.

Table of Contents

Note 14. Balances and Transactions with Related Parties and Affiliated Companies

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

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

	December 31, 2013	December 31, 2012
Balances		
Due from The Coca-Cola Company (see Note 7) (1) (9)	**Ps. 1,700**	Ps. 1,835
Balance with BBVA Bancomer, S.A. de C.V. (2)	**2,357**	2,299
Balance with Grupo Financiero Banorte, S.A. de C.V. (2)	**817**	
Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C. (3)	**171**	219
Due from Heineken Company (1) (7)	**454**	462
Due from Compañía Panameña de Bebidas, S.A.P.I de C.V. (3) (8)	**893**	828
Other receivables (1) (4)	**924**	211
Due to The Coca-Cola Company (6) (9)	**Ps. 5,562**	Ps. 4,088
Due to BBVA Bancomer, S.A. de C.V. (5)	**1,080**	1,136
Due to Caffenio (6) (7)	**7**	144
Due to Grupo Financiero Banamex, S.A. de C.V. (5)	**1,962**	
Due to British American Tobacco Mexico (6)	**280**	395
Due to Heineken Company (6) (7)	**2,339**	1,939
Other payables (6)	**605**	488

(1) Presented within accounts receivable.
(2) Presented within cash and cash equivalents.
(3) Presented within other financial assets.
(4) Presented within other current financial assets.
(5) Recorded within bank loans.
(6) Recorded within accounts payable.
(7) Associates.
(8) Joint venture.
(9) Non controlling interest.

Table of Contents

Balances due from related parties are considered to be recoverable. Accordingly, for the years ended December 31, 2013 and 2012, there was no expense resulting from the uncollectibility of balances due from related parties.

Transactions	**2013**	**2012**	**2011**
Income:			
Services to Heineken Company [1]	**Ps. 2,412**	Ps. 2,979	Ps. 2,169
Logistic services to Grupo Industrial Saltillo, S.A. de C.V. [4]	**287**	242	241
Sales of Grupo Inmobiliario San Agustin, S.A. shares to Instituto Tecnologico y de Estudios Superiores de Monterrey, A.C. [4]		391	
Logistic services to Jugos del Valle [1]	**471**	431	
Other revenues from related parties	**399**	341	469
Expenses:			
Purchase of concentrate from The Coca-Cola Company [3]	**Ps. 22,988**	Ps. 23,886	Ps. 20,882
Purchases of raw material, beer and operating expenses from Heineken Company [1]	**11,865**	11,013	9,397
Purchase of coffee from Caffenio [1]	**1,383**	342	
Purchase of baked goods and snacks from Grupo Bimbo, S.A.B. de C.V.[4]	**2,860**	2,394	2,270
Purchase of cigarettes from British American Tobacco Mexico [4]	**2,460**	2,342	1,964
Advertisement expense paid to The Coca-Cola Company [3] [5]	**1,291**	1,052	872
Purchase of juices from Jugos del Valle, S.A.P.I. de C.V. [1]	**2,628**	1,985	1,564
Purchase of sugar from Promotora Industrial Azucarera, S.A. de C.V. [1]	**956**	423	52
Interest expense and fees paid to BBVA Bancomer, S.A. de C.V. [4]	**77**	205	128
Purchase of sugar from Beta San Miguel [4]	**1,557**	1,439	1,398
Purchase of sugar, cans and aluminum lids from Promotora Mexicana de Embotelladores, S.A. de C.V. [4]	**670**	711	701
Purchase of canned products from IEQSA [1]	**615**	483	262
Advertising paid to Grupo Televisa, S.A.B. [4]	**92**	124	86
Interest expense paid to Grupo Financiero Banamex, S.A. de C.V. [4]	**19**		28
Insurance premiums for policies with Grupo Nacional Provincial, S.A.B.[4]	**67**	57	59
Donations to Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C.[4]	**78**	109	81
Donations to Fundación FEMSA, A.C. [4]	**27**	864	46
Purchase of plastic bottles from Embotelladora del Atlántico, S.A. (formerly Complejo Industrial Pet, S.A.) [4]	**124**	99	56
Purchase of juice and milk powder from Grupo Estrella Azul [2]			60
Donations to Difusión y Fomento Cultural, A.C. [4]		29	21
Interest expense paid to The Coca-Cola Company [3]	**60**	24	7
Other expenses with related parties	**299**	389	321

(1) Associates.
(2) Joint Venture.
(3) Non controlling interest.
(4) Members of the board of directors in FEMSA participate in board of directors of this entity.
(5) Net of the contributions from The Coca-Cola Company of Ps. 4,206, Ps. 3,018 and Ps. 2,595, for the years ended in 2013, 2012 and 2011, respectively.

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

F-63

Table of Contents

Commitments with related parties

Related Party	Commitment	Amount	Conditions
Heineken Company	Supply	Ps.	Supply of all beer products in Mexico s OXXO stores. The contract may be renewed for five years on additional periods. At the end of the contract OXXO will not hold exclusive contract with another supplier of beer for the next 3 years. Commitment term, Jan 1st, 2010 to Jun 30, 2020.
		Ps.	

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

	2013	2012	2011
Short-term employee benefits paid	**Ps. 1,268**	Ps. 1,022	Ps. 998
Postemployment benefits	**37**	37	29
Termination benefits	**25**	13	13
Share based payments	**306**	275	253

Note 15. Balances and Transactions in Foreign Currencies

Assets, liabilities and transactions denominated in foreign currencies are those realized in a currency different than the functional currency of the Company. As of the end and for the years ended on December 31, 2013, 2012 and 2011, assets, liabilities and transactions denominated in foreign currencies, expressed in Mexican pesos (contractual amounts) are as follows:

	Assets		Liabilities	
Balances	Short-Term	Long-Term	Short-Term	Long-Term
As of December 31, 2013				
U.S. dollars	**Ps. 5,340**	**Ps. 969**	**Ps. 6,061**	**Ps. 53,929**
Euros	**333**		**152**	
Other currencies		**186**	**251**	**115**
Total	**Ps. 5,673**	**Ps. 1,155**	**Ps. 6,464**	**Ps. 54,044**
As of December 31, 2012				
U.S. dollars	Ps. 21,236	Ps. 912	Ps. 6,588	Ps. 14,493
Euros			38	
Other currencies	8		75	250
Total	Ps. 21,244	Ps. 912	Ps. 6,701	Ps. 14,743

Transactions	Revenues	Disposal Shares	Other Revenues	Purchases of Raw Materials	Interest Expense	Consulting Fees	Assets Acquisitions	Other

For the year ended December 31, 2013								
U.S. dollars	**Ps. 2,013**	**Ps.**	**Ps. 605**	**Ps. 15,017**	**Ps. 435**	**Ps. 11**	**Ps. 80**	**Ps. 1,348**
Euros	**1**		**3**	**55**	**9**		**2**	**15**
Other currencies								**3**
Total	**Ps. 2,014**	**Ps.**	**Ps. 608**	**Ps. 15,072**	**Ps. 444**	**Ps. 11**	**Ps. 82**	**Ps. 1,366**
For the year ended December 31, 2012								
U.S. dollars	Ps. 1,631	Ps. 1,127	Ps. 717	Ps. 12,016	Ps. 380	Ps. 13	Ps. 154	Ps. 1,585
Euros							32	10
Other currencies								68
Total	Ps. 1,631	Ps. 1,127	Ps. 717	Ps. 12,016	Ps. 380	Ps. 13	Ps. 186	Ps. 1,663

Table of Contents

Transactions	Revenues	Disposal Shares	Other Revenues	Purchases of Raw Materials	Interest Expense	Consulting Fees	Assets Acquisitions	Other
For the year ended December 31, 2011								
U.S. dollars	Ps. 1,067	Ps.	Ps. 497	Ps. 9,424	Ps. 319	Ps. 11	Ps. 306	Ps. 1,075
Euros								
Other currencies			2		5			90
Total	Ps. 1,067	Ps.	Ps. 499	Ps. 9,424	Ps. 324	Ps. 11	Ps. 306	Ps. 1,165

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

	December 31, 2013	December 31, 2012	April 16, 2014
US dollar	13.0765	13.0101	13.0493
Euro	18.0079	17.0889	18.0734

Note 16. Post-Employment and Other Long-Term Employee Benefits

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

16.1 Assumptions

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

F-65

Table of Contents

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

Mexico	December 31, 2013	December 31, 2012	December 31, 2011
Financial:			
Discount rate used to calculate the defined benefit obligation	**7.50%**	7.10%	7.64%
Salary increase	**4.79%**	4.79%	4.79%
Future pension increases	**3.50%**	3.50%	3.50%
Healthcare cost increase rate	**5.10%**	5.10%	5.10%
Biometric:			
Mortality [1]	**EMSSA 82-89**	EMSSA 82-89	EMSSA 82-89
Disability [2]	**IMSS - 97**	IMSS - 97	IMSS - 97
Normal retirement age	**60 years**	60 years	60 years
Employee turnover table [3]	**BMAR 2007**	BMAR 2007	BMAR 2007
Measurement date December:			

(1) EMSSA. Mexican Experience of social security.
(2) IMSS. Mexican Experience of Instituto Mexicano del Seguro Social.
(3) BMAR. Actuary experience.

Brazil	December 31, 2013	December 31, 2012	December 31, 2011
Financial:			
Discount rate used to calculate the defined benefit obligation	**10.70%**	9.30%	9.70%
Salary increase	**6.80%**	5.00%	5.00%
Future pension increases	**5.80%**	4.00%	4.00%
Biometric:			
Mortality [1]	**UP84**	UP84	UP84
Disability [2]	**IMSS - 97**	IMSS - 97	IMSS - 97
Normal retirement age	**65 years**	65 years	65 years
Employee turnover table	**Brazil [3]**	Brazil [3]	Brazil [3]
Measurement date December:			

(1) UP84. Unisex mortality table.
(2) IMSS. Mexican Experience of Instituto Mexicano del Seguro Social.
(3) Rest of employee turnover bases on the experience of the Company s subsidiary in Brazil.

F-66

Table of Contents

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

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

(1) EMSSA. Mexican Experience of social security.
(2) IMSS. Mexican Experience of Instituto Mexicano del Seguro Social.
(3) BMAR. Actuary experience.

In Mexico the methodology used to determine the discount rate was the Yield or Internal Rate of Return (IRR) which involves a yield curve. In this case, the expected rates of each period were taken from a yield curve of Mexican Federal Government Treasury Bond (known as CETES in Mexico).

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

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

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

Table of Contents

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

	Pension and Retirement Plans	Seniority Premiums	Post Retirement Medical Services	Post-employment (Venezuela)	Total
2014	Ps. 520	Ps. 22	Ps. 15	Ps. 33	**Ps. 590**
2015	252	20	14	30	**316**
2016	267	21	14	35	**337**
2017	349	23	14	46	**432**
2018	287	25	14	51	**377**
2019 to 2023	1,863	175	60	450	**2,548**

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

	December 31, 2013	December 31, 2012
Pension and Retirement Plans:		
Defined benefit obligation	**Ps. 4,866**	Ps. 4,495
Pension plan funds at fair value	**(2,230)**	(2,043)
Net defined benefit liability	**2,636**	2,452
Effect due to asset ceiling	**94**	105
Net defined benefit liability after asset ceiling	**Ps. 2,730**	Ps. 2,557
Seniority Premiums:		
Defined benefit obligation	**Ps. 475**	Ps. 324
Seniority premium plan funds at fair value	**(90)**	(18)
Net defined benefit liability	**Ps. 385**	Ps. 306
Postretirement Medical Services:		
Defined benefit obligation	**Ps. 267**	Ps. 267
Medical services funds at fair value	**(51)**	(49)
Net defined benefit liability	**Ps. 216**	Ps. 218
Post-employment:		
Defined benefit obligation	**Ps. 743**	Ps. 594
Post-employment plan funds at fair value		
Net defined benefit liability	**Ps. 743**	Ps. 594
Total post-employment and other long-term employee benefits	**Ps. 4,074**	Ps. 3,675

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

	December 31, 2013	December 31, 2012
Defined benefit obligation	**313**	313
Pension plan funds at fair value	**(498)**	(589)
Net defined benefit asset	**(185)**	(276)
Effect due to asset ceiling	**94**	105
Net defined benefit asset after asset ceiling	**(91)**	(171)

Table of Contents

16.3 Trust assets

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

Type of Instrument	December 31, 2013	December 31, 2012
Fixed return:		
Traded securities	15%	10%
Bank instruments	6%	5%
Federal government instruments of the respective countries	57%	65%
Variable return:		
Publicly traded shares	22%	20%
	100%	100%

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

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

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

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

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

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

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

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

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

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

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

		December 31, 2013		December 31, 2012
Debt:				
BBVA Bancomer, S.A. de C.V.	**Ps.**		Ps.	10
Grupo Televisa, S.A.B. de C.V.		**3**		3
Grupo Financiero Banorte, S.A.B. de C.V.				8
El Puerto de Liverpool, S.A.B. de C.V.		**5**		5
Grupo Industrial Bimbo, S. A. B. de C. V.		**3**		3
Grupo Financiero Banamex, S.A.B. de C.V.		**22**		21
Teléfonos de México, S.A. de C.V.		**4**		
Capital:				
Fomento Económico Mexicano, S.A.B. de C.V.		**85**		70
Coca-Cola FEMSA, S.A,B. de C.V.		**19**		8
Grupo Televisa, S.A.B. de C.V.		**3**		10
Alfa, S.A.B. de C.V.		**4**		5
Grupo Aeroportuario del Sureste, S.A.B. de C.V.		**1**		8
Grupo Industrial Bimbo, S.A.B. de C.V.		**1**		

Table of Contents

In Brazil, the amounts and types of securities of the Company in related parties included in plan assets are as follows:

	December 31, 2013	December 31, 2012
Brazil Portfolio		
Debt:		
HSBC Sociedad de inversión Atuarial INPC (Brazil)	**Ps. 383**	Ps. 485
Capital:		
HSBC Sociedad de inversión Atuarial INPC (Brazil)	**114**	104

During the years ended December 31, 2013 and 2012, the Company did not make significant contributions to the plan assets and does not expect to make material contributions to the plan assets during the following fiscal year.

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

	Income Statement				**OCI**
December 31, 2013	**Current Service Cost**	**Past Service Cost**	**Gain or Loss on Settlement**	**Net Interest on the Net Defined Benefit Liability[1]**	**Remeasurements of the Net Defined Benefit Liability**
Pension and retirement plans	Ps. 220	Ps. 12	Ps. (7)	Ps. 164	Ps. 470
Seniority premiums	55			22	44
Postretirement medical services	11			15	14
Post-employment Venezuela	48			67	312
Total	Ps. 334	Ps. 12	Ps. (7)	Ps. 268	Ps. 840
December 31, 2012					
Pension and retirement plans	Ps. 185	Ps.	Ps. 1	Ps. 136	Ps. 499
Seniority premiums	42			17	38
Postretirement medical services	8			14	25
Post-employment Venezuela	48	381		63	71
Total	Ps. 283	Ps. 381	Ps. 1	Ps. 230	Ps. 633
December 31, 2011					
Pension and retirement plans	Ps. 164	Ps.	Ps. 5	Ps. 151	Ps. 272
Seniority premiums	30			12	3
Postretirement medical services	9		(6)	14	1
Total	Ps. 203	Ps.	Ps. (1)	Ps. 177	Ps. 276

(1) Interest due to asset ceiling amounted to Ps. 8, Ps. 11 y Ps. 19 in 2013, 2012 and 2011, respectively.

For the years ended December 31, 2013, 2012 and 2011, current service cost of Ps. 334, Ps. 283 and Ps. 203 has been included in the consolidated income statement as cost of goods sold, administration and selling expenses.

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

	December 31, 2013	December 31, 2012	December 31, 2011
Amount accumulated in other comprehensive income as of the beginning of the period, net of tax	**Ps. 469**	Ps. 190	Ps. 131
Actuarial gains and losses arising from exchange rates	**(26)**	(13)	
Remeasurements during the year, net of tax	**251**	20	119
Actuarial gains and losses arising from changes in financial assumptions	**(109)**	281	
Changes in the effect of limiting a net defined benefit asset to the asset ceiling		(9)	(60)
Amount accumulated in other comprehensive income as of the end of the period, net of tax	**Ps. 585**	Ps. 469	Ps. 190

Table of Contents

Remeasurements of the net defined benefit liability include the following:

The return on plan assets, excluding amounts included in interest expense.

Actuarial gains and losses arising from changes in demographic assumptions.

Actuarial gains and losses arising from changes in financial assumptions.

Changes in the effect of limiting a net defined benefit asset to the asset ceiling, excluding amounts included in interest expense.

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

	December 31, 2013	December 31, 2012	December 31, 2011
Pension and Retirement Plans:			
Initial balance	**Ps. 4,495**	Ps. 3,972	Ps. 3,297
Current service cost	**220**	185	164
Interest expense	**311**	288	263
Settlement	**(7)**	1	5
Remeasurements of the net defined benefit obligation	**(143)**	238	85
Foreign exchange (gain) loss	**(60)**	(67)	45
Benefits paid	**(152)**	(154)	(142)
Plan ammendments	**28**		
Acquisitions	**174**	32	255
Ending balance	**Ps. 4,866**	Ps. 4,495	Ps. 3,972
Seniority Premiums:			
Initial balance	**Ps. 324**	Ps. 241	Ps. 154
Current service cost	**55**	42	30
Interest expense	**24**	19	12
Curtailment		(2)	
Remeasurements of the net defined benefit obligation	**2**	33	2
Benefits paid	**(36)**	(23)	(19)
Acquisitions	**106**	14	62
Ending balance	**Ps. 475**	Ps. 324	Ps. 241
Postretirement Medical Services:			
Initial balance	**Ps. 267**	Ps. 235	Ps. 232
Current service cost	**11**	8	9
Interest expense	**17**	17	15
Curtailment			(6)
Remeasurements of the net defined benefit obligation	**(11)**	25	
Benefits paid	**(17)**	(18)	(15)
Ending balance	**Ps. 267**	Ps. 267	Ps. 235

Post-employment:						
Initial balance	**Ps.**	**594**	Ps.		Ps.	
Current service cost		**48**		48		
Past service cost				381		
Interest expense		**67**		63		
Remeasurements of the net defined benefit obligation		**238**		108		
Foreign exchange (gain) loss		**(187)**				
Benefits paid		**(17)**		(6)		
Ending balance	**Ps.**	**743**	Ps.	594	Ps.	

F-72

Table of Contents

16.6 Changes in the balance of plan assets

	December 31, 2013	December 31, 2012	December 31, 2011
Total Plan Assets:			
Initial balance	**Ps. 2,110**	Ps. 1,991	Ps. 1,544
Actual return on trust assets	**29**	145	53
Foreign exchange (gain) loss	**(73)**	(91)	6
Life annuities	**88**	29	152
Benefits paid		(12)	(12)
Acquisitions	**201**	48	248
Plan ammendments	**16**		
Ending balance	**Ps. 2,371**	Ps. 2,110	Ps. 1,991

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

16.7 Variation in assumptions

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

Discount rate: The rate that determines the value of the obligations over time.

Salary increase rate: The rate that considers the salary increase which implies an increase in the benefit payable.

Healthcare cost increase rate: The rate that considers the trends of health care costs which implies an impact on the postretirement medical service obligations and the cost for the year.

Table of Contents

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

+0.5%:	**Income Statement**				**OCI**
Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability (asset)	**Current Service Cost**	**Past Service Cost**	**Gain or Loss on Settlement**	**Net Interest on the Net Defined Benefit Liability (Asset)**	**Remeasurements of the Net Defined Benefit Liability (Asset)**
Pension and retirement plans	Ps. 208	Ps. 11	Ps. (7)	Ps. 148	Ps. 203
Seniority premiums	52			22	19
Postretirement medical services	10			15	(1)
Post-employment	44			64	255
Total	Ps. 314	Ps. 11	Ps. (7)	Ps. 249	Ps. 476
Expected salary increase					
Pension and retirement plans	Ps. 231	Ps. 12	Ps. (7)	Ps. 165	Ps. 557
Seniority premiums	59			23	66
Postretirement medical services	11			16	14
Post-employment	56			76	413
Total	Ps. 357	Ps. 12	Ps. (7)	Ps. 280	Ps. 1,050
Assumed rate of increase in healthcare costs					
Postretirement medical services	Ps. 10	Ps.	Ps.	Ps. 16	Ps. 34
-0.5%:					
Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability (asset)					
Pension and retirement plans	Ps. 234	Ps. 13	Ps. (7)	Ps. 159	Ps. 640
Seniority premiums	59			21	74
Postretirement medical services	12			15	34
Post-employment	52			72	384
Total	Ps. 357	Ps. 13	Ps. (7)	Ps. 267	Ps. 1,132
Expected salary increase					
Pension and retirement plans	Ps. 211	Ps. 11	Ps. (7)	Ps. 144	Ps. 240
Seniority premiums	52			21	27
Postretirement medical services	11			15	14
Post-employment	42			57	232
Total	Ps. 316	Ps. 11	Ps. (7)	Ps. 237	Ps. 513

Assumed rate of increase in healthcare costs										
Postretirement medical services	Ps.	10	Ps.		Ps.		Ps.	15	Ps.	(2)

16.8 Employee benefits expense

For the years ended December 31, 2013, 2012 and 2011, employee benefits expenses recognized in the consolidated income statements are as follows:

Table of Contents

	2013	2012	2011
Wages and salaries	**Ps. 36,995**	Ps. 31,561	Ps. 27,249
Social security costs	**5,741**	3,874	3,189
Employee profit sharing	**1,936**	1,650	1,237
Post employment benefits	**607**	514	379
Post employment benefits recognized in other expenses (Note 19)		381	
Share-based payments	**306**	275	253
Termination benefits	**480**	541	411
	Ps. 46,065	Ps. 38,796	Ps. 32,718

F-75

Table of Contents

Note 17. Bonus Programs

17.1 Quantitative and qualitative objectives

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

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

The bonus amount is determined based on each eligible participant s level of responsibility and based on the EVA generated by the applicable business unit the employee works for. This formula is established by considering the level of responsibility within the organization, the employees evaluation and competitive compensation in the market. The bonus is granted to the eligible employee on an annual basis and after withholding applicable taxes. The Company contributes the individual employee s special bonus (after taxes) in cash to the Administrative Trust (which is controlled and consolidated by FEMSA), who then uses the funds to purchase FEMSA or Coca-Cola FEMSA shares (as instructed by the Administrative Trust s Technical Committee), which are then allocated to such employee.

17.2 Share-based payment bonus plan

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

The plan is managed by FEMSA s chief executive officer (CEO), with the support of the board of directors, together with the CEO of the respective sub-holding company. FEMSA s Board of Directors is responsible for approving the plan s structure, and the annual amount of the bonus. Each year, FEMSA s CEO in conjunction with the Evaluation and Compensation Committee of the board of directors and the CEO of the respective sub-holding company determine the employees eligible to participate in the plan and the bonus formula to determine the number of shares to be received, which vest ratably over a six year period. On such date, the Company and the eligible employee agree to the share-based payment arrangement, being when it and the counterparty have a shared understanding of the terms and conditions of the arrangement. FEMSA accounts for its share-based payment bonus plan as an equity-settled share based payment transaction as it will ultimately settle its obligations with its employees by issuing its own shares or those of its subsidiary Coca-Cola FEMSA.

The Administrative Trust tracks the individual employees account balance. FEMSA created the Administrative Trust with the objective of administering the purchase of FEMSA and Coca-Cola FEMSA shares by each of its subsidiaries with eligible executives participating in the stock incentive plan. The Administrative Trust s objectives are to acquire FEMSA shares, or shares of Coca-Cola FEMSA and to manage the shares granted to the individual employees based on instructions set forth by the Technical Committee. Once the shares are acquired following the Technical Committee s instructions, the Administrative Trust assigns to each participant their respective rights. As the trust is controlled and therefore consolidated by FEMSA, shares purchased in the market and held within the Administrative Trust are presented as treasury stock (as it relates to FEMSA s

Table of Contents

shares) or as a reduction of the noncontrolling interest (as it relates to Coca-Cola FEMSA s shares) in the consolidated statement of changes in equity, on the line issuance (repurchase) of shares associated with share-based payment plans. Should an employee leave prior to their shares vesting, they would lose the rights to such shares, which would then remain within the Administrative Trust and be able to be reallocated to other eligible employees as determined by the Company. The incentive plan target is expressed in months of salary, and the final amount payable is computed based on a percentage of compliance with the goals established every year. For the years ended December 31, 2013, 2012 and 2011, the compensation expense recorded in the consolidated income statement amounted to Ps. 306, Ps. 275 and Ps. 253, respectively.

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

As of December 31, 2013 and 2012, the number of shares held by the trust associated with the Company s share based payment plans is as follows:

	Number of Shares			
	FEMSA UBD		**KOFL**	
	2013	**2012**	**2013**	**2012**
Beginning balance	**8,416,027**	9,400,083	**2,421,876**	2,714,552
Shares acquired by the Administrative Trust and granted to employees	**2,285,948**	2,390,815	**407,487**	749,830
Shares released from Administrative trust to employees upon vesting	**(3,700,547)**	(3,374,871)	**(1,049,299)**	(1,042,506)
Forfeitures				
Ending balance	**7,001,428**	8,416,027	**1,780,064**	2,421,876

The fair value of the shares held by the trust as of the end of December 31, 2013 and 2012 was Ps. 1,166 and Ps. 1,552, respectively, based on quoted market prices of those dates.

Table of Contents

Note 18. Bank Loans and Notes Payables

(in millions of Mexican pesos)	2014	2015	At December 31, [1] 2016	2017	2018	2019 and Thereafter	Carrying Value at December 31, 2013	Fair Value at December 31, 2013	Carrying Value at December 31, 2012 [1]
Short-term debt:									
Fixed rate debt:									
Argentine pesos									
Bank loans	Ps. 495	Ps.	Ps.	Ps.	Ps.	Ps.	**Ps. 495**	Ps. 489	Ps. 291
Interest rate	25.4%						**25.4%**	25.4%	19.2%
Variable rate debt:									
Brazilian Reais									
Bank loans	34						**34**	34	19
Interest rate	9.7%						**9.7%**	9.7%	8.1%
U.S. dollars (bank loans)									3,903
Interest rate									0.6%
Total short-term debt	Ps. 529	Ps.	Ps.	Ps.	Ps.	Ps.	**Ps. 529**	Ps. 523	Ps. 4,213
Long-term debt:									
Fixed rate debt:									
U.S. dollars									
Senior notes	Ps.	Ps.	Ps.	Ps.	Ps. 13,022	Ps. 21,250	**Ps. 34,272**	Ps. 35,327	Ps. 6,458
Interest rate					2.4%	4.4%	**3.7%**	3.7%	4.6%
Senior note (FEMSA USD 2023)						3,736	**3,736**	3,486	
Interest rate						2.9%	**2.9%**	2.9%	
Senior note (FEMSA USD 2043)						8,377	**8,377**	7,566	
Interest rate						4.4%	**4.4%**	4.4%	
Bank loans	97	26					**123**	125	
Interest rate	3.8%	3.8%					**3.8%**	3.8%	
Mexican pesos									
Units of investment (UDIs)				3,630			**3,630**	3,630	3,567
Interest rate				4.2%			**4.2%**	4.2%	4.2%
Domestic senior notes						9,987	**9,987**	9,427	2,495
Interest rate						6.2%	**6.2%**	6.2%	8.3%
Brazilian reais									
Bank loans	66	72	65	63	29	42	**337**	311	119
Interest rate	3.2%	2.9%	3.0%	3.0%	3.4%	3.1%	**3.1%**	3.1%	3.8%
Finance leases	242	216	184	157	84	82	**965**	817	11
Interest rate	4.7%	4.7%	4.6%	4.6%	4.6%	4.6%	**4.6%**	4.6%	4.5%
Argentine pesos									
Bank loans	259	71	28				**358**	327	529
Interest rate	21.8%	16.8%	15.3%				**20.3%**	20.3%	19.9%
Subtotal	Ps. 664	Ps. 385	Ps. 277	Ps. 3,850	Ps. 13,135	Ps. 43,474	**Ps. 61,785**	Ps. 61,016	Ps. 13,179

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

Table of Contents

(in millions of Mexican pesos)	At December 31,[1] 2014	2015	2016	2017	2018	2019 and Thereafter	Carrying Value at December 31, 2013	Fair Value at December 31, 2013	Carrying Value at December 31, 2012[1]
Variable rate debt:									
U.S. dollars									
Bank loans	Ps.	Ps.	Ps. 1,566	Ps.	Ps. 4,277	Ps.	**Ps. 5,843**	Ps. 5,897	Ps. 7,990
Interest rate			1.1%		0.8%		**0.9%**	0.9%	0.9%
Mexican pesos									
Domestic senior notes			2,517				**2,517**	2,500	6,011
Interest rate			3.9%				**3.9%**	3.9%	5.0%
Bank loans	1,368	2,764					**4,132**	4,205	4,380
Interest rate	4.0%	4.0%					**4.0%**	4.0%	5.1%
Argentine pesos									
Bank loans	180						**180**	179	106
Interest rate	25.7%						**25.7%**	25.7%	22.9%
Brazilian reais									
Bank loans	138	18	11				**167**	167	106
Interest rate	11.3%	11.3%	11.3%				**11.3%**	11.3%	8.9%
Finance leases	35	39	26				**100**	100	149
Interest rate	10.0%	10.0%	10.0%				**10.0%**	10.0%	10.5%
Colombian pesos									
Bank loans	913	582					**1,495**	1,490	1,023
Interest rate	5.6%	5.7%					**5.7%**	5.7%	6.8%
Finance leases									185
Interest rate									6.8%
Subtotal	Ps. 2,634	Ps. 3,403	Ps. 4,120	Ps.	Ps. 4,277	Ps.	**Ps. 14,434**	Ps. 14,538	Ps. 19,950
Total long-term debt	Ps. 3,298	Ps. 3,788	Ps. 4,397	Ps. 3,850	Ps. 17,412	Ps. 43,474	**Ps. 76,219**	Ps. 75,554	Ps. 33,129
Current portion of long term debt							**(3,298)**		(4,489)
							Ps. 72,921		Ps. 28,640

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

Table of Contents

Hedging Derivative Financial Instruments [1]	2014	2015	2016	2017	2018	2019 and Thereafter	2013	2012
	(notional amounts in millions of Mexican pesos)							
Cross currency swaps:								
Units of investments to Mexican pesos and variable rate:								
Fixed to variable	Ps.	Ps.	Ps.	Ps. 2,500	Ps.	Ps.	**Ps. 2,500**	Ps. 2,500
Interest pay rate				4.1%			**4.1%**	4.7%
Interest receive rate				4.2%			**4.2%**	4.2%
U.S. dollars to Mexican pesos:								
Fixed to variable						11,403	**11,403**	
Interest pay rate						5.1%	**5.1%**	
Interest receive rate						4.0%	**4.0%**	
Variable to variable								2,553
Interest pay rate								3.7%
Interest receive rate								1.4%
Fixed to fixed	1,308					1,267	**2,575**	
Interest pay rate	8.7%					5.7%	**7.2%**	
Interest receive rate	**4.6%**					2.9%	**3.8%**	
U.S. dollars to Brazilian reais:								
Fixed to variable	50	83			5,884		**6,017**	
Interest pay rate	12.1%	12.0%			9.5%		**9.5%**	
Interest receive rate	3.6%	3.9%			2.7%		**2.7%**	
Variable to variable					18,046		**18,046**	
Interest pay rate					9.5%		**9.5%**	
Interest receive rate					1.5%		**1.5%**	
Interest rate swap:								
Mexican pesos								
Variable to fixed rate:	575	1,963					**2,538**	6,325
Interest pay rate	8.4%	8.6%					**8.6%**	8.4%
Interest receive rate	4.0%	4.0%					**4.0%**	5.0%

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

For the years ended December 31, 2013, 2012 and 2011, the interest expense is comprised as follows:

	2013	2012	2011
Interest on debts and borrowings	**Ps. 3,055**	Ps. 2,029	Ps. 2,083
Finance charges payable under capitalized interest	**(59)**	(38)	(185)
Finance charges for employee benefits	**268**	230	177
Derivative instruments	**825**	142	111
Finance operating charges	**225**	98	103
Finance charges payable under finance leases	**17**	45	13
	Ps. 4,331	Ps. 2,506	Ps. 2,302

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

In November 2013, Coca-Cola FEMSA issued U.S.$1,000 in aggregate principal amount of 2.375% Senior Notes due 2018, U.S.$750 in aggregate principal amount of 3.875% Senior Notes due 2023 and U.S.$400 in aggregate principal amount of 5.250% Senior Notes due 2043, in an SEC registered offering. These notes are guaranteed by its subsidiaries: Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V. and Yoli de Acapulco, S.A. de C.V. (the Guarantors).

On December 4, 2007, the Company obtained the approval from the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores or CNBV) for the issuance of long-term domestic senior notes (Certificados Bursátiles) in the amount of Ps. 10,000 (nominal amount) or its equivalent in investment units. As of December 31, 2013, the Company has issued the following domestic senior notes: i) on December 7, 2007, the Company issued domestic senior notes composed of Ps. 3,500 (nominal amount) with a maturity date on November 29, 2013 and a floating interest rate, which was paid at maturity; ii) on December 7, 2007, the Company issued domestic senior notes in the amount of 637,587,000 investment units (Ps. 2,500 nominal amount), with a maturity date on November 24, 2017 and a fixed interest rate, iii) on May 26, 2008, the Company issued domestic senior notes composed of Ps. 1,500 (nominal amount), with a maturity date on May 23, 2011 and a floating interest rate, which was paid at maturity.

Table of Contents

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

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

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

Table of Contents

Note 19. Other Income and Expenses

	2013	2012	2011
Gain on sale of shares (see Note 4)	Ps.	Ps. 1,215	Ps.
Gain on sale of long-lived assets	41	132	95
Gain on sale of other assets	170	38	8
Sale of waste material	43	43	40
Write off-contingencies	120	76	80
Others	277	241	158
Other income	Ps. 651	Ps. 1,745	Ps. 381
Contingencies associated with prior acquisitions or disposals	385	213	226
Impairment of non current assets		384	146
Disposal of long-lived assets (1)	122	133	656
Foreign Exchange	99	40	11
Securities taxes from Colombia	51	40	197
Severance payments	190	349	256
Donations (2)	119	200	200
Legal fees and other expenses from past acquisitions	110		40
Effect of new labor law (LOTTT) (see Note 16) (3)		381	
Other	363	233	340
Other expenses	Ps. 1,439	Ps. 1,973	Ps. 2,072

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

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

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

Table of Contents

Note 20. Financial Instruments

Fair Value of Financial Instruments

The Company measures the fair value of its financial assets and liabilities classified as level 2 applying the income approach method, which estimates the fair value based on expected cash flows discounted to net present value. The following table summarizes the Company s financial assets and liabilities measured at fair value, as of December 31, 2013 and 2012:

	December 31, 2013		December 31, 2012	
	Level 1	Level 2	Level 1	Level 2
Available-for-sale investments			12	
Derivative financial instrument (current asset)	2	**26**		106
Derivative financial instrument (non-current asset)		**1,472**		1,144
Derivative financial instrument (current liability)	272	**75**	200	79
Derivative financial instrument (non-current liability)		**1,526**		212

20.1 Total debt

The fair value of bank and syndicated loans is calculated based on the discounted value of contractual cash flows whereby the discount rate is estimated using rates currently offered for debt of similar amounts and maturities, which is considered to be level 2 in the fair value hierarchy. The fair value of the Company s publicly traded debt is based on quoted market prices as of December 31, 2013 and 2012, which is considered to be level 1 in the fair value hierarchy.

	2013	2012
Carrying value	**Ps. 76,748**	Ps. 37,342
Fair value	**76,077**	38,456

20.2 Interest rate swaps

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

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

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

F-84

Table of Contents

At December 31, 2012 the Company has the following outstanding interest rate swap agreements:

Maturity Date	Notional Amount	Fair Value Liability December 31, 2012	Fair Value Asset December 31, 2012
2013	Ps. 3,787	Ps. (82)	5
2014	575	(33)	2
2015	1,963	(160)	5

A portion of certain interest rate swaps do not meet the criteria for hedge accounting; consequently, changes in the estimated fair value of these portions were recorded within the consolidated income statements under the caption market value gain (loss) on financial instruments.

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

20.3 Forward agreements to purchase foreign currency

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

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

Net changes in the fair value of forward agreements that do not meet hedging criteria for hedge accounting are recorded in the consolidated income statements under the caption market value gain (loss) on financial instruments.

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

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

Table of Contents

At December 31, 2012, the Company had the following outstanding forward agreements to purchase foreign currency:

Maturity Date	Notional Amount	Fair Value Asset December 31, 2012
2013	Ps. 2,803	Ps. 36

20.4 Options to purchase foreign currency

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

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

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

At December 31, 2012, the Company had the following outstanding collars to purchase foreign currency (composed of a call and a put option with different strike levels with the same notional amount and maturity):

Maturity Date	Notional Amount	Fair Value Asset December 31, 2012
2013	Ps. 982	Ps. 47

20.5 Cross-currency swaps

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

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

Table of Contents

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

The Company has certain cross-currency swaps that do not meet the criteria for hedge accounting purposes. Consequently, changes in the estimated fair value were recorded in the income statement as market value gain (loss) of financial instruments.

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

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

At December 31, 2012, the Company had the following outstanding cross currency swap agreements:

Maturity Date	**Notional Amount**	**Fair Value Asset December 31, 2012**
2014	Ps. 2,553	Ps. 46
2017	2,711	1,089

20.6 Commodity price contracts

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

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

Table of Contents

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

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

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

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

At December 31, 2012, Coca-Cola FEMSA had the following outstanding sugar price contracts:

Maturity Date	Notional Amount	Fair Value Liability December 31, 2012
2013	Ps. 1,567	Ps. (151)
2014	856	(34)
2015	213	(10)

At December 31, 2012, Coca-Cola FEMSA had the following aluminum price contracts:

Maturity Date	Notional Amount	Fair Value Liability December 31, 2012
2013	Ps. 335	Ps. (5)

Table of Contents

20.7 Derivative financial Instruments for CCBPI acquisition:

The Company s call option related to the remaining 49% ownership interest in CCBPI is recorded at fair value in its financial statements using a Level 3 concept. The call option had an estimated fair value of approximately Ps. 859 million at inception of the option, and approximately Ps. 799 million as of December 31, 2013, with the change during that period being recorded through the income statement. Significant observable inputs into that Level 3 estimate include the call option s expected term (7 years at inception), risk free rate as expected return (LIBOR), implied volatility at inception (19.77%) and the underlying enterprise value of the CCBPI. The enterprise value of CCBPI for the purpose of this estimate was based on CCBPI s long-term business plan. The Company acquired its 51% ownership interest in CCBPI in January 2013 and continues to integrate CCBPI into its global operations using the equity method of accounting, and currently believes that the underlying exercise price of the call option is out of the money. The Level 3 fair value of the Company s put option related to its 51% ownership interest approximates zero as its exercise price as defined in the contract adjusts proportionately to the underlying fair value of CCBPI.

20.8 Net effects of expired contracts that met hedging criteria

Type of Derivatives	**Impact in Consolidated Income Statement**	**2013**	**2012**	**2011**
Interest rate swaps	Interest expense	**Ps. (214)**	Ps. (147)	Ps. (120)
Forward agreements to purchase foreign currency	Foreign exchange	**1,710**	126	
Commodity price contracts	Cost of goods sold	**(362)**	6	257
Options to purchase foreign currency	Cost of goods sold		13	
Forward agreements to purchase foreign currency	Cost of goods sold			21

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

Type of Derivatives	**Impact in Consolidated Income Statement**	**2013**	**2012**	**2011**
Interest rate swaps	Market value loss on financial instruments	**Ps. (7)**	Ps. (4)	Ps. (2)
Cross currency swaps		**33**	(2)	
Others		**(19)**	(29)	

Table of Contents

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

Type of Derivatives	Impact in Consolidated Income Statement	2013	2012	2011
Cross-currency swaps	Market value	**Ps.**	Ps. 42	Ps. (144)
Interest rate swaps	gain (loss) on			
Others	financial instruments			37

20.11 Market risk

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

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

Forward Agreements to Purchase Foreign Currency in order to reduce its exposure to the risk of exchange rate fluctuations.

Cross-Currency Swaps in order to reduce its exposure to the risk of exchange rate fluctuations.

Commodity price contracts in order to reduce its exposure to the risk of fluctuation in the costs of certain raw materials.

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

Table of Contents

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

Foreign Currency Risk	Change in Exchange Rate	Effect on Equity	Effect on Profit or Loss
2013			
FEMSA[3]	**+7% MXN/EUR**	**Ps. (157)**	**Ps.**
	-7%MXN/EUR	**157**	
Coca-Cola FEMSA	**+11% MXN/USD**	**67**	
	+13% BRL/USD	**86**	
	+6% COP/USD	**19**	
	-11% MXN/USD	**(67)**	
	-13% BRL/USD	**(86)**	
	-6% COP/USD	**(19)**	
2012			
FEMSA[3]	+9% MXN/EUR/+11% MXN/USD	Ps. (250)	
	-9% MXN/EUR/-11% MXN/USD	104	
Coca-Cola FEMSA	-11% MXN/USD	(204)	
2011			
FEMSA	+13% MXN/EUR/+15% MXN/USD	Ps. (189)	Ps.
	-13% MXN/EUR/-15% MXN/USD	191	
Coca-Cola FEMSA	-15% MXN/USD	(352)	(127)

Cross Currency Swaps[(1)(2)]	Change in Exchange Rate	Effect on Profit or Loss
2013		
FEMSA[3]	**-11% MXN/ USD**	**(1,581)**
Coca-Cola FEMSA	**-11% MXN/ USD**	**(392)**
	-13% USD/BRL	**(3,719)**
2012		
FEMSA[3]		
Coca-Cola FEMSA	-11% MXN/ USD	(234)

Net Cash in Foreign Currency[(1)]	Change in Exchange Rate	Effect on Profit or Loss
2013		
FEMSA[3]	**+7% EUR/+11% USD**	**Ps. 335**
	-7% EUR/-11% USD	**(335)**
Coca-Cola FEMSA	**+11% USD**	**(1,090)**
	-11% USD	**1,090**
2012		
FEMSA[3]	+9% EUR/+11% USD	Ps. 809
	-9% EUR/-11% USD	(809)
Coca-Cola FEMSA	+15% USD	(362)
2011		
FEMSA	+13% EUR/+15% USD	Ps. 1,188
	-13% EUR/-15% USD	(1,188)
Coca-Cola FEMSA	+16% USD	(398)

(1) The sensitivity analysis effects include all subsidiaries of the Company.

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

(3) Does not include Coca-Cola FEMSA.

Table of Contents

Commodity Price Contracts[1]	Change in U.S.$ Rate	Effect on Equity
2013		
Coca-Cola FEMSA	Sugar - 18%	Ps. (298)
	Aluminum - 19%	(36)
2012		
Coca-Cola FEMSA	Sugar - 30%	Ps. (732)
	Aluminum - 20%	(66)

(1) The sensitivity analysis effects include all subsidiaries of the Company.

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

(3) Does not include Coca-Cola FEMSA.

20.12 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk because it and its subsidiaries borrow funds at both fixed and variable interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and variable rate borrowings, and by the use of the different derivative financial instruments. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The following disclosures provide a sensitivity analysis of the interest rate risks management considered to be reasonably possible at the end of the reporting period, which the Company is exposed to as it relates to its fixed and floating rate borrowings, which it considers in its existing hedging strategy:

	2013	2012	2011
Change in interest rate	**+100 Bps.**	+100 Bps.	+100 Bps.
Effect on profit loss	**Ps. (332)**	Ps. (198)	Ps. (98)

20.13 Liquidity risk

Each of the Company s sub-holding companies generally finances its operational and capital requirements on an independent basis. As of December 31, 2013 and 2012, 79.48% and 81.07%, respectively of the Company s outstanding consolidated total indebtedness was at the level of its sub-holding companies. This structure is attributable, in part, to the inclusion of third parties in the capital structure of Coca-Cola FEMSA. Currently, the Company s management expects to continue to finance its operations and capital requirements primarily at the level of its sub-holding companies. Nonetheless, they may decide to incur indebtedness at its holding company in the future to finance the operations and capital requirements of the Company s subsidiaries or significant acquisitions, investments or capital expenditures. As a holding company, the Company depends on dividends and other distributions from its subsidiaries to service the Company s indebtedness.

The Company s principal source of liquidity has generally been cash generated from its operations. The Company has traditionally been able to rely on cash generated from operations because a significant majority of the sales of Coca-Cola FEMSA and FEMSA Comercio are on a cash or short-term credit basis, and FEMSA Comercio s OXXO stores are able to finance a significant portion of their initial and ongoing inventories with supplier credit. The Company s principal use of cash has generally been for capital expenditure programs, acquisitions, debt repayment and dividend payments.

F-92

Ultimate responsibility for liquidity risk management rests with the Company s board of directors, which has established an appropriate liquidity risk management framework for the management of the Company s short-, medium- and long-term funding and liquidity requirements. The Company manages liquidity risk by maintaining adequate reserves and credit facilities, by continuously monitoring forecast and actual cash flows, and by maintaining a conservative debt maturity profile.

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

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

The Company s management continuously evaluates opportunities to pursue acquisitions or engage in joint ventures or other transactions. We would expect to finance any significant future transactions with a combination of cash from operations, long-term indebtedness and capital stock.

The Company s sub-holding companies generally incur short-term indebtedness in the event that they are temporarily unable to finance operations or meet any capital requirements with cash from operations. A significant decline in the business of any of the Company s sub-holding companies may affect the sub-holding company s ability to fund its capital requirements. A significant and prolonged deterioration in the economies in which we operate or in the Company s businesses may affect the Company s ability to obtain short-term and long-term credit or to refinance existing indebtedness on terms satisfactory to the Company s management.

The Company presents the maturity dates associated with its long-term financial liabilities as of December 31, 2013, see Note 18. The Company generally makes payments associated with its long-term financial liabilities with cash generated from its operations.

Table of Contents

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. It includes expected net cash outflows from derivative financial liabilities that are in place as per December 31, 2013. Such expected net cash outflows are determined based on each particular settlement date of an instrument. The amounts disclosed are undiscounted net cash outflows for the respective upcoming fiscal years, based on the earliest date on which the Company could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on economic conditions (like interest rates and foreign exchange rates) existing at December 31, 2013.

	2014	2015	2016	2017	2018	2019 and thereafter
Non-derivative financial liabilities:						
Notes and bonds	Ps. 1,971	Ps. 1,971	Ps. 4,407	Ps. 5,086	Ps. 14,937	Ps. 55,946
Loans from banks	4,005	3,762	1,739	119	4,380	43
Obligations under finance leases	309	279	228	168	89	87
Derivative financial liabilities	140	25		1,132		350

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

20.14 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company s exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

The Company has a high receivable turnover; hence management believes credit risk is minimal due to the nature of its businesses, which have a large portion of their sales settled in cash. The Company s maximum exposure to credit risk for the components of the statement of financial position at 31 December 2013 and 2012 is the carrying amounts (see Note 7).

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

The Company manages the credit risk related to its derivative portfolio by only entering into transactions with reputable and credit-worthy counterparties as well as by maintaining in some cases a Credit Support Annex (CSA) that establishes margin requirements, which could change upon changes to the credit ratings given to the Company by independent rating agencies. As of December 31, 2013, the Company concluded that the maximum exposure to credit risk related with derivative financial instruments is not significant given the high credit rating of its counterparties.

Note 21. Non-Controlling Interest in Consolidated Subsidiaries

An analysis of FEMSA s non-controlling interest in its consolidated subsidiaries for the years ended December 31, 2013 and 2012 is as follows:

	December 31, 2013	December 31, 2012
Coca-Cola FEMSA	**Ps. 62,719**	Ps. 54,902
Other	**439**	
	Ps. 63,158	Ps. 54,902

Table of Contents

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

	2013	2012	2011
Balance at beginning of the year	**Ps. 54,902**	Ps. 47,949	Ps. 31,521
Net income of non controlling interest [(1)]	**6,233**	7,344	5,569
Other comprehensive income:			
Exchange differences on translation foreign operation	**(664)**	(1,342)	1,944
Remeasurements of the net defined benefits liability	**(80)**	(60)	6
Valuation of the effective portion of derivative financial instruments	**(166)**	(113)	(15)
Increase in capital stock	**515**		
Acquisitions effects (see Note 4)	**5,550**	4,172	11,038
Disposal effects		(50)	(70)
Dividends	**(3,125)**	(2,986)	(2,025)
Share based payment	**(7)**	(12)	(19)
Balance at end of the year	**Ps. 63,158**	Ps. 54,902	Ps. 47,949

(1) For the years ended at 2013, 2012 and 2011, Coca-Cola FEMSA s net income allocated to non-controlling interest was Ps. 239, 565 and 551, respectively.

Non controlling cumulative other comprehensive income is comprised as follows:

	December 31, 2013	December 31, 2012
Exchange differences on translation foreign operation	**Ps. (62)**	Ps. 602
Remeasurements of the net defined benefits liability	**(206)**	(126)
Valuation of the effective portion of derivative financial instruments	**(238)**	(72)
Cumulative other comprehensive income	**Ps. (506)**	Ps. 404

Coca-Cola FEMSA shareholders, especially the Coca-Cola Company which hold Series D shares, have some protective rights about investing in or disposing of significant businesses. However, these rights do not limit the continued normal operations of Coca-Cola FEMSA.

Table of Contents

Summarized financial information in respect of Coca-Cola FEMSA is set out below.

	December 31, 2013	December 31, 2012
Total current assets	**Ps. 43,231**	Ps. 45,897
Total non-current assets	**173,434**	120,206
Total current liabilities	**32,398**	29,550
Total non-current liabilities	**67,114**	31,725
Total revenue	**Ps. 156,011**	Ps. 147,739
Total consolidated net income	**11,782**	13,898
Total consolidated comprehensive income	**Ps. 9,791**	Ps. 11,209
Net cash flow from operating activities	**22,097**	23,650
Net cash flow from used in investing activities	**49,481**	10,989
Net cash flow from financing activities	**23,506**	60

Note 22. Equity

22.1 Equity accounts

The capital stock of FEMSA is comprised of 2,161,177,770 BD units and 1,417,048,500 B units.

As of December 31, 2013 and 2012, the capital stock of FEMSA was comprised 17,891,131,350 common shares, without par value and with no foreign ownership restrictions. Fixed capital stock amounts to Ps. 300 (nominal value) and the variable capital may not exceed 10 times the minimum fixed capital stock amount.

The characteristics of the common shares are as follows:

Series B shares, with unlimited voting rights, which at all times must represent a minimum of 51% of total capital stock;

Series L shares, with limited voting rights, which may represent up to 25% of total capital stock; and

Series D shares, with limited voting rights, which individually or jointly with series L shares may represent up to 49% of total capital stock.

The Series D shares are comprised as follows:

Subseries D-L shares may represent up to 25% of the series D shares;

Subseries D-B shares may comprise the remainder of outstanding series D shares; and

The non-cumulative premium dividend to be paid to series D shareholders will be 125% of any dividend paid to series B shareholders.

The Series B and D shares are linked together in related units as follows:

B units each of which represents five series B shares and which are traded on the BMV; and

BD units each of which represents one series B share, two subseries D-B shares and two subseries D-L shares, and which are traded both on the BMV and the NYSE.

F-96

Table of Contents

As of December 31, 2013 and 2012, FEMSA s capital stock is comprised as follows:

	B Units	BD Units	Total
Units	1,417,048,500	2,161,177,770	3,578,226,270
Shares:			
Series B	7,085,242,500	2,161,177,770	9,246,420,270
Series D		8,644,711,080	8,644,711,080
Subseries D-B		4,322,355,540	4,322,355,540
Subseries D-L		4,322,355,540	4,322,355,540
Total shares	7,085,242,500	10,805,888,850	17,891,131,350

The net income of the Company is subject to the legal requirement that 5% thereof be transferred to a legal reserve until such reserve equals 20% of capital stock at nominal value. This reserve may not be distributed to shareholders during the existence of the Company, except as a stock dividend. As of December 31, 2013 and 2012, this reserve amounted to Ps. 596.

Retained earnings and other reserves distributed as dividends, as well as the effects derived from capital reductions, are subject to income tax at the rate in effect at the date of distribution, except when capital reductions come from restated shareholder contributions and when the distributions of dividends come from net taxable income, denominated Cuenta de Utilidad Fiscal Neta (CUFIN).

Dividends paid in excess of CUFIN are subject to income tax at a grossed-up rate based on the current statutory rate. Since 2003, this tax may be credited against the income tax of the year in which the dividends are paid, and in the following two years against the income tax and estimated tax payments. Due to the Mexican Tax Reform, a new Income Tax Law (LISR) went into effect on January 1, 2014. Such law no longer includes the tax consolidation regime which allowed calculating the CUFIN on a consolidated basis; therefore, beginning in 2014, distributed dividends must be taken from the individual CUFIN balance of FEMSA, which can be increased with the subsidiary companies individual CUFINES through the transfers of dividends. The sum of the individual CUFIN balances of the FEMSA and its subsidiaries as of December 31, 2013 amounted to Ps. 69,496.

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

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

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

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

Table of Contents

For the years ended December 31, 2013, 2012 and 2011 the dividends declared and paid by the Company and Coca-Cola FEMSA were as follows:

	2013	2012	2011
FEMSA	**Ps. 13,368**	Ps. 6,200	Ps. 4,600
Coca-Cola FEMSA (100% of dividend)	**5,950**	5,625	4,358

For the years ended December 31, 2013 and 2012 the dividends declared and paid per share by the Company are as follows:

Series of Shares	**2013**	2012
B	**Ps. 0.66667**	Ps. 0.30919
D	**0.83333**	0.38649

22.2 Capital management

The Company manages its capital to ensure that its subsidiaries will be able to continue as going concerns while maximizing the return to shareholders through the optimization of its debt and equity balance in order to obtain the lowest cost of capital available. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2013 and 2012.

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

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

Note 23. Earnings per Share

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

Table of Contents

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

	2013		2012		2011	
	Per Series B Shares	**Per Series D Shares**	Per Series B Shares	Per Series D Shares	Per Series B Shares	Per Series D Shares
Net Controlling Interest Income	**7,341.74**	**8,579.98**	9,548.21	11,158.58	7,069.69	8,262.04
Shares expressed in millions:						
Weighted average number of shares for basic earnings per share	**9,238.69**	**8,613.80**	9,237.49	8,609.00	9,236.62	8,605.49
Effect of dilution associated with nonvested shares for share based payment plans	**7.73**	**30.91**	8.93	35.71	9.80	39.22
Weighted average number of shares adjusted for the effect of dilution	**9,246.42**	**8,644.71**	9,246.42	8,644.71	9,246.42	8,644.71

Note 24. Income Taxes

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, entering into effect on January 1, 2014. The following changes are expected to most significantly impact the Company s financial position and results of operations:

The introduction of a new withholding tax at the rate of 10% for dividends and/or distributions of earnings generated in 2014 and beyond;

A fee of one Mexican peso per liter on the sale and import of flavored beverages with added sugar, and an excise tax of 8% on food with caloric content equal to, or greater than 275 kilocalories per 100 grams of product;

The prior 11% value added tax (VAT) rate that applied to transaction in the border region was raised to 16%, matching the general VAT rate applicable in the rest of Mexico;

The elimination of the tax on cash deposits (IDE) and the business flat tax (IETU);

Deductions on exempt payroll items for workers are limited to 53%;

The income tax rate in 2013 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 5 years instead of an indefinite term. Additionally, deferred tax assets and liabilities associated with the Company s subsidiaries in Mexico are no longer offset as of December 31, 2013, as the future income tax balances are expected to reverse in periods where the Company is no longer consolidating these entities for tax purposes and the right of offset does not exist; and

The introduction of an new optional tax integration regime (a modified form of tax consolidation), which replaces the previous tax consolidation regime. The new optional tax integration regime requires an equity ownership of at least 80% for qualifying subsidiaries and

would allow the Company to defer the annual tax payment of its profitable participating subsidiaries for a period equivalent to 3 years to the extent their individual tax expense exceeds the integrated tax expense of the Company.

Table of Contents

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

In Colombia, the tax reform (Law 1607) was enacted on December 26, 2012 and will took effect during fiscal year 2013. The main changes in this legislation include a reduction in the corporate tax rate from 33% to 25% and the introduction of a new income tax (CREE tax) of 9% of taxable income (taxable base) and 8% starting 2016. Tax losses and excess presumptive income, among other items, may not be applied against the CREE tax base. The payable tax for a taxpayer in a given year is the higher of CREE or income tax computed under the Colombian income tax law. The effect was recognized in the consolidated income statement in 2012 and it was not material.

24.1 Income Tax

The major components of income tax expense for the years ended December 31, 2013, 2012 and 2011 are:

	2013	2012	2011
Current tax expense	**Ps. 7,855**	Ps. 7,412	Ps. 7,519
Deferred tax expense	**45**	537	99
Change in the statutory rate [(1)]	**(144)**		
	Ps. 7,756	Ps. 7,949	Ps. 7,618

(1) Effect due to 2014 Tax Reform.

Recognized in Consolidated Statement of Other Comprehensive Income (OCI)

Income tax related to items charged or recognized directly in OCI during the year:	**2013**	2012	2011
Unrealized (gain) loss on cash flow hedges	**Ps. (128)**	Ps. (120)	Ps. 43
Unrealized (gain) loss on available for sale securities	**(1)**	(1)	2
Exchange differences on translation of foreign operations	**1,384**	(1,012)	1,930
Remeasurements of the net defined benefit liability	**(56)**	(113)	(18)
Share of the other comprehensive income of associates and joint ventures	**(1,203)**	(304)	(542)
Total income tax (benefit) cost recognized in OCI	**Ps. (4)**	Ps. (1,550)	Ps. 1,415

F-100

Table of Contents

A reconciliation between tax expense and income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method multiplied by the Mexican domestic tax rate for the years ended December 31, 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Mexican statutory income tax rate	**30.0%**	30.0%	30.0%
Difference between book and tax inflationary effects	**(1.4%)**	(1.1%)	(1.1%)
Difference between statutory income tax rates	**1.2%**	1.1%	1.5%
Non-deductible expenses	**1.0%**	0.8%	1.3%
Taxable (non-taxable) income, net	**0.7%**	(1.3%)	(0.2%)
Change in the statutory Mexican tax rate	**(0.6%)**		
Others		(0.6%)	0.8%
	30.9%	28.9%	32.3%

F-101

Table of Contents

Deferred Income Tax Related to:

	Consolidated Statement of Financial Position as of		Consolidated Statement of Income		
	December 31, 2013	December 31, 2012	**2013**	2012	2011
Allowance for doubtful accounts	**Ps. (148)**	Ps. (131)	**Ps. (24)**	Ps. (33)	Ps. (28)
Inventories	**9**	1	**(2)**	51	(124)
Other current assets	**147**	25	**109**	(104)	93
Property, plant and equipment, net	**(452)**	(405)	**(630)**	(101)	(75)
Investments in associates and joint ventures	**(271)**	938	**115**	1,589	200
Other assets	**(188)**	(187)	**(2)**	238	(308)
Finite useful lived intangible assets	**384**	221	**236**	(38)	65
Indefinite useful lived intangible assets	**299**	41	**88**	32	24
Post-employment and other long-term employee benefits	**(906)**	(847)	**30**	(40)	(14)
Derivative financial instruments	**(148)**	(87)	**62**	(14)	(8)
Provisions	**(860)**	(645)	**(164)**	(12)	(1)
Temporary non-deductible provision	**(150)**	(767)	**562**	51	133
Employee profit sharing payable	**(255)**	(221)	**(27)**	(13)	(56)
Tax loss carryforwards	**(393)**	(181)	**(212)**	434	358
Exchange differences on translation of foreign operations	**2,195**	853			
Other liabilities	**(62)**	64	**(131)**	72	40
Deferred tax expense (income)			**Ps.10**	Ps.2,112	Ps.299
Deferred tax expense (income) net recorded in share of the profit of associates and joint ventures accounted for using the equity method			**(109)**	(1,575)	(200)
Deferred tax (income) expense, net			**Ps. (99)**	Ps. 537	Ps. 99
Deferred income taxes, net	**(799)**	(1,328)			
Deferred tax asset	**(3,792)**	(2,028)			
Deferred tax liability	**Ps. 2,993**	Ps. 700			

Table of Contents

The changes in the balance of the net deferred income tax asset are as follows:

	2013	2012	2011
Initial balance	**Ps. (1,328)**	Ps. (1,586)	Ps. (3,511)
Deferred tax provision for the year	**45**	537	99
Change in the statutory rate	**(144)**		
Deferred tax expense (income) net recorded in share of the profit of associates and joint ventures accounted for using the equity method	**109**	1,575	200
Acquisition of subsidiaries (see Note 4)	**647**	(77)	218
Disposal of subsidiaries		16	
Effects in equity:			
Unrealized (gain) loss on cash flow hedges	**(149)**	(76)	80
Unrealized (gain) loss on available for sale securities	**(1)**	(1)	2
Exchange differences on translation of foreign operations	**2**	(974)	1,410
Remeasurements of the net defined benefit liability	**102**	(532)	(110)
Retained earnings of associates	**(121)**	(189)	23
Restatement effect of beginning balances associated with hyperinflationary economies	**39**	(21)	3
Ending balance	**Ps. (799)**	Ps. (1,328)	Ps. (1,586)

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes are levied by the same tax authority.

Tax Loss Carryforwards

The subsidiaries in Mexico and Brazil have tax loss carryforwards. The tax effect net of consolidation benefits and their years of expiration are as follows:

Year	Tax Loss Carryforwards
2014	Ps. 3
2015	
2016	
2017	2
2018	3
2019	13
2020	53
2021	95
2022 and thereafter	576
No expiration (Brazil)	499
	1,244
Tax losses used in consolidation	(686)
	Ps. 558

Table of Contents

The changes in the balance of tax loss carryforwards are as follows:

	2013	2012
Balance at beginning of the year	**Ps. 91**	Ps. 688
Additions	**593**	903
Usage of tax losses	**(122)**	(1,449)
Translation effect of beginning balances	**(4)**	(51)
Balance at end of the year	**Ps. 558**	Ps. 91

There were no withholding taxes associated with the payment of dividends in either 2013, 2012 or 2011 by the Company to its shareholders.

The Company has determined that undistributed profits of its subsidiaries, joint venture or associate will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, associates and joint ventures, for which a deferred tax liability has not been recognized, aggregate to Ps. 44,920 (December 31, 2012: Ps. 43,569 and December 31, 2011: Ps. 42,225).

24.2 Other taxes

The operations in Guatemala, Nicaragua, Colombia and Argentina are subject to a minimum tax, which is based primary on a percentage of assets. Any payments are recoverable in future years, under certain conditions.

Table of Contents

Note 25. Other Liabilities, Provisions, Contingencies and Commitments

25.1 Other current financial liabilities

	December 31, 2013	December 31, 2012
Sundry creditors	Ps. 3,998	Ps. 3,129
Derivative financial instruments	347	279
Total	Ps. 4,345	Ps. 3,408

25.2 Provisions and other long term liabilities

	December 31, 2013	December 31, 2012
Provisions	Ps. 4,674	Ps. 2,476
Taxes payable	558	356
Others	885	938
Total	Ps. 6,117	Ps. 3,770

Table of Contents

25.3 Other financial liabilities

	December 31, 2013	December 31, 2012
Derivative financial instruments	**Ps. 1,526**	Ps. 212
Security deposits	**142**	268
Total	**Ps. 1,668**	Ps. 480

25.4 Provisions recorded in the consolidated statement of financial position

The Company has various loss contingencies, and has recorded reserves as other liabilities for those legal proceedings for which it believes an unfavorable resolution is probable. Most of these loss contingencies are the result of the Company s business acquisitions. The following table presents the nature and amount of the loss contingencies recorded as of December 31, 2013 and 2012:

	December 31, 2013	December 31, 2012
Indirect taxes [1]	**Ps. 3,300**	Ps. 1,263
Labor	**1,063**	934
Legal	**311**	279
Total	**Ps. 4,674**	Ps. 2,476

(1) As of December 31, 2013 and 2012, indirect taxes include Ps. 246 and Ps. 250, respectively, of tax loss contingencies regarding indemnification accorded with Heineken over FEMSA Cerveza prior tax contingencies.

F-106

25.5 Changes in the balance of provisions recorded

25.5.1 Indirect taxes

	December 31, 2013	December 31, 2012	December 31, 2011
Balance at beginning of the year	**Ps. 1,263**	Ps. 1,405	Ps. 1,358
Penalties and other charges	**1**	107	16
New contingencies	**263**	56	43
Contingencies added in business combination	**2,143**	117	170
Cancellation and expiration	**(5)**	(124)	(47)
Payments	**(303)**	(157)	(102)
Current portion	**(163)**	(52)	(113)
Restatement of the beginning balance of subsidiaries in hyperinflationary economies	**101**	(89)	80
Balance at end of the year	**Ps. 3,300**	Ps. 1,263	Ps. 1,405

25.5.2 Labor

	December 31, 2013	December 31, 2012	December 31, 2011
Balance at beginning of the year	**Ps. 934**	Ps. 1,128	Ps. 1,134
Penalties and other charges	**139**	189	105
New contingencies	**187**	134	122
Contingencies added in business combination	**157**	15	8
Cancellation and expiration	**(226)**	(359)	(261)
Payments	**(69)**	(91)	(71)
Restatement of the beginning balance of subsidiaries in hyperinflationary economies	**(59)**	(82)	91
Balance at end of the year	**Ps. 1,063**	Ps. 934	Ps. 1,128

A roll forward for legal contingencies is not disclosed because the amounts are not considered to be material.

While provision for all claims has already been made, the actual outcome of the disputes and the timing of the resolution cannot be estimated by the Company at this time.

Table of Contents

25.6 Unsettled lawsuits

The Company has entered into several proceedings with its labor unions, tax authorities and other parties that primarily involve Coca-Cola FEMSA. These proceedings have resulted in the ordinary course of business and are common to the industry in which the Company operates. The aggregate amount being claimed against the Company resulting from such proceedings as of December 31, 2013 is Ps. 20,671. Such contingencies were classified by legal counsel as less than probable but more than remote of being settled against the Company. However, the Company believes that the ultimate resolution of such several proceedings will not have a material effect on its consolidated financial position or result of operations.

In recent years in its Mexican and Brazilian territories, Coca-Cola FEMSA has been requested to present certain information regarding possible monopolistic practices. These requests are commonly generated in the ordinary course of business in the soft drink industry where this subsidiary operates. The Company does not expect any material liability to arise from these contingencies.

25.7 Collateralize contingencies

As is customary in Brazil, the Company has been required by the tax authorities there to collateralize tax contingencies currently in litigation amounting to Ps. 2,248 and Ps. 2,164 as of December 31, 2013 and 2012, respectively, by pledging fixed assets and entering into available lines of credit covering the contingencies.

25.8 Commitments

As of December 31, 2013, the Company has contractual commitments for finance leases for machinery and transport equipment and operating lease for the rental of production machinery and equipment, distribution and computer equipment, and land for FEMSA Comercio s operations.

The contractual maturities of the operating lease commitments by currency, expressed in Mexican pesos as of December 31, 2013, are as follows:

	Mexican Pesos	U.S. Dollars	Others
Not later than 1 year	**Ps. 3,067**	**Ps. 141**	**Ps. 76**
Later than 1 year and not later than 5 years	**10,919**	**509**	**84**
Later than 5 years	**13,801**	**246**	**6**
Total	**Ps. 27,787**	**Ps. 896**	**Ps. 166**

Rental expense charged to consolidated net income was Ps. 4,345, Ps. 4,032 and Ps. 3,248 for the years ended December 31, 2013, 2012 and 2011, respectively.

Future minimum lease payments under finance leases with the present value of the net minimum lease payments are as follows:

	2013 Minimum Payments	Present Value of Payments	2012 Minimum Payments	Present Value of Payments
Not later than 1 year	Ps. 322	Ps. 276	Ps. 236	Ps. 225
Later than 1 year and not later than 5 years	852	789	134	122
Total mínimum lease payments	1,174	1,065	370	347
Less amount representing finance charges	109		23	
Present value of minimum lease payments	1,065	1,065	347	347

The Company through its subsidiary Coca-Cola FEMSA has firm commitments for the purchase of property, plant and equipment of Ps. 1,828 as December 31, 2013.

25.9 Restructuring provision

Coca-Cola FEMSA recorded a restructuring provision. This provision relates principally to reorganization in the structure of Coca-Cola FEMSA. The restructuring plan was drawn up and announced to the employees of Coca-Cola FEMSA in 2011 when the provision was recognized in its consolidated financial statements. The restructuring of Coca-Cola FEMSA was completed by 2013.

	December 31, 2013	December 31, 2012	December 31, 2011
Balance at beginning of the year	Ps. 90	Ps. 153	Ps. 230
New	179	195	48
Payments	(234)	(258)	(76)
Cancellation	(35)		(49)
Balance at end of the year	Ps.	Ps. 90	Ps. 153

Note 26. Information by Segment

The analytical information by segment is presented considering the Company s business units (Subholding Companies as defined in Note 1), which is consistent with the internal reporting presented to the Chief Operating Decision Maker. A segment is a component of the Company that engages in business activities from which it earns revenues, and incurs the related costs and expenses, including revenues, costs and expenses that relate to transactions with any of Company s other components. All segments operating results are reviewed regularly by the Chief Operating Decision Maker, which makes decisions about the resources that would be allocated to the segment and to assess its performance, and for which financial information is available.

Table of Contents

Inter-segment transfers or transactions are entered into and presented under accounting policies of each segment, which are the same to those applied by the Company. Intercompany operations are eliminated and presented within the consolidation adjustment column included in the tables below.

a) By Business Unit:

2013	Coca-Cola FEMSA	FEMSA Comercio	CB Equity	Other [1]	Consolidation Adjustments	Consolidated
Total revenues	Ps. 156,011	Ps. 97,572	Ps.	Ps. 17,254	Ps. (12,740)	Ps. 258,097
Intercompany revenue	3,116			9,624	(12,740)	
Gross profit	72,935	34,586		4,670	(2,537)	109,654
Administrative expenses						9,963
Selling expenses						69,574
Other income						651
Other expenses						(1,439)
Interest expense	(3,341)	(601)		(865)	476	(4,331)
Interest income	654	5	12	1,030	(476)	1,225
Other net finance expenses [3]						(1,143)
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method	17,224	2,890	4	5,120	(158)	25,080
Income taxes	5,731	339	1	1,685		7,756
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	289	11	4,587	(56)		4,831
Consolidated net income						22,155
Depreciation and amortization [2]	7,132	2,443		121		9,696
Non-cash items other than depreciation and amortization	12	197		108		317
Investments in associates and joint ventures	16,767	734	80,351	478		98,330
Total assets	216,665	39,617	82,576	45,487	(25,153)	359,192
Total liabilities	99,512	37,858	1,933	21,807	(24,468)	136,642
Investments in fixed assets [4]	11,703	5,683		831	(335)	17,882

(1) Includes other companies (see Note 1) and corporate.
(2) Includes bottle breakage.
(3) Includes foreign exchange loss, net; loss on monetary position for subsidiaries in hyperinflationary economies; and market value gain on financial instruments.
(4) Includes acquisitions and disposals of property, plant and equipment, intangible assets and other long-lived assets.

2012	Coca-Cola FEMSA	FEMSA Comercio	CB Equity	Other [1]	Consolidation Adjustments	Consolidated
Total revenues	Ps. 147,739	Ps. 86,433	Ps.	Ps. 15,899	Ps. (11,762)	Ps. 238,309
Intercompany revenue	2,873	5		8,884	(11,762)	
Gross profit	68,630	30,250		4,647	(2,227)	101,300
Administrative expenses						9,552
Selling expenses						62,086
Other income						1,745
Other expenses						(1,973)
Interest expense	(1,955)	(445)		(511)	405	(2,506)
Interest income	424	19	18	727	(405)	783
Other net finance expenses [3]						(181)
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method	19,992	6,146	10	1,620	(238)	27,530
Income taxes	6,274	729		946		7,949
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	180	(23)	8,311	2		8,470
Consolidated net income						28,051
Depreciation and amortization [2]	5,692	2,031		293	(126)	7,890
Non-cash items other than depreciation and amortization	580	200		237		1,017
Investments in associates and joint ventures	5,352	459	77,484	545		83,840
Total assets	166,103	31,092	79,268	31,078	(11,599)	295,942
Total liabilities	61,275	21,356	1,822	12,409	(11,081)	85,781
Investments in fixed assets [4]	10,259	4,707		959	(365)	15,560

(1) Includes other companies (see Note 1) and corporate.
(2) Includes bottle breakage.
(3) Includes foreign exchange loss, net; loss on monetary position for subsidiaries in hyperinflationary economies; and market value gain on financial instruments.
(4) Includes acquisitions and disposals of property, plant and equipment, intangible assets and other long-lived assets.

Table of Contents

2011	Coca-Cola FEMSA	FEMSA Comercio	CB Equity	Other [1]	Consolidation Adjustments	Consolidated
Total revenues	Ps. 123,224	Ps. 74,112	Ps.	Ps. 13,360	Ps. (9,156)	Ps. 201,540
Intercompany revenue	2,099	2		7,055	(9,156)	
Gross profit	56,531	25,476		3,884	(1,595)	84,296
Administrative expenses						8,172
Selling expenses						50,685
Other income						381
Other expenses						(2,072)
Interest expense	(1,729)	(396)		(540)	363	(2,302)
Interest income	616	12	7	742	(363)	1,014
Other net finance income [3]						1,092
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method	16,794	4,993		1,827	(62)	23,552
Income taxes	5,667	578	67	1,306		7,618
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	86		4,880	1		4,967
Consolidated net income						20,901
Depreciation and amortization [2]	4,219	1,778		246	(80)	6,163
Non-cash items other than depreciation and amortization	638	170		31		839
Investments in fixed assets [4]	7,862	4,186		735	(117)	12,666

(1) Includes other companies (see Note 1) and corporate.
(2) Includes bottle breakage.
(3) Includes foreign exchange gain, net; gain on monetary position for subsidiaries in hyperinflationary economies; and market value loss on financial instruments.
(4) Includes acquisitions and disposals of property, plant and equipment, intangible assets and other long-lived assets.

Table of Contents

b) Information by geographic area:

The Company aggregates geographic areas into the following for the purposes of its consolidated financial statements: (i) Mexico and Central America division (comprising the following countries: Mexico, Guatemala, Nicaragua, Costa Rica and Panama) and (ii) the South America division (comprising the following countries: Brazil, Argentina, Colombia and Venezuela). Venezuela operates in an economy with exchange controls and hyper-inflation; and as a result, it is not aggregated into the South America area.

Geographic disclosure for the Company is as follow:

2013	**Total Revenues**	**Total Non Current Assets**
Mexico and Central America [(1) (2)]	**Ps.171,726**	**Ps.133,571**
South America [(3)]	**55,157**	**61,143**
Venezuela	**31,601**	**10,558**
Europe		**80,351**
Consolidation adjustments	**(387)**	
Consolidated	**Ps.258,097**	**Ps.285,623**

2012	Total Revenues	Total Non Current Assets
Mexico and Central America [(1)]	Ps.155,576	Ps.104,983
South America [(3)]	56,444	29,275
Venezuela	26,800	9,127
Europe		77,484
Consolidation adjustments	(511)	(382)
Consolidated	Ps.238,309	Ps.220,487

2011	Total Revenues
Mexico and Central America [(1)]	Ps.129,716
South America [(3)]	52,149
Venezuela	20,173
Europe	
Consolidation adjustments	(498)
Consolidated	Ps.201,540

(1) Central America includes Guatemala, Nicaragua, Costa Rica and Panama. Domestic (Mexico only) revenues were Ps. 163,351, Ps. 148,098 and Ps. 122,690 during the years ended December 31, 2013, 2012 and 2011, respectively. Domestic (Mexico only) non-current assets were Ps. 127,693 and Ps. 99,772, as of December 31, 2013, and December 31, 2012, respectively.

(2) Coca-Cola FEMSA s Asian division consists of the 51% equity investment in CCBPI (Philippines) which was acquired in 2013, and is accounted for using the equity method of accounting (see Note 10). The equity in earnings of the Asian division were Ps. 108 in 2013 , as is the equity method investment in CCBPI Ps. 9,398 and this is presented as part of the Company s corporate operations in 2013 and thus disclosed net in the table above as part of the Total Non Current assets in the Mexico & Central America division. However, the Asian division is represented by the following investee level amounts, prior to reflection of the Company s 51% equity interest in the

accompanying consolidated financial statements: revenues Ps. 13,438, gross profit Ps. 4,285, income before income taxes Ps. 310, depreciation and amortization Ps. 1,229, total assets Ps. 17,232, total liabilities Ps. 4,488, capital expenditures Ps. 1,889.

(3) South America includes Brazil, Argentina, Colombia and Venezuela, although Venezuela is shown separately above. South America revenues include Brazilian revenues of Ps. 31,138, Ps. 30,930 and Ps. 31,405 during the years ended December 31, 2013, 2012 and 2011, respectively. Brazilian non-current assets were Ps. 45,900 and Ps. 14,221, as of December 31, 2013 and December 31, 2012, respectively. South America revenues include Colombia revenues of Ps. 13,354, Ps. 14,597 and Ps. 12,320 during the years ended December 31, 2013, 2012 and 2011, respectively. Colombia non-current assets were Ps. 12,888 and Ps. 13,203, as of December 31, 2013 and December 31, 2012, respectively. South America revenues include Argentina revenues of Ps. 10,729, Ps. 10,270 and Ps. 8,399 during the years ended December 31, 2013, 2012 and 2011, respectively. Argentina non-current assets were Ps. 2,042 and Ps. 2,188, as of December 31, 2013 and December 31, 2012, respectively.

Table of Contents

Note 27. Future Impact of Recently Issued Accounting Standards not yet in Effect

The Company has not applied the following new and revised IFRS and IAS, that have been issued but are not yet effective as of December 31, 2013.

IFRS 9, *Financial Instruments* as issued in November 2009, and amended in October 2010, introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. The standard requires all recognized financial assets that are within the scope of IAS 39. Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at FVTPL) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability s credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was recognized in profit or loss.

IFRS 9, was further amended in November 2013, and as such introduces a new chapter on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. In addition, IFRS 9 as amended in 2013 permits an entity to apply only those requirements introduced in IFRS 9 as amended in 2010 for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity s own credit risk can be presented in other comprehensive income rather than within profit or loss.

Table of Contents

IFRS 9 as amended in 2013 removes the mandatory effective date that had been established for IFRS 9, in 2009 and 2010, leaving the effective date open pending the finalization of the impairment and classification and measurement requirements. The Company has decided that the adoption of this standard will not take place until IFRS 9 is completed. It is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the final version has been issued.

Amendments to IAS 19 (2011) *Employee Benefits* : With regards to employee contributions to defined benefit plans, these amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, they permit a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions can be, but are not required to be, recognized as a reduction in the service cost in the period in which the related service is rendered. The amendments to IAS 19 are effective for annual periods beginning on or after July 1, 2014. These amendments have not been early adopted by the Company and are not expected to have a material effects on its consolidated financial statements.

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* : These amendments clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of currently has a legally enforceable right of set-off and simultaneous realization and settlement. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required. These amendments have not been early adopted by the Company and are not expected to have a material effect on its consolidated financial statements.

Amendments to IAS 36 *Impairment of Assets* : These amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. These amendments have not been early adopted by the Company and are not expected to have a material effect on its consolidated financial statements.

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* : These amendments clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. The amendments to IAS 39 have not been early adopted by the Company and are not expected to have a material effect on its consolidated financial statements.

Annual Improvements 2010-2012 Cycle: These Annual Improvements make amendments to: IFRS 2 Share-based payment, by amending the definitions of vesting condition and market condition, and adding definitions for performance condition and service condition; IFRS 3 Business combinations, by requiring contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date; IFRS 8 Operating

Table of Contents

segments, requiring disclosure of the judgments made by management in applying the aggregation criteria to operating segments and clarifing that reconciliations of segment assets are only required if segment assets are reported regularly; IFRS 13 Fair value measurement, by clarifying that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only); IAS 16 Property, plant and equipment and IAS 38 Intangible assets, by clarifying that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount; and IAS 24 Related party Disclosures, by clarifying how payments to entities providing management services are to be disclosed. These Annual Improvements are applicable to annual periods beginning on or after 1 July 2014. The Company has yet to complete its evaluation of whether these improvements will have a significant impact on its consolidated financial statements.

Annual Improvements 2011-2013 Cycle: These Annual Improvements make amendments to the following standards that are applicable to the Company: IFRS 3, by clarifying that the standard excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; IFRS 13, by clarifying the scope of the portfolio exception of paragraph 52, which permits an entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received by selling a net long position for a particular risk exposure or by transfering a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. These Annual Improvements are applicable to annual periods beginning on or after July 1, 2014. The Company has yet to complete its evaluation of whether these improvements will have a significant impact on its consolidated financial statements.

IFRIC 21 *Levies* : This Interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides guidance on recognition of a liability to pay levies, where the liability is recognized progressively if the obligating event occurs over a period of time; and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This Interpretation is effective for accounting periods beginning on or after January 1, 2014, with early adoption permitted. The Company has not early adopted this IFRIC, and the Company has yet to complete its evaluation of whether it will have a material impact on its consolidated financial statements.

Note 28. Subsequent Events

On January 13, 2014 Coca-Cola FEMSA issued a U.S. dollar-denominated 10-year bonds and 30-year bonds that were placed on November 19, 2013 (the Original Senior Notes) in the international capital markets, to increase the total principal amount to U.S,$2.5 billion (in three tranches), placing an additional US $150 million for 10-year bonds at a yield of US Treasury +107 basis points, with a coupon of 3.875%; and an additional US$200 million for 30-year bonds at a yield of US Treasury +122 basis points, with a coupon of 5.250% (the Additional Senior Notes). Coca-Cola FEMSA s 10-year bonds now have an aggregate principal amount of US $900 million and 30-year bonds now have an aggregate principal amount of US $600 million. The Additional Senior Notes have the same CUSIP and the same coupon as the respective Original Senior Notes. The Additional Senior Notes have the same CUSIP and the same coupon as the respective Original Senior Notes. These notes are guaranteed by the Guarantors Subsidiaries.

F-116

Table of Contents

As of the end of January, 2014, the exchange rate of the Argentine peso registered a devaluation of approximately 20% with the U.S. dollar. As a result of this devaluation, the balance sheet of Coca-Cola FEMSA s subsidiary could reflect a reduction in shareholders equity during 2014. As of December 31, 2013 our foreign direct investment in Argentina, using the exchange rate of ARS 6.38 per U.S. dollar, was Ps. 945 million.

In January 2014, the Venezuelan government announced that certain transactions, such as payment of services and payments related to foreign investments in Venezuela, must be settled at an alternative exchange rate determined by the state-run system known as the Sistema Complementario de Administración de Divisas, or SICAD. The SICAD determines this alternative exchange rate based on limited periodic sales of U.S. dollars through auctions. The exchange rate based on the most recent SICAD auction, held on April 4, 2014, and in effect as of April 7, 2014, was 10.00 bolivars to US$1.00. Imports of Coca-Cola FEMSA s raw materials into Venezuela qualify as transactions that may be settled using the official exchange rate of 6.30 bolivars to US$1.00, thus, Coca-Cola FEMSA will continue to account for these transactions using such official exchange rate. Coca-Cola FEMSA will recognize in the cumulative translation account in its consolidated financial statements as of March 31, 2014 a reduction in equity as a result of the valuation of its net investment in Venezuela at the SICAD exchange rate (10.70 bolivars to US$1.00 as of March 31, 2014). As of December 31, 2013, Coca-Cola FEMSA foreign direct investment in Venezuela was Ps.13,788 million (at the official exchange rate of 6.30 bolivars per US$1.00). In addition, in March 2014, the Venezuelan government enacted a new law that authorizes an additional method (known as SICAD II) of exchanging Venezuelan bolivars to U.S. dollars at rates other than the current official exchange and the existing SICAD rates, for any transaction other than those described above. As of April 4, 2014, the SICAD II exchange rate was 49.04 bolivars to US$1.00.

In February 2014, Coca-Cola FEMSA prepaid in full the following Bank loans denominated in pesos: i) Ps. 250 (nominal amount) with a maturity date in 2015, ii) Ps. 1,000 (nominal amount) with a maturity date in 2015, iii) Ps. 375 (nominal amount) with a maturity date in 2015, iv) Ps. 1,100 (nominal amount) with a maturity date in 2014 and v) Ps. 1,450 (nominal amount) with a maturity date in 2015.

Table of Contents

Report of Independent Registered Public Accounting Firm

To: The Executive and Supervisory Board of Heineken N.V.

We have audited the accompanying consolidated statements of financial position of Heineken N.V. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of cash flows, and consolidated statements of changes in equity for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Heineken N.V. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

/s/ KPMG Accountants N.V.

Amsterdam, the Netherlands

February 11, 2014

Table of Contents

Financial statements

Consolidated Income Statement

For the year ended 31 December In millions of EUR	Note	**2013**	2012*	2011*
Revenue	5	19,203	18,383	17,123
Other income	8	226	1,510	64
Raw materials, consumables and services	9	(12,186)	(11,849)	(10,966)
Personnel expenses	10	(3,108)	(3,031)	(2,835)
Amortisation, depreciation and impairments	11	(1,581)	(1,316)	(1,168)
Total expenses		**(16,875)**	(16,196)	(14,969)
Results from operating activities		**2,554**	3,697	2,218
Interest income	12	47	62	70
Interest expenses	12	(579)	(551)	(494)
Other net finance income/(expenses)	12	(61)	168	(33)
Net finance expenses		**(593)**	(321)	(457)
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	16	146	213	240
Profit before income tax		**2,107**	3,589	2,001
Income tax expense	13	(520)	(515)	(459)
Profit		**1,587**	3,074	1,542
Attributable to:				
Equity holders of the Company (net profit)		1,364	2,914	1,412
Non-controlling interests		223	160	130
Profit		**1,587**	3,074	1,542
Weighted average number of shares basic	23	575,062,357	575,022,338	585,100,381
Weighted average number of shares diluted	23	576,002,613	576,002,613	586,277,702
Basic earnings per share (EUR)	23	2.37	5.07	2.41
Diluted earnings per share (EUR)	23	2.37	5.06	2.41

* Restated for the revised IAS 19.

Table of Contents

Financial statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December In millions of EUR	Note	**2013**	2012*	2011*
Profit		**1,587**	3,074	1,542
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Actuarial gains and losses	24/28	197	(404)	(75)
Items that may be subsequently reclassified to profit or loss:				
Currency translation differences	24	(1,282)	39	(493)
Recycling of currency translation differences to profit or loss	24	1		
Effective portion of net investment hedges	24	13	6	
Effective portion of changes in fair value of cash flow hedges	24	16	14	(21)
Effective portion of cash flow hedges transferred to profit or loss	24	(4)	41	(11)
Net change in fair value available-for-sale investments	24	(53)	135	71
Net change in fair value available-for-sale investments transferred to profit or loss	24		(148)	(1)
Share of other comprehensive income of associates/joint ventures	24	5	(1)	(5)
Other comprehensive income, net of tax	24	**(1,107)**	(318)	(535)
Total comprehensive income		**480**	2,756	1,007
Attributable to:				
Equity holders of the Company		336	2,608	884
Non-controlling interests		144	148	123
Total comprehensive income		**480**	2,756	1,007

* Restated for the revised IAS 19.

Table of Contents

Financial statements

Consolidated Statement of Financial Position

As at 31 December In millions of EUR	Note	**2013**	2012*
Assets			
Property, plant & equipment	14	8,454	8,844
Intangible assets	15	15,934	17,688
Investments in associates and joint ventures	16	1,883	1,950
Other investments and receivables	17	762	1,099
Advances to customers		301	312
Deferred tax assets	18	508	550
Total non-current assets		**27,842**	30,443
Inventories	19	1,512	1,596
Other investments	17	11	11
Trade and other receivables	20	2,427	2,537
Prepayments and accrued income		218	232
Cash and cash equivalents	21	1,290	1,037
Assets classified as held for sale	7	37	124
Total current assets		**5,495**	5,537
Total assets		**33,337**	35,980
Equity			
Share capital	22	922	922
Share premium	22	2,701	2,701
Reserves		(858)	365
Retained earnings		8,637	7,746
Equity attributable to equity holders of the Company		**11,402**	11,734
Non-controlling interests	22	954	1,071
Total equity		**12,356**	12,805
Liabilities			
Loans and borrowings	25	9,853	11,437
Tax liabilities		112	140
Employee benefits	28	1,202	1,575
Provisions	30	367	419
Deferred tax liabilities	18	1,444	1,792
Total non-current liabilities		**12,978**	15,363
Bank overdrafts	21	178	191
Loans and borrowings	25	2,195	1,863
Trade and other payables	31	5,131	5,285
Tax liabilities		317	305
Provisions	30	171	129
Liabilities classified as held for sale	7	11	39
Total current liabilities		**8,003**	7,812
Total liabilities		**20,981**	23,175
Total equity and liabilities		**33,337**	35,980

* Restated for the revised IAS 19 and finalisation of the purchase price allocation for APB.

Table of Contents

Financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December In millions of EUR	Note	**2013**	2012*	2011*
Operating activities				
Profit		1,587	3,074	1,542
Adjustments for:				
Amortisation, depreciation and impairments	11	1,581	1,316	1,168
Net interest expenses	12	532	489	424
Gain on sale of property, plant & equipment, intangible assets and subsidiaries, joint ventures and associates	8	(226)	(1,510)	(64)
Investment income and share of profit and impairments of associates and joint ventures and dividend income on available-for-sale and held-for-trading investments		(160)	(238)	(252)
Income tax expenses	13	520	515	459
Other non-cash items		156	(65)	268
Cash flow from operations before changes in working capital and provisions		**3,990**	3,581	3,545
Change in inventories		(42)	(52)	(145)
Change in trade and other receivables		5	(64)	(21)
Change in trade and other payables		88	217	417
Total change in working capital		**51**	101	251
Change in provisions and employee benefits		(58)	(164)	(76)
Cash flow from operations		**3,983**	3,518	3,720
Interest paid		(557)	(490)	(485)
Interest received		56	82	65
Dividends received		148	184	137
Income taxes paid		(716)	(599)	(526)
Cash flow related to interest, dividend and income tax		**(1,069)**	(823)	(809)
Cash flow from operating activities		**2,914**	2,695	2,911
Investing activities				
Proceeds from sale of property, plant & equipment and intangible assets		152	131	101
Purchase of property, plant & equipment	14	(1,369)	(1,170)	(800)
Purchase of intangible assets	15	(77)	(78)	(56)
Loans issued to customers and other investments		(143)	(143)	(127)
Repayment on loans to customers		41	50	64
Cash flow (used in)/from operational investing activities		**(1,396)**	(1,210)	(818)
Free operating cash flow		**1,518**	1,485	2,093
Acquisition of subsidiaries, net of cash acquired		(17)	(3,311)	(806)
Acquisition of/additions to associates, joint ventures and other investments		(53)	(1,246)	(166)
Disposal of subsidiaries, net of cash disposed of	6	460		(9)
Disposal of associates, joint ventures and other investments	6	165	142	44
Cash flow (used in)/from acquisitions and disposals		**555**	(4,415)	(937)
Cash flow (used in)/from investing activities		**(841)**	(5,625)	1,755

Table of Contents

Consolidated Statement of Cash Flows (second half)

For the year ended 31 December In millions of EUR	Note	**2013**	2012*	2011*
Financing activities				
Proceeds from loans and borrowings		1,663	6,837	1,782
Repayment of loans and borrowings		(2,474)	(2,928)	(1,587)
Dividends paid		(710)	(604)	(580)
Purchase own shares		(21)		(687)
Acquisition of non-controlling interests		(209)	(252)	(11)
Disposal of interests without a change in control				43
Other		(1)	3	6
Cash flow (used in)/from financing activities		**(1,752)**	3,056	1,034
Net cash flow		**321**	126	122
Cash and cash equivalents as at 1 January		846	606	478
Effect of movements in exchange rates		(55)	114	6
Cash and cash equivalents as at 31 December	21	**1,112**	846	606

* Restated for the revised IAS 19.

F-123

Table of Contents

Financial statements

Consolidated Statement of Changes in Equity

In millions of EUR	Note	Share capital	Share Premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	ASDI	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2011		922	2,701	(93)	(27)	90	899	(55)	666	4,829	9,932	288	10,220
Policy change										43	43		43
Restated balance as at 1 January 2011*		922	2,701	(93)	(27)	90	899	(55)	666	4,872	9,975	288	10,263
Profit							253			1,159	1,412	130	1,542
Other comprehensive income	12/24			(482)	(42)	69				(73)	(528)	(7)	(535)
Total comprehensive income				(482)	(42)	69	253			1,086	884	123	1.007
Transfer to retained earnings							(126)			126			
Dividends to shareholders										(474)	(474)	(97)	(571)
Purchase/reissuance own/non-controlling shares								(687)			(687)	(1)	(688)
Alloted share delivery								694	(666)	(28)			
Own shares delivered								5		(5)			
Share-based payments										11	11		11
Share purchase mandate										96	96		96
Acquisition of non-controlling interests without a change in control										(21)	(21)	(1)	(22)
Disposal of interests without a change in control										33	33	6	39
Balance as at 31 December 2011		922	2,701	(575)	(69)	159	1,026	(43)		5,696	9,817	318	10,135

* Restated for the revised IAS 19

Table of Contents

Financial statements

Consolidated Statement of Changes in Equity

In millions of EUR	Note	Share capital	Share Premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2012		922	2,701	(575)	(69)	159	1,026	(43)	5,653	9,774	318	10,092
Policy change									43	43		43
Restated balance as at 1 January 2012*		922	2,701	(575)	(69)	159	1,026	(43)	5,696	9,817	318	10,135
Profit							222		2,692	2,914	160	3,074
Other comprehensive income	24			48	58	(9)	4		(407)	(306)	(12)	(318)
Total comprehensive income				48	58	(9)	226		2,285	2,608	148	2,756
Transfer to retained earnings							(473)		473			
Dividends to shareholders									(494)	(494)	(110)	(604)
Purchase/reissuance own/non-controlling shares												
Own shares delivered								17	(17)			
Share-based payments									15	15		15
Acquisition of non-controlling interests without a change in control									(212)	(212)	715	503
Balance as at 31 December 2012		922	2,701	(527)	(11)	150	779	(26)	7,746	11,734	1,071	12,805

* Restated for the revised IAS 19.

Table of Contents

Consolidated Statement of Changes in Equity (second half)

In millions of EUR	Note	**Share capital**	**Share Premium**	**Translation reserve**	**Hedging reserve**	**Fair value reserve**	**Other legal reserves**	**Reserve for own shares**	**Retained earnings**	**Equity attributable to equity holders of the Company**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2013		**922**	**2,701**	**(527)**	**(11)**	**150**	**779**	**(26)**	**7,746**	**11,734**	**1,071**	**12,805**
Profit							214		1,150	1,364	223	1,587
Other comprehensive income	24			(1,194)	13	(53)			206	(1,028)	(79)	(1,107)
Total comprehensive income				**(1,194)**	**13**	**(53)**	**214**		**1,356**	**336**	**144**	**480**
Transfer to retained earnings							(188)		188			
Dividends to shareholders									(530)	(530)	(185)	(715)
Purchase/reissuance own/non-controlling shares								(21)		(21)		(21)
Own shares delivered								6	(6)			
Share-based payments									8	8		8
Acquisition of non-controlling interests without a change in control	6								(125)	(125)	(76)	(201)
Balance as at 31 December 2013		**922**	**2,701**	**(1,721)**	**2**	**97**	**805**	**(41)**	**8,637**	**11,402**	**954**	**12,356**

Table of Contents

Notes to the Consolidated Financial Statements

1. Reporting entity

Heineken N.V. (the Company) is a company domiciled in the Netherlands. The address of the Company s registered office is Tweede Weteringplantsoen 21, Amsterdam. The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise the Company, its subsidiaries (together referred to as HEINEKEN and individually as HEINEKEN entities) and HEINEKEN s interest in jointly controlled entities and associates.

Disclosures on subsidiaries, jointly controlled entities and associates are included in note 36 and 16 respectively.

HEINEKEN is primarily involved in the brewing and selling of beer.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. Substantially all standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) effective year-end 2013 have been adopted by the EU. It is noted that IFRS 10, 11 and 12, which were adopted by the EU with an effective date of 1 January 2014, were adopted by HEINEKEN as at 1 January 2013. Consequently, the accounting policies applied by the Company also comply fully with IFRS as issued by the IASB.

The consolidated financial statements have been prepared by the Executive Board of the Company and authorised for issue on 11 February 2014 and will be submitted for adoption to the Annual General Meeting of Shareholders on 24 April 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis unless otherwise indicated.

The methods used to measure fair values are discussed further in note 3 and 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Company s functional currency. All financial information presented in euro has been rounded to the nearest million unless stated otherwise.

(d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about assumptions and estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in the following notes:

Note 6 Acquisitions and disposals of subsidiaries and non-controlling interests

Note 15 Intangible assets

Note 16 Investments in associates and joint ventures

Note 17 Other investments and receivables

Note 18 Deferred tax assets and liabilities

Note 28 Employee benefits

Note 30 Provisions

Note 32 Financial risk management and financial instruments

Note 34 Contingencies.

Table of Contents

(e) Changes in accounting policies

HEINEKEN has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- Revised IAS 19 Employee Benefits

The new standards and amendment to standards IFRS 10, 11 and 12 were early adopted by HEINEKEN. The nature and the effect of the changes are further explained below.

IFRS 10 Consolidated Financial Statements

As a result of IFRS 10, HEINEKEN has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees, by focusing on whether HEINEKEN has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, IFRS 10 requires HEINEKEN to consolidate investees that it controls on the basis of de facto circumstances.

In accordance with the transitional provisions of IFRS 10, HEINEKEN reassessed the control conclusion for its investees as at 1 January 2013, and concluded that the standard has no impact on the consolidated financial statements of HEINEKEN.

IFRS 11 Joint Arrangements

As a result of IFRS 11, HEINEKEN has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, HEINEKEN classifies its interests in joint arrangements as either joint operations or joint ventures depending on HEINEKEN s rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, HEINEKEN considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

HEINEKEN has joint control over its joint arrangements as under the contractual agreements, unanimous consent is required from all parties to the arrangements for all relevant activities. HEINEKEN s joint arrangements are structured as limited companies and provide HEINEKEN and the parties to the arrangements with rights to the net assets of the limited companies under the arrangements. Therefore those entities are classified as joint ventures.

HEINEKEN has re-evaluated its involvement in its joint arrangements and concluded that the standard has no impact on the consolidated financial statements of HEINEKEN.

IFRS 12 Disclosure of Interests in Other Entities

As a result of IFRS 12 HEINEKEN has changed its disclosures about its interests in subsidiaries (note 36 and note 6) and equity-accounted investees (note 16).

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures (see note 32).

In accordance with the transitional provisions of IFRS 13, HEINEKEN has applied the new fair value measurement guidance prospectively as from 1 January 2013. The change had no significant impact on the measurement of HEINEKEN s assets and liabilities.

Presentation of Items of Other Comprehensive Income (Amendments to IAS1)

As a result of the amendments to IAS 1, HEINEKEN has modified the presentation of its statement of other comprehensive income. The modification is to split items based on whether or not they could be recycled to profit or loss in the future. Comparative information has been re-presented accordingly.

Revised IAS 19 Employee Benefits

As a result of the revision of IAS 19, HEINEKEN has changed its accounting policy with respect to the basis for determining the income or expense related to defined benefit plans.

Under the revised IAS 19, HEINEKEN determines the net interest expense (income) on the net defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) at the beginning of the annual period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

Consequently, the net interest on the net defined benefit liability (asset) now comprises:

- interest cost on the defined benefit obligation;
- interest income on plan assets; and
- interest effect of applying the asset ceiling.

Previously, HEINEKEN determined interest income on plan assets based on their long-term expected return. The variance between actual and expected return continues to be accounted for in other comprehensive income. Therefore, the change in method of calculating the net interest expense (income) has no impact on equity. The change in accounting policy increased the defined benefit expense recognised in profit or loss and correspondingly increased the defined benefit plan remeasurement gain recognised in other comprehensive income by EUR98 million for the reporting period ending 31 December 2013 (EUR 45 million reduction of remeasurement loss for the period ending 2012)

HEINEKEN no presents the net interest on the net defined benefit liability (asset) in other net finance income and expenses rather than personnel expenses. As a result, a reclassification from personnel expenses to other net finance income and expenses of EUR57 million was made for the reporting period ending 31 December 2013 (EUR51 million for the period ending 31 December 2012).

The revised IAS 19 no longer allows inclusion of future pension administration costs as part of the defined benefit obligation. Such costs should be recognised when the administration services are incurred. Previously, HEINEKEN accrued a surcharge for pension administration costs of the Dutch pension plan as part of the current service costs in the defined benefit obligation. With the adoption of the revised standard, this accrual was released to equity. As a result, HEINEKEN s defined benefit obligation decreased by EUR57 million as at 1 January 2012.

3. Significant accounting policies

General

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by HEINEKEN entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to HEINEKEN. HEINEKEN controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

HEINEKEN 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 recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that HEINEKEN incurs in connection with a business combination are expensed as incurred.

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

(ii) 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 recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(iii) Subsidiaries

Subsidiaries are entities controlled by HEINEKEN. HEINEKEN controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by HEINEKEN. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Loss of control

Upon the loss of control, HEINEKEN derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any resulting gain or loss is recognised in profit or loss. If HEINEKEN retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Table of Contents

(v) Interests in equity-accounted investees

HEINEKEN s investments in asssociates and joint ventures are accounted for using the equity method of accounting. Investments in associates are those entities in which HEINEKEN has significant influence, but no control or joint control, over the financial and operating policies. Joint ventures are the arrangements in which HEINEKEN has joint control, whereby HEINEKEN has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include HEINEKEN s share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of HEINEKEN, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When HEINEKEN s share of losses exceeds the carrying amount of the associate or joint venture, including any long-term investments, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that HEINEKEN has an obligation or has made a payment on behalf of the associate or joint venture.

(vi) Transactions eliminated on consolidation

Intra-HEINEKEN balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-HEINEKEN transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted associates and JVs are eliminated against the investment to the extent of HEINEKEN s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of HEINEKEN entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss arising on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale (equity) investments and foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment, which are recognised in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at cost remain translated into the functional currency at historical exchange rates.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to euro at exchange rates approximating the exchange rates ruling at the dates of the transactions. Group entities, with a functional currency being the currency of a hyperinflationary economy, first restate their financial statements in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies (see Reporting in hyperinflationary economies below). The related income, costs and

balance sheet amounts are translated at the foreign exchange rate ruling at the balance sheet date.

Foreign currency differences are recognised in other comprehensive income and are presented within equity in the translation reserve. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When HEINEKEN disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When HEINEKEN disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the translation reserve.

Table of Contents

The following exchange rates, for the most important countries in which HEINEKEN has operations, were used while preparing these consolidated financial statements:

In EUR	**Year-end 2013**	Year-end 2012	Year-end 2011	**Average 2013**	Average 2012	Average 2011
BRL	0.3070	0.3699	0.4139	0.3486	0.3987	0.4298
GBP	1.1995	1.2253	1.1972	1.1775	1.2332	1.1522
MXN	0.0553	0.0582	0.0554	0.0590	0.0592	0.0578
NGN	0.0047	0.0049	0.0049	0.0049	0.0050	0.0047
PLN	0.2407	0.2455	0.2243	0.2382	0.2390	0.2427
RUB	0.0221	0.0248	0.0239	0.0236	0.0250	0.0245
SGD	0.5743	0.6207	0.5946	0.6017	0.6229	0.5718
VND in 1000	0.0345	0.0364	0.0367	0.0358	0.0373	0.0348
USD	0.7251	0.7579	0.7729	0.7530	0.7783	0.7184

(iii) Reporting in hyperinflationary economies

When the economy of a country in which we operate is deemed hyperinflationary and the functional currency of a Group entity is the currency of that hyperinflationary economy, the financial statements of such Group entities are adjusted so that they are stated in terms of the measuring unit current at the end of the reporting period. This involves restatement of income and expenses to reflect changes in the general price index from the start of the reporting period and, restatement of non-monetary items in the balance sheet, such as P, P & E to reflect current purchasing power as at the period end using a general price index from the date when they were first recognised. Comparative amounts are not adjusted. Any differences arising were recorded in equity on adoption.

(iv) Hedge of net investments in foreign operations

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective and regardless of whether the net investment is held directly or through an intermediate parent. These differences are presented within equity in the translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

(c) Non-derivative financial instruments

(i) General

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described hereafter.

If HEINEKEN has a legal right to offset financial assets with financial liabilities and if HEINEKEN intends either to settle on a net basis or to realise the asset and settle the liability simultaneously then financial assets and liabilities are presented in the statement of financial position as a net amount.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts form an integral part of HEINEKEN s cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting policies for interest income, interest expenses and other net finance income and expenses are discussed in note 3r.

(ii) Held-to-maturity investments

If HEINEKEN has the positive intent and ability to hold debt securities to maturity, they are classified as held-to-maturity. Debt securities are loans and long-term receivables and are measured at amortised cost using the effective interest method, less any impairment losses. Investments held-to-maturity are recognised or derecognised on the day they are transferred to or by HEINEKEN.

(iii) Available-for-sale investments

HEINEKEN s investments in equity securities and certain debt securities are classified as available-for-sale. Subsequent to initial recognition, they are measured at fair value and changes therein other than impairment losses (see note 3i(i)), and foreign currency differences on available-for-sale monetary items (see note 3b(i)) are recognised in other comprehensive income and presented within equity in the fair value reserve. When these investments are derecognised, the relevant cumulative gain or loss in the fair value reserve is transferred to profit or loss.

Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the profit or loss. Available-for-sale investments are recognised or derecognised by HEINEKEN on the date it commits to purchase or sell the investments.

Table of Contents

(iv) Investments at fair value through profit or loss

An investment is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if HEINEKEN manages such investments and makes purchase and sale decisions based on their fair value in accordance with HEINEKEN s documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred.

Investments at fair value through profit or loss are measured at fair value, with changes therein recognised in profit or loss as part of the other net finance income/(expenses). Investments at fair value through profit and loss are recognised or derecognised by HEINEKEN on the date it commits to purchase or sell the investments.

(v) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Included in non-derivative financial instruments are advances to customers. Subsequently, the advances are amortised over the term of the contract as a reduction of revenue.

(d) Derivative financial instruments (including hedge accounting)

(i) General

HEINEKEN uses derivatives in the ordinary course of business in order to manage market risks. Generally HEINEKEN seeks to apply hedge accounting in order to minimise the effects of foreign currency, interest rate or commodity price fluctuations in profit or loss.

Derivatives that can be used are interest rate swaps, forward rate agreements, caps and floors, commodity swaps, spot and forward exchange contracts and options. Transactions are entered into with a limited number of counterparties with strong credit ratings. Foreign currency, interest rate and commodity hedging operations are governed by internal policies and rules approved and monitored by the Executive Board.

Derivative financial instruments are recognised initially at fair value, with attributable transaction costs recognised in profit or loss as incurred. Derivatives for which hedge accounting is not applied are accounted for as instruments at fair value through profit or loss. When derivatives qualify for hedge accounting, subsequent measurement is at fair value, and changes therein accounted for as described in 3b(iv), 3d(ii) or 3d(iii).

(ii) Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income and presented in the hedging reserve within equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued and the cumulative unrealised gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity, is recognised in profit or loss immediately, or when a hedging instrument is terminated, but the hedged transaction still is expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above-mentioned policy when the transaction occurs. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in other comprehensive income is transferred to the same line of profit or loss in the same period that the hedged item affects profit or loss.

(iii) Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss and

adjusts the carrying amount of the hedged item.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(iv) Separable embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

(e) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(ii) Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

(iii) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(f) Property, Plant and Equipment (P, P & E)

(i) Owned assets
Items of P, P & E are measured at cost less government grants received (refer (q)), accumulated depreciation (refer (iv)) and accumulated impairment losses (3i(ii)).

Cost comprises the initial purchase price increased with expenditures that are directly attributable to the acquisition of the asset (like transports and non-recoverable taxes). The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use (like an appropriate proportion of production overheads), and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as part of the cost of that asset. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of P, P & E.

Spare parts that are acquired as part of an equipment purchase and only to be used in connection with this specific equipment are capitalised and amortised as part of the equipment. For example, purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. In all other cases spare parts are carried as inventory and recognised in the income statement as consumed. Where an item of P, P & E comprises major components having different useful lives, they are accounted for as separate items (major components) of P, P & E.

Returnable bottles and kegs in circulation are recorded within P, P & E and a corresponding liability is recorded in respect of the obligation to repay the customers deposits. Deposits paid by customers for returnable items are reflected in the consolidated statement of financial position within current liabilities.

(ii) Leased assets
Leases in terms of which HEINEKEN assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition P, P & E acquired by way of finance lease is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease. Lease payments are apportioned between the outstanding liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognised in HEINEKEN s statement of financial position. Payments made under operating leases are charged to profit or loss on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(iii) Subsequent expenditure
The cost of replacing a part of an item of P, P & E is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, if it is probable that the future economic benefits embodied within the part will flow to HEINEKEN and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of P, P & E are recognised in profit or loss when incurred.

(iv) Depreciation
Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Land except for financial leases on land over the contractual period is not depreciated as it is deemed to have an infinite life. Depreciation on other P, P & E is charged to profit or loss on a straight-line basis over the estimated useful lives of items of P, P & E, and major components that are accounted for separately, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets under construction are not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonable certain that HEINEKEN will obtain ownership by the end of the lease term. The estimated useful lives for the current and

comparative years are as follows:

Buildings	30	40 years
Plant and equipment	10	30 years
Other fixed assets	3	10 years

Where parts of an item of P, P & E have different useful lives, they are accounted for as separate items of P, P & E.

The depreciation methods, residual value as well as the useful lives are reassessed, and adjusted if appropriate, at each financial year-end.

(v) Gains and losses on sale

Net gains on sale of items of P, P & E are presented in profit or loss as other income. Net losses on sale are included in depreciation. Net gains and losses are recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing management involvement with the P, P & E.

Table of Contents

(g) Intangible assets

(i) Goodwill
Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the cost of the acquisition over HEINEKEN s interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill on acquisitions of subsidiaries is included in intangible assets . Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of the associate, respectively the joint ventures. In respect of acquisitions prior to 1 October 2003, goodwill is included on the basis of deemed cost, being the amount recorded under previous GAAP. Goodwill on acquisitions purchased before 1 January 2003 has been deducted from equity.

Goodwill arising on the acquisition of a non-controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

Goodwill is measured at cost less accumulated impairment losses (refer accounting policy 3i(ii)). Goodwill is allocated to individual or groups of cash-generating units (CGUs) for the purpose of impairment testing and is tested annually for impairment. Negative goodwill is recognised directly in profit or loss as other income.

(ii) Brands
Brands acquired, separately or as part of a business combination, are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied.

Strategic brands are well-known international/local brands with a strong market position and an established brand name. Strategic brands are amortised on an individual basis over the estimated useful life of the brand. Other brands are amortised on a portfolio basis per country.

(iii) Customer-related, contract-based intangibles and reacquired rights
Customer-related and contract-based intangibles are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied. If the amounts are not material these are included in the brand valuation. The relationship between brands and customer-related intangibles is carefully considered so that brands and customer-related intangibles are not both recognised on the basis of the same cash flows.

Reacquired rights are identifiable intangible assets recognised in an acquisition that represent the right an acquirer previously has granted to the acquiree to use one or more of the acquirer s recognised or unrecognised assets.

Customer-related and contract-based intangibles acquired as part of a business combination are valued at fair value. Customer-related and contract-based intangibles acquired separately are measured at cost.

Customer-related, contract-based intangibles and reacquired rights are amortised over the remaining useful life of the customer relationships or the period of the contractual arrangements.

(iv) Software, research and development and other intangible assets
Purchased software is measured at cost less accumulated amortisation (refer (vi)) and impairment losses (refer accounting policy 3i(ii)). Expenditure on internally developed software is capitalised when the expenditure qualifies as development activities, otherwise it is recognised in profit or loss when incurred.

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products, software and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and HEINEKEN intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation (refer (vi)) and accumulated impairment losses (refer accounting policy 3i(ii)).

Other intangible assets that are acquired by HEINEKEN and have finite useful lives, are measured at cost less accumulated amortisation (refer (vi)) and impairment losses (refer accounting policy 3i(ii)). Expenditure on internally generated goodwill and brands is recognised in profit or loss when incurred.

(v) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed when incurred.

Table of Contents

(vi) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives, other than goodwill, from the date they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

Strategic brands	40	50 years
Other brands	15	25 years
Customer-related and contract-based intangibles	5	20 years
Reacquired rights	3	12 years
Software	3	7 years
Capitalised development costs		3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(vii) Gains and losses on sale

Net gains on sale of intangible assets are presented in profit or loss as other income. Net losses on sale are included in amortisation. Net gains and losses are recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing management involvement with the intangible assets.

(h) Inventories

(i) General

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(ii) Finished products and work in progress

Finished products and work in progress are measured at manufacturing cost based on weighted averages and takes into account the production stage reached. Costs include an appropriate share of direct production overheads based on normal operating capacity.

(iii) Other inventories and spare parts

The cost of other inventories is based on weighted averages. Spare parts are valued at the lower of cost and net realisable value. Value reductions and usage of parts are charged to profit or loss. Spare parts that are acquired as part of an equipment purchase and only to be used in connection with this specific equipment are initially capitalised and depreciated as part of the equipment.

(i) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income and presented in the fair value reserve in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of HEINEKEN s non-financial assets, other than inventories (refer accounting policy (h) and deferred tax assets (refer accounting policy (s)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset s recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

Table of Contents

The recoverable amount of an asset or CGU is the higher of an asset s fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU).

For the purpose of impairment testing, goodwill acquired in a business combination, is allocated to each of the acquirer s CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored on regional, sub regional or country level depending on the characteristics of the acquisition, the synergies to be achieved and the level of integration.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate and joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate and joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(j) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee defined benefit plan assets, which continue to be measured in accordance with HEINEKEN s accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and P, P & E once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

(k) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan (pension plan) under which HEINEKEN pays fixed contributions into a separate entity. HEINEKEN has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employee renders the service are discounted to their present value.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan (pension plan) that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

HEINEKEN s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any defined benefit plan assets is deducted. The discount rate is the yield at balance sheet date on AA-rated bonds that have maturity dates approximating the terms of HEINEKEN s obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculations are performed annually by qualified actuaries using the projected unit credit method. When the calculation results in a benefit to HEINEKEN, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in HEINEKEN. An economic benefit is available to HEINEKEN if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are changed, the expense or benefit is recognised immediately in profit or loss.

Table of Contents

HEINEKEN recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses and other net finance income and expenses in profit or loss.

(iii) Other long-term employee benefits

HEINEKEN s net obligation in respect of long-term employee benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at balance sheet date on high-quality credit-rated bonds that have maturity dates approximating the terms of HEINEKEN s obligations. The obligation is calculated using the projected unit credit method. Any actuarial gains and losses are recognised in other comprehensive income in the period in which they arise.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by HEINEKEN before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Termination benefits are recognised as an expense when HEINEKEN is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if HEINEKEN has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(v) Share-based payment plan (LTV)

As from 1 January 2005 HEINEKEN established a share plan for the Executive Board and as from 1 January 2006 HEINEKEN also established a share plan for senior management (see note 29).

The grant date fair value of the share rights granted is recognised as personnel expenses with a corresponding increase in equity (equity-settled) over the period that the employees become unconditionally entitled to the share rights. The costs of the share plan for both the Executive Board and senior management members are spread evenly over the performance period.

At each balance sheet date, HEINEKEN revises its estimates of the number of share rights that are expected to vest, for the 100 per cent internal performance conditions of the share plans 2011-2013, 2012-2014 and 2013-2015 of the senior management members and the Executive Board. It recognises the impact of the revision of original estimates (only applicable for internal performance conditions, if any) in profit or loss, with a corresponding adjustment to equity.

(vi) Matching share entitlement

As from 21 April 2011 HEINEKEN established a matching share entitlement for the Executive Board. The grant date fair value of the matching shares is recognised as personnel expenses in the income statement as it is deemed an equity settled incentive.

(vii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term benefits if HEINEKEN has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(l) Provisions

(i) General

A provision is recognised if, as a result of a past event, HEINEKEN has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures to be expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as part of the net finance expenses.

(ii) Restructuring

A provision for restructuring is recognised when HEINEKEN has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating losses are not provided for. The provision includes the benefit commitments in connection with early retirement and redundancy schemes.

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by HEINEKEN from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract and taking into consideration any reasonably obtainable sub-leases. Before a provision is established, HEINEKEN recognises any impairment loss on the assets associated with that contract.

(iv) Other

The other provisions, not being provisions for restructuring or onerous contracts, consist mainly of surety and guarantees, litigation and claims and environmental provisions.

Table of Contents

(m) Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Loans and borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Loans and borrowings included in a fair value hedge are stated at fair value in respect of the risk being hedged.

Loans and borrowings for which HEINEKEN has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date, are classified as non-current liabilities.

(n) Revenue

(i) Products sold

Revenue from the sale of products in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of sales tax, excise duties, returns, customer discounts and other sales-related discounts. Revenue from the sale of products is recognised in profit or loss when the amount of revenue can be measured reliably, the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably, and there is no continuing management involvement with the products.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Other revenue

Other revenues are proceeds from royalties, rental income, pub management services and technical services to third parties, net of sales tax. Royalties are recognised in profit or loss on an accrual basis in accordance with the substance of the relevant agreement. Rental income, pub management services and technical services are recognised in profit or loss when the services have been delivered.

(o) Other income

Other income includes gains from sale of P, P & E, intangible assets and (interests in) subsidiaries, joint ventures and associates, net of sales tax. They are recognised in profit or loss when ownership has been transferred to the buyer.

(p) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

(ii) Finance lease payments

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(q) Government grants

Government grants are recognised at their fair value when it is reasonably assured that HEINEKEN will comply with the conditions attaching to them and the grants will be received.

Government grants relating to P, P & E are deducted from the carrying amount of the asset.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(r) Interest income, interest expenses and other net finance income and expenses

Interest income and expenses are recognised as they accrue in profit or loss, using the effective interest method unless collectability is in doubt.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Other net finance income and expenses comprises dividend income, gains and losses on the disposal of available-for-sale investments, changes in the fair value of investments designated at fair value through profit or loss and held for trading investments, changes in fair value of hedging instruments that are recognised in profit or loss, unwinding of the discount on provisions, impairment losses recognised on investments and interest on the net defined benefit obligation. Dividend income is recognised in the income statement on the date that HEINEKEN s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Foreign currency gains and losses are reported on a net basis in the other net finance income and expenses.

Table of Contents

(s) Income tax

Income tax comprises current and deferred tax. Current tax and deferred tax are recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected income tax payable or receivable in respect of taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to income tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Tax exposures

In determining the amount of current and deferred income tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax expense in the period that such a determination is made.

(t) Discontinued operations

A discontinued operation is a component of HEINEKEN s business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(u) Earnings per share

HEINEKEN presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for the weighted average number of own shares purchased in the year. Diluted EPS is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, adjusted for the weighted average number of own shares purchased in the year and for the effects of all dilutive potential ordinary shares which comprise share rights granted to employees.

(v) Cash flow statement

The cash flow statement is prepared using the indirect method. Changes in balance sheet items that have not resulted in cash flows such as translation differences, fair value changes, equity-settled share-based payments and other non-cash items, have been eliminated for the purpose of preparing this statement. Assets and liabilities acquired as part of a business combination are included in investing activities (net of cash acquired). Dividends paid to ordinary shareholders are included in financing activities. Dividends received are classified as operating activities. Interest paid is also included in operating activities.

(w) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Board, who is considered to be HEINEKEN s chief operating decision maker. An operating segment is a component of HEINEKEN that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of HEINEKEN s other components. All operating segments operating results are reviewed regularly by the Executive Board to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment results, assets and liabilities that are reported to the Executive Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated result items comprise net finance expenses and income tax expenses. Unallocated assets comprise current other investments and cash call deposits.

Segment capital expenditure is the total cost incurred during the period to acquire P, P & E, and intangible assets other than goodwill.

(x) Emission rights

Emission rights are related to the emission of CO2, which relates to the production of energy. These rights are freely tradable. Bought emission rights and liabilities due to production of CO2 are measured at cost, including any directly attributable expenditure. Emission rights received for free are also recorded at cost, i.e. with a zero value.

(y) Recently issued IFRS

New relevant standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Company are set out below, however HEINEKEN does not expect these changes to have a significant effect on the consolidated financial statements.

IFRS 9 (2009) Financial Instruments introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. In November 2013 the IASB concluded the project phase in relation to hedge accounting. The last phase of the project to replace IAS 39, about impairment of financial assets is ongoing and an effective date for applicability of IFRS 9 will only be determined by the IASB when concluding on the entire project. Early adoption is allowed. HEINEKEN is in the process of evaluating the impact of the implementation of the new standard.

Table of Contents

4. Determination of fair values

General

A number of HEINEKEN s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values or for the purpose of impairment testing is disclosed in the notes specific to that asset or liability.

Fair value as a result of business combinations

(i) Property, plant and equipment

The fair value of P, P & E recognised as a result of a business combination is based on quoted market prices for similar items when available and replacement cost when appropriate.

(ii) Intangible assets

The fair value of brands acquired in a business combination is based on the relief of royalty method or determined using the multi-period excess earnings method. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of reacquired rights and other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iv) Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

Fair value from normal business

(i) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using an appropriate valuation technique. The fair value of held-to-maturity investments is determined for disclosure purposes only. In case the quoted price does not exist at the date of exchange or in case the quoted price exists at the date of exchange but was not used as the cost, the investments are valued indirectly based on discounted cash flow models.

(ii) Derivative financial instruments

The fair value of derivative financial instruments is based on their listed market price, if available. If a listed market price is not available, then fair value is in general estimated by discounting the difference between the cash flows based on contractual price and the cash flows based on

current price for the residual maturity of the contract using a risk-free interest rate (based on inter-bank interest rates).

Fair values include the instrument s credit risk and adjustments to take account of the credit risk of HEINEKEN entity and counterparty when appropriate.

(iii) Non-derivative financial instruments

Fair value, which is determined for disclosure purposes or when fair value hedge accounting is applied, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Fair values include the instrument s credit risk and adjustments to take account of the credit risk of the HEINEKEN entity and counterparty when appropriate.

Table of Contents

5. Operating segments

HEINEKEN distinguishes the following six reportable segments:

- Western Europe
- Central and Eastern Europe
- The Americas
- Africa Middle East
- Asia Pacific
- Head Office and Other/eliminations.

The first five reportable segments as stated above are HEINEKEN s business regions. These business regions are each managed separately by a Regional President. The Regional President is directly accountable for the functioning of the segment s assets, liabilities and results of the region and reports regularly to the Executive Board (the chief operating decision maker) to discuss operating activities, regional forecasts and regional results. The Head Office operating segment falls directly under the responsibility of the Executive Board. For each of the six reportable segments, the Executive Board reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included in the table on the next page. Performance is measured based on EBIT(beia), as included in the internal management reports that are reviewed by the Executive Board. EBIT (beia) is defined as earnings before interest and taxes and net finance expenses, before exceptional items and amortisation of acquisition related intangibles. Exceptional items are defined as items of income and expense of such size, nature or incidence, that in view of management their disclosure is relevant to explain the performance of HEINEKEN for the period. EBIT and EBIT (beia) are not financial measures calculated in accordance with IFRS. EBIT (beia) is used to measure performance as management believes that this measurement is the most relevant in evaluating the results of these segments.

HEINEKEN has multiple distribution models to deliver goods to end customers. There is no reliance on major clients. Deliveries to end consumers are done in some countries via own wholesalers or own pubs, in other markets directly and in some others via third parties. As such, distribution models are country specific and on consolidated level diverse. In addition, these various distribution models are not centrally managed or monitored. Consequently, the Executive Board is not allocating resources and assessing the performance based on business type information and therefore no segment information is provided on business type.

Inter-segment pricing is determined on an arm s-length basis. As net finance expenses and income tax expenses are monitored on a consolidated level (and not on an individual regional basis) and regional presidents are not accountable for that, net finance expenses and income tax expenses are not provided per reportable segment.

Table of Contents

Information about reportable segments

In millions of EUR	Note	Western Europe 2013	2012*	2011*	Central and Eastern Europe 2013	2012*	2011*	The Americas 2013	2012*	2011*
Revenue										
Third party revenue[1]		6,800	7,140	7,158	3,082	3,255	3,209	4,486	4,507	4,002
Interregional revenue		656	645	594	15	25	20	9	16	27
Total revenue		**7,456**	7,785	7,752	**3,097**	3,280	3,229	**4,495**	4,523	4,029
Other income		50	13	48	119	9	7	56	2	1
Results from operating activities		737	723	823	231	320	318	681	593	493
Net finance expenses										
Share of profit of associates and joint ventures and impairments thereof		2	1	3	15	24	17	70	81	77
Income tax expense										
Profit										
Attributable to:										
Equity holders of the Company (net profit)										
Non-controlling interests										
EBIT reconciliation										
EBIT[2]		739	724	826	246	344	335	751	674	570
Eia[2]		115	224	139	60	12	11	39	86	85
EBIT (beia)[2]	27	**854**	948	**965**	**306**	356	**346**	**790**	760	655
Beer volumes (in million hectolitres)										
Consolidated beer volume[2]		42,224	44,288	45,380	44,261	47,269	45,377	51,209	53,124	50,497
Attributable share of joint ventures and associates volume[2]					3,743	3,735	3,628	3,717	3,785	2,032
Group beer volume[2]		**42,224**	44,288	**45,380**	**48,004**	51,004	**49,004**	**54,926**	56,909	52,528
Current segment assets		2,036	2,007	1,843	982	1,082	985	1,236	1,193	1,045
Non-current segment assets		7,262	8,015	8,186	3,128	3,423	3,365	5,193	5,649	5,619
Investment in associates and joint ventures		43	22	23	194	196	165	823	835	711
Total segment assets		**9,341**	10,044	10,052	**4,304**	4,701	4,515	**7,252**	7,677	7,375
Unallocated assets										
Total assets										
Segment liabilities		3,571	4,121	3,666	1,242	1,347	1,160	1,027	1,072	1068
Unallocated liabilities										
Total equity										
Total equity and liabilities										
Purchase of P, P & E		264	260	215	191	197	170	261	250	199
Acquisition of goodwill		9	7				1		36	4
Purchases of intangible assets		24	26	11	6	12	9	12	14	20
Depreciation of P, P & E		(329)	(344)	(343)	(235)	(247)	(234)	(211)	(201)	(183)
		(7)	(36)		(9)	15	(2)	(1)	(17)	5

(Impairment) and reversal of impairment of P, P & E									
Amortisation intangible assets	(65)	(86)	(100)	(17)	(16)	(18)	(97)	(103)	(93)
(Impairment) and reversal of impairment of intangible assets	(17)	(7)		(99)		(3)			

Table of Contents

	Africa Middle East			Asia Pacific			Head Office & Other/ Eliminations			Consolidated		
	2013	2012*	2011*	**2013**	2012*	2011*	**2013**	2012*	2011*	**2013**	2012*	2011*
Revenue												
Third party revenue[1]	2,554	2,639	2,223	2,036	527	216	245	315	315	19,203	18,383	17,123
Interregional revenue				1			(681)	(686)	(641)			
Total revenue	**2,554**	2,639	2,223	**2,037**	527	216	**(436)**	(371)	(326)	**19,203**	18,383	17,123
Other income	1		3		1,486	5				226	1,510	64
Results from operating activities	606	616	533	376	1,546	64	(77)	(101)	**(13)**	**2,554**	3,697	2,218
Net finance expenses										**(593)**	**(321)**	**(457)**
Share of profit of associates and joint ventures and impairments thereof	37	1	35	26	109	112	(4)	(3)	(4)	146	213	240
Income tax expense										(520)	(515)	(459)
Profit										**1,587**	3,074	1,542
Attributable to:												
Equity holders of the Company (net profit)										1,364	2,914	1,412
Non-controlling interests										223	160	130
										1,587	3,074	1,542
EBIT reconciliation												
EBIT[2]	643	617	568	402	1,655	176	(81)	(104)	(17)	2,700	3,910	2,458
Eia[2]	2	38	2	163	(1,388)		12	36	5	391	(992)	242
EBIT (beia)[2]	**645**	655	**570**	**565**	267	**176**	**(69)**	(68)	**(12)**	**3,091**	2,918	2,700
Beer volumes (in million hectolitres)												
Consolidated beer volume[2]	23,281	23,289	22,029	17,347	3,742	1,309				178,322	171,712	164,592
Attributable share of joint ventures and associates volume[2]	4,119	4,200	3,310	5,345	13,202	13,731				16,924	24,922	22,701
Group beer volume[2]	**27,400**	27,489	**25,339**	**22,692**	16,944	15,040				**195,246**	196,634	187,291
Current segment assets	939	959	854	757	913	91	(475)	(629)	(124)	5,475	5,525	4,694
	2,216	2,073	1,867	6,254	7,166	2	1,400	1,619	1,143	25,453	27,945	20,182

Non-current segment assets												
Investment in associates and joint ventures	238	281	272	476	534	536	109	82	57	1,883	1,950	1,764
Total segment assets	**3,393**	3,313	**2,993**	**7,487**	8,613	**629**	**1,034**	1,072	**1,076**	**32,811**	35,420	26,640
Unallocated assets										526	560	473
Total assets										**33,337**	35,980	27,127
Segment liabilities	853	760	653	449	513	36	319	238	508	7,461	8,051	7,091
Unallocated liabilities										13,520	15,124	9,887
Total equity										12,356	12,805	10,135
Total equity and liabilities										**33,337**	35,980	27,113
Purchase of P, P & E	461	395	202	142	20		50	48	14	1,369	1,170	800
Acquisition of goodwill			282		2,720			480		9	3,243	287
Purchases of intangible assets	2	2		5			28	24	16	77	78	56
Depreciation of P, P & E	(183)	(176)	(140)	(80)	(11)		(35)	(38)	(36)	(1,073)	(1,017)	(936)
(Impairment) and reversal of impairment of P, P & E		(8)	(3)	2			(1)	2		(16)	(44)	
Amortisation intangible assets	(6)	(6)	(6)	(179)	(24)		(12)	(12)	(12)	(376)	(247)	(229)
(Impairment) and reversal of impairment of intangible assets										(116)	(7)	(3)

* Restated for the revised IAS 19 and finalisation of the purchase price allocation for APB.

[1] Includes other revenue of EUR375 million in 2013, EUR433 million in 2012 and EUR463 million in 2011.

[2] For definition see Glossary . Note that these are both non-GAAP measures and therefore unaudited.

F-144

Table of Contents

6. Acquisitions and disposals of subsidiaries and non-controlling interests

Accounting for the acquisition of APIPL/APB

The accounting for the acquisition of Asia Pacific Investment Pte. Ltd (APIPL) and Asia Pacific Breweries Ltd (APB) and their subsidiaries (together referred to as the APIPL/APB acquisition) has been finalised on 15 November 2013. Some adjustments were made to the provisional accounting for the APIPL/APB acquisition, resulting in a decrease in goodwill of EUR37 million. The adjustments mainly related to the revaluation of P, P & E based on additional information obtained about the facts and circumstances that existed at the acquisition date, which resulted in an increase in P, P & E of EUR52 million and an increase in trade and other payables of EUR10 million. Comparative information has been restated.

In 2012 the APIPL/APB financial figures were consolidated for 1.5 months from 15 November 2012 to year end. In 2013 the APIPL/APB financial figures have been consolidated for the full year.

Acquisitions of non-controlling interests

In 2013 HEINEKEN paid a total cash consideration of EUR156 million for the remaining APB shares outstanding in the market as at 31 December 2012. There were no other individually material acquisitions of non-controlling interests during 2013.

The value of non-controlling interests and equity impact (result of buy-out) are disclosed in the table below:

In millions of EUR	Consideration paid	Value of the non-controlling interest	Result buy-out
APB	156	65	91
Other	53	7	46

Disposals

Disposal of Oy Hartwall Ab (Hartwall) in Finland

On 23 August 2013 HEINEKEN sold its 100 per cent stake in Oy Hartwall Ab in Finland to Danish Royal Unibrew A/S. A EUR6 million pre-tax book gain on the disposal was recorded in other income.

Disposal of our stake in Kazakhstan

On 8 January 2013 HEINEKEN sold its 28 per cent stake in Efes Kazakhstan JSC FE to the majority shareholder Efes Breweries International N.V. A EUR75 million pre-tax book gain on the disposal was recorded in other income.

Disposal of Jiangsu Dafuhao Breweries Co. Ltd

On 15 January 2013 HEINEKEN sold its 49 per cent stake in Jiangsu Dafuhao Breweries Co. Ltd, which was acquired in the APIPL/APB acquisition, to Nantong Fuhao Alcohol Co. Ltd.

Disposal of Pago International GmbH

On 15 February 2013 HEINEKEN sold its 100 per cent stake in Pago International GmbH to the Eckes-Granini Group. A pre-tax EUR17 million book gain on the disposal was recorded in other income.

Disposal of stake in Shanghai Asia Pacific Brewery Company

On 12 April 2013 HEINEKEN disposed Shanghai Asia Pacific Brewery Company by selling its shares in Heineken-APB (China) Pte. Ltd to Step Best Investments Ltd. Full ownership of these entities was acquired in the APIPL/APB acquisition.

The aggregated consideration received in cash amounted to EUR588 million. Assets sold in the transactions above that resulted in loss of control included cash and cash equivalents amounting to EUR37 million negative. The other categories of assets and liabilities other than cash and cash equivalents in the operations over which control was lost were as follows:

In millions of EUR	**2013**
Current assets	83
Non-current assets	541
Current liabilities	(165)
Non-current liabilities	(63)

Table of Contents

7. Assets and liabilities (or disposal groups) classified as held for sale

The below assets and liabilities are classified as held for sale following the commitment of HEINEKEN to a plan to sell certain assets and liabilities. Efforts to sell these assets and liabilities have commenced and are expected to be completed during 2014.

Assets and liabilities classified as held for sale

In millions of EUR	**2013**	2012
Current assets	19	38
Non-current assets	18	86
Current liabilities	(10)	(36)
Non-current liabilities	(1)	(3)
	26	85

8. Other income

In millions of EUR	**2013**	2012	2011
Net gain/(loss) on sale of property, plant & equipment	87	22	35
Net gain/(loss) on sale of intangible assets		2	24
Net gain/(loss) on sale of subsidiaries, joint ventures and associates	139	1,486	5
	226	1,510	64

In addition to the results disclosed in note 6, HEINEKEN s shareholding in joint venture Compania Cervecerias Unidas S.A.(CCU) reduced as a result of a share issuance. The corresponding gain amounted to EUR47 million and is included in other income. Other income in 2012 comprises the fair value gain of HEINEKEN s previously held equity interest in APB amounting to EUR1,486 million.

9. Raw materials, consumables and services

In millions of EUR	**2013**	2012	2011
Raw materials	1,868	1,892	1,576
Non-returnable packaging	2,502	2,376	2,075
Goods for resale	1,551	1,616	1,498
Inventory movements	2	(85)	(8)
Marketing and selling expenses	2,418	2,250	2,186
Transport expenses	1,031	1,029	1,056
Energy and water	564	562	525
Repair and maintenance	482	458	417
Other expenses	1,768	1,751	1,641
	12,186	11,849	10,966

Other expenses mainly include rentals of EUR282 million (2012: EUR264 million, 2011:EUR241 million), consultant expenses of EUR166 million (2012: EUR191 million, 2011: EUR166 million), telecom and office automation of EUR183 million (2012: EUR179 million, 2011: EUR159 million) and travel expenses of EUR155 million (2012: EUR155 million, 2011: EUR137 million).

Table of Contents

10. Personnel expenses

In millions of EUR	Note	**2013**	2012*	2011*
Wages and salaries		2,125	2,078	1,891
Compulsory social security contributions		346	352	333
Contributions to defined contribution plans		41	39	24
Expenses related to defined benefit plans	28	41	22	53
Expenses related to other long-term employee benefits		11	11	11
Equity-settled share-based payment plan	29	10	12	11
Other personnel expenses		534	517	512
		3,108	3,031	2,835

* Restated for the revised IAS 19.

In other personnel expenses, restructuring costs are included for an amount of EUR80 million for the year 2013. These costs are primarily related to the restructuring of operations in the United Kingdom, France and Greece.

The average number of full-time equivalent (FTE) employees during the year was:

	2013	2012	2011
The Netherlands	4,054	4,053	3,991
Other Western Europe	13,924	14,410	14,749
Central and Eastern Europe	15,946	16,835	17,424
The Americas	23,951	25,035	23,906
Africa Middle East	14,062	14,604	11,396
Asia Pacific	8,996	1,254	279
Heineken N.V. and subsidiaries	**80,933**	76,191	71,745

11. Amortisation, depreciation and impairments

In millions of EUR	Note	**2013**	2012	2011
Property, plant & equipment	14	1,089	1,061	936
Intangible assets	15	492	254	232
Impairment on available-for-sale assets			1	
		1,581	1,316	1,168

Table of Contents

12. Net finance income and expense

Recognised in profit or loss

In millions of EUR	**2013**	2012*	2011*
Interest income	**47**	62	70
Interest expenses	**(579)**	(551)	(494)
Dividend income from available-for-sale investments	15	25	12
Net gain/(loss) on disposal of available-for-sale investments		192	1
Net change in fair value of derivatives	16	(7)	96
Net foreign exchange gain/(loss)	(31)	15	(107)
Unwinding discount on provisions	(5)	(7)	(7)
Interest on the net defined benefit obligation	(56)	(51)	(27)
Other net financial income/(expenses)		1	(2)
Other net finance income/(expenses)	**(61)**	168	(34)
Net finance income/(expenses)	**(593)**	(321)	(457)

* Restated for the revised IAS 19.

The net gain on disposal of available-for-sale-investments for the year ended 31 December 2012 mainly related to the sale of our minority shareholding in Cervecería Nacional Dominicana S.A. in the Dominican Republic and to the revaluation of HEINEKEN s existing interest in the acquisition of Brasserie d Haiti.

13. Income tax expense

Recognised in profit or loss

In millions of EUR	**2013**	2012*	2011*
Current tax expense			
Current year	740	639	502
Under/(over) provided in prior years	13	(6)	(26)
	753	633	476
Deferred tax expense			
Origination and reversal of temporary differences	(173)	(100)	11
Previously unrecognised deductible temporary differences		(28)	(9)
Changes in tax rate	(32)	4	1
Utilisation/(benefit) of tax losses recognised	(13)	(6)	(19)
Under/(over) provided in prior years	(15)	12	(1)
	(233)	(118)	(17)
Total income tax expense in profit or loss	**520**	515	459

* Restated for the revised IAS 19.

Reconciliation of the effective tax rate

In millions of EUR	**2013**	2012*	2011*
Profit before income tax	2,107	3,589	2,001

Share of net profit of associates and joint ventures and impairments thereof	(146)	(213)	(240)
Profit before income tax excluding share of profit of associates and joint ventures (including impairments thereof)	**1,961**	3,376	1,761

* Restated for the revised IAS 19.

Table of Contents

	%	2013	%*	2012*	%*	2011*
Income tax using the Company s domestic tax rate	25.0	490	25.0	845	25.0	440
Effect of tax rates in foreign jurisdictions	4.1	79	1.9	63	3.5	62
Effect of non-deductible expenses	4.6	90	1.9	64	3.3	58
Effect of tax incentives and exempt income	(8.3)	(162)	(14.0)	(472)	(6.0)	(107)
Recognition of previously unrecognised temporary differences			(0.8)	(28)	(0.5)	(9)
Utilisation or recognition of previously unrecognised tax losses	(0.6)	(11)	(0.5)	(17)	(0.3)	(5)
Unrecognised current year tax losses	1.3	26	0.8	25	1.0	18
Effect of changes in tax rate	(1.6)	(32)	0.1	4	0.1	1
Withholding taxes	2.1	42	0.8	27	1.5	26
Under/(over) provided in prior years	(0.1)	(2)	0.2	6	(1.5)	(27)
Other reconciling items			(0.1)	(2)	0.1	2
	26.5	**520**	15.3	515	26.1	459

* Restated for the revised IAS 19.

The higher reported tax rate in 2013 of 26.5 per cent (2012: 15.3 per cent, 2011: 26.1 per cent) can be mainly explained by the fact that in 2012 the revaluation of HEINEKEN s PHEI in APIPL/APB was tax exempt.

Income tax recognised in other comprehensive income

In millions of EUR	Note	2013	2012*	2011*
Changes in fair value		10	(24)	
Changes in hedging reserve		(2)	(18)	13
Changes in translation reserve		(43)	(22)	11
Other		(67)	113	10
	24	**(102)**	49	34

* Restated for the revised IAS 19.

14. Property, plant and equipment

In millions of EUR	Note	Land and buildings*	Plant and equipment	Other fixed assets	Under construction	Total*
Cost						
Balance as at 1 January 2012		4,870	6,277	4,052	332	15,531
Changes in consolidation		297	385	91	77	850
Purchases		38	105	365	662	1,170
Transfer of completed projects under construction and other		58	235	270	(540)	23
Transfer (to)/from assets classified as held for sale		(37)	(21)	(24)		(82)
Disposals		(19)	(81)	(284)	(1)	(385)
Effect of hyperinflation		1	4	1		6
Effect of movements in exchange rates		59	23	23	(4)	101
Balance as at 31 December 2012		5,267	6,927	4,494	526	17,214
Balance as at 1 January 2013		**5,267**	**6,927**	**4,494**	**526**	**17,214**
Changes in consolidation		(204)	(138)	(28)	12	(358)
Purchases		60	162	375	772	1,369
Transfer of completed projects under construction		77	288	202	(567)	
Transfer (to)/from assets classified as held for sale		(24)	(25)	(5)		(54)

Disposals	(90)	(86)	(290)		(466)
Effect of hyperinflation		2	1		3
Effect of movements in exchange rates	(152)	(225)	(133)	(38)	(548)
Balance as at 31 December 2013	**4,934**	**6,905**	**4,616**	**705**	**17,160**

Depreciation and impairment losses

F-149

Table of Contents

In millions of EUR	Note	Land and buildings*	Plant and equipment	Other fixed assets	Under construction	Total*
Balance as at 1 January 2012		(1,622)	(3,339)	(2,710)		(7,671)
Changes in consolidation			(2)	(1)		(3)
Depreciation charge for the year	11	(142)	(399)	(476)		(1,017)
Impairment losses	11	(10)	(36)	(19)		(65)
Reversal impairment losses	11	4	12	5		21
Transfer to/(from) assets classified as held for sale		26	15	20		61
Disposals		5	80	261		346
Effect of movements in exchange rates		(14)	(9)	(19)		(42)
Balance as at 31 December 2012		(1,753)	(3,678)	(2,939)		(8,370)
Balance as at 1 January 2013		**(1,753)**	**(3,678)**	**(2,939)**		**(8,370)**
Changes in consolidation		17	59	40		116
Depreciation charge for the year	11	(163)	(416)	(494)		(1,073)
Impairment losses	11	(3)	(15)	(5)		(23)
Reversal impairment losses	11	1	2	4		7
Transfer to/(from) assets classified as held for sale		7	16	3		26
Disposals		70	119	229		418
Effect of movements in exchange rates		35	86	72		193
Balance as at 31 December 2013		**(1,789)**	**(3,827)**	**(3,090)**		**(8,706)**
Carrying amount						
As at 1 January 2012		3,248	2,938	1,342	332	7,860
As at 31 December 2012		3,514	3,249	1,555	526	8,844
As at 1 January 2013		**3,514**	**3,249**	**1,555**	**526**	**8,844**
As at 31 December 2013		**3,145**	**3,078**	**1,526**	**705**	**8,454**

* Restated for the finalisation of the purchase price allocation for APB.

Impairment losses

In 2013 a total impairment loss of EUR23 million (2012: EUR65 million, 2011: EUR 8 million) was charged to profit or loss.

Financial lease assets

HEINEKEN leases P, P & E under a number of finance lease agreements. At 31 December 2013 the net carrying amount of leased P,P & E was EUR9 million (2012: EUR39 million). During the year, HEINEKEN acquired leased assets of EUR13 million (2012: EUR5 million).

Security to authorities

Certain P, P & E amounting to EUR122 million (2012: EUR142 million) has been pledged to the authorities in a number of countries as security for the payment of taxes, particularly import and excise duties on beers, non-alcoholic beverages and spirits. This mainly relates to Brazil (see note 34).

Property, plant and equipment under construction

P, P & E under construction mainly relates to expansion of the brewing capacity in various countries.

Capitalised borrowing costs

During 2013 borrowing costs amounting to EUR8 million have been capitalised (2012: EUR nil).

F-150

Table of Contents

15. Intangible assets

In millions of EUR	Note	Goodwill*	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total*
Cost							
Balance as at 1 January 2012		7,809	2,272	1,228	162	378	11,849
Changes in consolidation		3,243	2,069	1,077	624	48	7,061
Purchased/internally developed					7	71	78
Disposals		(11)		(5)	(4)		(20)
Transfers to assets held for sale						(1)	(1)
Effect of movements in exchange rates		(1)	(9)	4	(9)	6	(9)
Balance as at 31 December 2012		11,040	4,332	2,304	780	502	18,958
Balance as at 1 January 2013		**11,040**	**4,332**	**2,304**	**780**	**502**	**18,958**
Changes in consolidation		(167)	(153)	(46)	(1)	(9)	(376)
Purchased/internally developed					(7)	84	77
Disposals					(4)	(38)	(42)
Transfers to assets held for sale						(1)	(1)
Effect of movements in exchange rates		(466)	(328)	(148)	(88)	(32)	(1,062)
Balance as at 31 December 2013		**10,407**	**3,851**	**2,110**	**680**	**506**	**17,554**
Amortisation and impairment losses							
Balance as at 1 January 2012		(279)	(221)	(268)	(3)	(243)	(1,014)
Changes in consolidation							
Amortisation charge for the year	11		(68)	(121)	(11)	(47)	(247)
Impairment losses	11	(7)					(7)
Disposals							
Transfers to assets held for sale						1	1
Effect of movements in exchange rates		(11)		7	(9)	10	(3)
Balance as at 31 December 2012		(297)	(289)	(382)	(23)	(279)	(1,270)
Balance as at 1 January 2013		**(297)**	**(289)**	**(382)**	**(23)**	**(279)**	**(1,270)**
Changes in consolidation			22	27		7	56
Amortisation charge for the year	11		(101)	(176)	(62)	(37)	(376)
Impairment losses	11	(94)	(5)			(17)	(116)
Disposals					4	30	34
Transfers to assets held for sale						1	1
Effect of movements in exchange rates			14	20	10	7	51
Balance as at 31 December 2013		**(391)**	**(359)**	**(511)**	**(71)**	**(288)**	**(1,620)**
Carrying amount							