

Risk Factors

Risks Related to Our Company

The COVID-19 pandemic has adversely affected, and could continue to adversely affect, our business, operating results and financial condition.

The COVID-19 pandemic has negatively affected global and regional economic conditions. Due to the speed with which the COVID-19 pandemic developed and the uncertainty of its duration, the full impact of the COVID-19 pandemic on our business is unknown at this time and difficult to predict. Government responses aimed at containing the pandemic have caused temporary closures of points of sale, distribution centers, warehouses and manufacturing facilities of our key suppliers, causing fluctuations in the availability, sale volumes and prices of certain relevant categories in our stores and products we sell, such as beer, gasoline, some beverage categories and presentations, among others. To date, these measures and regulations have included the direction to refrain from dining at restaurants, the cancellation of major sporting and entertainment events, a material reduction in travel, the promotion of social distancing, the adoption of work-from-home policies and, in certain territories, compulsory lockdowns. Any prolonged or resurging outbreaks or any variant of COVID-19 could result in the imposition of more restrictive measures in the territories in which FEMSA operates, further quarantines or closures, supply-chain disruptions, travel and transportation restrictions and/or import and export restrictions which could further adversely affect FEMSA's business. The COVID-19 pandemic has also impacted, and is expected to continue to impact, our non-consolidated entities, including Heineken. Most countries where Heineken operates reacted to the pandemic by taking far-reaching containment measures such as restrictions of movement for populations and outlet closures, sometimes combined with the mandatory lockdown of production facilities. Heineken's volumes and results in 2020 were heavily affected by devaluation of emerging markets currencies versus the U.S. dollar and the euro, and increased risks on credit losses from customers, business continuity of small suppliers, impairments and non-effective hedge contracts. We cannot predict how long the pandemic will last, whether it will worsen or whether there will be further outbreaks in the future in any of the markets where we operate.

The pandemic has caused and continues to cause significant volatility in financial markets, undermining investors' confidence in the growth of countries and businesses. In addition, the longer-term economic effects of the COVID-19 pandemic may include lower or negative growth rates in the markets where we operate, less favorable exchange rates in a variety of our businesses, and reduced demand for the products we sell or a shift to lower margin products.

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

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

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

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

Our business expansion strategy and entry into new markets and new lines of business may not be successful and may lead to decreased profit margins and integration risks.

We and our business units have entered into new markets and new lines of business through the acquisition of other businesses and continue to seek investment opportunities through this strategy. This includes the acquisition by FEMSA Comercio of other small-format retail businesses and our acquisition in 2020 of a majority-controlling interest in WAXIE Sanitary Supply ("WAXIE") and North American Corporation. These new businesses may not experience the same growth rates or may be less profitable than our more established businesses.

Key elements to achieving the benefits and expected synergies of these acquisitions are our ability to implement our strategies for these acquisitions, the effectiveness of those strategies, the integration of acquired businesses' operations into ours in a timely and effective manner, and the retention of qualified and experienced key personnel. We may incur unforeseen liabilities in connection with acquiring, taking control of, or managing businesses and may encounter difficulties and unforeseen or additional costs in restructuring and integrating them into our operating structure. We cannot assure you that these efforts will be successful or completed as expected, and our business, financial condition and results of operations could be adversely affected if we are unable to do so.

Risks Related to Coca-Cola FEMSA

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

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

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

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

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

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

TCCC has substantial influence on the conduct of Coca-Cola FEMSA's business. As of the date of this report, TCCC indirectly owned 27.8% of Coca-Cola FEMSA's outstanding capital stock, representing 32.9% of Coca-Cola FEMSA's capital stock with full voting rights. TCCC is entitled to appoint up to five of Coca-Cola FEMSA's maximum of 21 directors and the vote of at least two of them is required to approve certain actions by Coca-Cola FEMSA's board.

of directors. See “Item 10. Additional Information—Material Contracts—Material Contracts Relating to Coca-Cola FEMSA—Shareholders Agreements.” The interests of TCCC may be different from the interests of Coca-Cola FEMSA’s other shareholders, which may result in Coca-Cola FEMSA taking actions contrary to the interests of such other shareholders.

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

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

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

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

If Coca-Cola FEMSA is unable to protect its information systems against service interruption, misappropriation of data or breaches of security, its operations could be disrupted, which could have a material adverse effect on its business, financial condition and results of operations.

Coca-Cola FEMSA relies on networks, information systems and other technology, or “IT systems,” including the Internet and third-party hosted platforms and services, to support a variety of business processes and activities, including procurement and supply chain, manufacturing, distribution, invoicing and collection of payments and to store client and employee personal data. Coca-Cola FEMSA uses IT systems to process financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting and legal and tax requirements. Because IT systems are critical to many of Coca-Cola FEMSA’s operating activities, its business may be impacted by system shutdowns, service disruptions or security breaches. In addition, such incidents could result in unauthorized disclosure of material confidential information or regulated individual personal data. Coca-Cola FEMSA could be required to spend significant financial and other resources to remedy the damage caused by a security breach or to repair or replace networks and IT systems. Any severe damage, disruption or shutdown in Coca-Cola FEMSA’s IT systems could have a material adverse effect on its business, financial condition and results of operations.

Coca-Cola FEMSA makes investments in personnel, technologies, cyber insurance and training of its personnel. Coca-Cola FEMSA also maintains an IT risk management program that is supervised by its senior management. Reports on such IT risk management program are presented to the Audit Committee of its board of directors on a quarterly basis. As part of this program, Coca-Cola FEMSA has a cybersecurity framework, internal policies and cross-functional surveillance. Despite Coca-Cola FEMSA’s investments and focus on risk management programs, Coca-Cola FEMSA may be subject to unexpected security breaches, and there is no assurance that the measures Coca-Cola FEMSA implements will be sufficient to prevent such breaches.

Negative or inaccurate information on social media could adversely affect Coca-Cola FEMSA's reputation.

Negative or inaccurate information concerning or affecting Coca-Cola FEMSA or the Coca-Cola trademarks may be posted at any time on social media and similar platforms, including weblogs (blogs), social media websites, and other forms of Internet-based communications which allow individual access to a broad audience of consumers and other interested persons. This information may harm Coca-Cola FEMSA's reputation without affording the corporation an opportunity for redress or correction, which could in turn have a material adverse effect on its business, financial condition and results of operations.

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

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

Although competitive conditions are different in each of Coca-Cola FEMSA's territories, Coca-Cola FEMSA competes mainly in terms of price, packaging, effective promotional activities, access to retail outlets and sufficient shelf space, customer service, product innovation and product alternatives and the ability to identify and satisfy consumer preferences. Lower pricing and activities by Coca-Cola FEMSA's competitors may have an adverse effect on its business, financial condition and results of operations.

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

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

Coca-Cola FEMSA obtains the vast majority of the water used in its production from municipal utility companies and pursuant to concessions to use wells, which are generally granted based on studies of the existing and projected groundwater supply. Coca-Cola FEMSA's existing water concessions or contracts to obtain water may be terminated by governmental authorities under certain circumstances and their renewal depends on several factors, including having paid all fees in full, having complied with applicable laws and obligations and receiving approval for renewal from local and/or federal water authorities. See "Item 4. Information on the Company-Regulatory Matters-Water Supply." In some of Coca-Cola FEMSA's territories, its existing water supply may not be sufficient to meet its future production needs, and the available water supply may be adversely affected by shortages or changes in governmental regulations and environmental changes.

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

Increases in the prices of raw materials, supply chain disruptions or shortages of raw materials could increase Coca-Cola FEMSA's cost of goods sold and may adversely affect its business, financial condition and results of operations.

In addition to water, Coca-Cola FEMSA's most significant raw materials are concentrate, which Coca-Cola FEMSA acquires from affiliates of TCCC, sweeteners and packaging materials.

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

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

Coca-Cola FEMSA's most significant packaging raw material costs arise from the purchase of PET resin, the price of which is related to crude oil prices and global PET resin supply. Crude oil prices have a cyclical behavior and are determined with reference to the U.S. dollar; therefore, high currency volatility may affect the average price for PET resin in local currencies. In addition, since 2010, international sugar prices have been volatile due to various factors, including shifting demand, availability, climate change and other issues affecting production and distribution. In all of the countries where Coca-Cola FEMSA operates, other than Brazil, sugar prices are subject to local regulations and other barriers to market entry that cause Coca-Cola FEMSA to purchase sugar above international market prices. See "Item 4. Information on the Company—Raw Materials." We cannot assure you that Coca-Cola FEMSA's raw material prices will not further increase in the future or that Coca-Cola FEMSA will be successful in mitigating any such increase through derivative instruments or otherwise. Increases in the prices of raw materials would increase Coca-Cola FEMSA's cost of goods sold and adversely affect its business, financial condition and results of operations.

Increases in the cost, disruption of supply or shortage of energy or fuel could adversely affect Coca-Cola FEMSA's business and results of operations.

Coca-Cola FEMSA's bottling operations operate large fleets of trucks and other motor vehicles to distribute and deliver beverage products to its business partners and customers. In addition, Coca-Cola FEMSA uses a significant amount of electricity, natural gas and other energy sources to operate its bottling plants and distribution facilities. An increase in the price, disruption of supply or shortage of fuel and other energy sources in the countries where Coca-Cola FEMSA operates, which may be caused by increased demand, natural disasters, power outages or government regulations, taxes, policies or programs, including programs designed to reduce greenhouse gas emissions to address climate change, could increase its operating costs and negatively impact its business and results of operations. Changes in government regulations in the countries where Coca-Cola FEMSA operates, including reforms related to distribution and other costs, could lead to a substantial increase in its electricity cost. See "Item 4. Information on the Company—Regulatory Matters."

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

The principal areas in which Coca-Cola FEMSA is subject to laws and regulations are anti-corruption, anti-bribery, anti-money laundering, water, environment, energy, labor (including with respect to outsourcing), taxation, health, antitrust and price controls. See "Item 4. Information on the Company—Regulatory Matters." Changes in existing laws and regulations, the adoption of new laws or regulations, or a stricter interpretation or enforcement thereof in the countries where Coca-Cola FEMSA operates may increase Coca-Cola FEMSA's operating and compliance costs or impose restrictions on its operations which, in turn, may adversely affect its business, financial condition and results of operations.

Coca-Cola FEMSA currently offers non-refillable and refillable containers across its territories, among other product presentations. Certain legislative and regulatory reforms have been proposed in some of the territories where Coca-Cola FEMSA operates to restrict the sale of single-use plastics and similar legislation or regulations may be proposed or enacted in the future. See “Item 4. Information on the Company–Coca-Cola FEMSA–Raw Materials.” Consumers’ increased concerns and changing attitudes about the solid waste streams and environmental responsibility and the related publicity could result in the adoption of such legislation or regulations. If these types of requirements are adopted and implemented on a large scale in any of Coca-Cola FEMSA’s territories, they could affect Coca-Cola FEMSA’s costs or require changes in its distribution model and packaging, which could reduce Coca-Cola FEMSA’s net operating revenues and profitability.

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

Coca-Cola FEMSA operates in multiple territories and is subject to complex regulatory frameworks with increased enforcement activities. Coca-Cola FEMSA maintains a global integrity and compliance program that is supervised by its senior management and employs a chief compliance officer in each country where it operates. Reports on such compliance program are presented to the Audit Committee of its board of directors on a semi-annual basis. Despite Coca-Cola FEMSA’s internal governance and compliance processes, Coca-Cola FEMSA may be subject to unexpected breaches by its employees, contractors or other agents to its code of ethics, anti-corruption and anti-money laundering policies and other internal guidelines, including instances of fraudulent behavior, corrupt practices and dishonesty by any of them. Coca-Cola FEMSA’s failure to comply with applicable laws and other standards could harm its reputation, subject Coca-Cola FEMSA to substantial fines, sanctions or penalties and adversely affect its business. There is no assurance that Coca-Cola FEMSA will be able to comply with changes in any laws and regulations within the timelines established by the relevant regulatory authorities.

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

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

Climate change and legal or regulatory responses thereto may have an adverse impact on Coca-Cola FEMSA’s business.

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

In addition, from time to time, Coca-Cola FEMSA establishes and publicly announces goals and commitments to reduce its carbon footprint by increasing its use of recycled packaging materials and participating in environmental and sustainability programs and initiatives organized or sponsored by non-governmental organizations and other groups

to reduce greenhouse gas emissions industrywide. If Coca-Cola FEMSA fails to achieve or improperly report on its progress toward achieving its carbon footprint reduction goals and commitments, the resulting negative publicity could adversely affect consumer preference and demand for its beverage products.

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

Coca-Cola FEMSA's operations have from time to time been and may continue to be subject to investigations and proceedings by antitrust authorities relating to alleged anticompetitive practices, as well as investigations and proceedings on tax, consumer protection, environmental, labor and commercial matters. We cannot assure you that these investigations and proceedings will not have an adverse effect on Coca-Cola FEMSA's business, financial condition and results of operations. See "Item 8. Financial Information—Legal Proceedings."

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

Weather conditions, natural disasters and public health crises may adversely affect Coca-Cola FEMSA's business, financial condition and results of operations.

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

An impairment in the carrying value of distribution rights under Coca-Cola FEMSA's bottler agreements and goodwill of acquired businesses could negatively affect its financial condition and results of operations.

Coca-Cola FEMSA periodically reviews the carrying value of its intangible assets, including distribution rights under its bottler agreements and goodwill of acquired businesses, to determine whether there is any indication that such assets have suffered an impairment. An impairment is recognized and the asset is reduced to fair value via a charge to earnings, when the carrying value of such asset exceeds its recoverable amount, which is the higher of its fair value less the cost to sell the asset, and its value in use. Events and conditions that could result in an impairment include changes in the industry in which Coca-Cola FEMSA operates, including competition, changes in consumer preferences, and other factors leading to reduction in expected sales or profitability. An impairment on the value of the distribution rights under its bottler agreements or goodwill of acquired businesses could have a material adverse effect on Coca-Cola FEMSA's financial condition and results of operations.

Risks Related to FEMSA Comercio

Competition from other retailers in the markets where FEMSA Comercio operates could adversely affect its business, financial condition and results of operations.

The retail sector is highly competitive in the markets where FEMSA Comercio operates. The Proximity Division participates in the retail sector primarily through its OXXO stores, which face competition from small-format stores (such as 7-Eleven, Circle K, Tiendas D1, Ara, Tostao, Tambo Mas and OK Market), other numerous chains of grocery retailers with different size formats (such as Wal-Mart, H-E-B, Soriana, La Comer, and Chedraui, among others), other regional small-format retailers and small neighborhood stores. In particular, small neighborhood stores in Mexico may improve their technological capabilities to enable credit card processing or online bill payments or carry other products or provide other services, which would diminish one of the Proximity Division's competitive advantages.

FEMSA Comercio participates through the Health Division in Mexico, Chile, Colombia and Ecuador. In Mexico, it faces competition from other drugstore chains such as Farmacias Similares, Farmacias Guadalajara, Farmacias del Ahorro and Farmacias Benavides, as well as regional and independent pharmacies, supermarkets and

other informal neighborhood drugstores. In Chile, relevant competitors are chain drugstores such as Farmacias Ahumada and Salcobrand, while in Colombia, the most relevant competitors are La Rebaja, Unidrogas, Olimpica, Cafam, Colsubsidio and Farmatodo. In Ecuador, Grupo Difare and Farmaenlace are the main competitors.

For the Fuel Division, the government reforms over Mexico's fuel distribution market have altered the competitive dynamics of the industry. The consolidation process, expected to continue as more large companies and international competitors continue to enter and expand through the market, may occur rapidly and materially alter the market dynamics in Mexico. Currently, the Fuel Division faces competition from international players such as British Petroleum, Mobil, Repsol and Shell, regional chains such as Corpogas, Hidrosina, G500 and Petro-7 and hard discount chains like Good Price, Cargo Gas and Gulf, as well as small independently owned and operated service stations.

FEMSA Comercio may face additional competition from new market participants. The increase in competition may limit the number of new locations available or result in a reduction in revenues. Consequently, future competition may affect the results of operations and financial condition of FEMSA Comercio. The shift in the retail sector from brick-and-mortar retailers to online and mobile platforms could also adversely affect FEMSA Comercio's business, results of operations and financial condition.

We expect the competitive environment will continue to evolve as new technologies are developed based on changing consumer behavior. The continuing migration and evolution of retailing and financial services to online and mobile-based platforms for consumers may increase competition that could adversely affect FEMSA Comercio.

FEMSA Comercio's points of sale performance may be adversely affected by changes in economic conditions in the markets where it operates.

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

Regulatory changes in the countries where we operate may adversely affect FEMSA Comercio's business.

In the markets where it operates, FEMSA Comercio is subject to regulation in areas such as labor, zoning, operations, environmental and related local permits, health and safety and anti-money laundering regulations. Changes in existing laws and regulations, the adoption of new laws or regulations, changes in policy by regulators or a stricter or changing interpretation or enforcement thereof in the countries where FEMSA Comercio operates may increase its operating and compliance costs or impose restrictions on its operations and expansion which, in turn, may adversely affect the results of operations and financial condition of FEMSA Comercio's business. In addition, changes in current laws and regulations may negatively impact customer traffic, revenues, operational costs and commercial practices, which may have an adverse effect on results of operations and financial condition of FEMSA Comercio.

FEMSA Comercio is subject to anti-money laundering laws and regulations in the countries in which it operates. Any violation of any such laws or regulations may adversely affect FEMSA Comercio's business.

FEMSA Comercio is subject to anti-money laundering laws and regulations in the jurisdictions in which it operates and is required to comply with the applicable laws and regulations of the countries in which it operates. Such laws and regulations require FEMSA Comercio to adopt and implement policies, procedures and controls designed to detect and prevent transactions with third parties involved in money laundering. Although we have such policies, procedures and controls in place, given the number of transactions made in its stores, FEMSA Comercio may be subject to the risk that its clients or third parties may misuse its services and engage in money laundering or other related illegal activities. There can be no assurance that FEMSA Comercio's internal policies, procedures and controls will be sufficient to detect or prevent all inappropriate practices, including money laundering, fraud or other violations of law or that any person will not take actions in violation of FEMSA Comercio's policies, procedures and controls. If FEMSA Comercio is unable to fully comply with anti-money laundering laws and regulations, the relevant governmental authorities have the power and authority to investigate FEMSA Comercio and, in the event that it determines that FEMSA Comercio is in violation of anti-money laundering laws and regulations, impose significant fines, penalties and

remedies. Third parties that FEMSA Comercio has partnerships or commercial relationships with, or otherwise interacts with in the ordinary course may also fail to comply with their obligations under anti-money laundering regulations applicable to them.

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

FEMSA Comercio's businesses rely heavily on advanced IT systems to effectively manage its data, communications, connectivity and other business processes. FEMSA Comercio invests aggressively in IT to maximize its value generation potential. The development of IT systems, hardware and software needs to keep pace with the businesses' growth due to the high speed at which the division adds new services and products to its commercial offerings. If these systems become obsolete or if the planning for future IT investments is inadequate, FEMSA Comercio businesses could be adversely affected.

In order to address risks to its IT systems, FEMSA Comercio continues to make investments in training personnel, technologies and cyber insurance. FEMSA Comercio maintains an IT risk management program which is supervised by its senior management. Reports on such IT risk management program are presented to the Audit Committee of the board of directors on a quarterly basis. As part of this program, FEMSA Comercio has a cybersecurity framework, internal policies and cross-functional surveillance and governance.

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

FEMSA Comercio's business may be adversely affected by an increase in the price of electricity in the markets where it operates.

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

Negative or inaccurate information on social media could adversely affect FEMSA Comercio's reputation.

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

Negative or inaccurate information concerning or affecting FEMSA Comercio's trademarks may be posted on such platforms at any time. This information may harm FEMSA Comercio's reputation or brand image without affording the corporation an opportunity for redress or correction. Further, the disclosure of non-public company-sensitive information by FEMSA Comercio's workforce or others through external social media channels may have adverse legal implications. The risks associated with any such negative publicity could in turn have a material adverse effect on its business, results of operations and financial condition.

An erosion of FEMSA Comercio's business reputation could have a material adverse effect on its brand, its ability to secure new resources and its business and results of operations

FEMSA Comercio's reputation, trademarks and other proprietary rights are important to its competitive position, and FEMSA Comercio benefits from well-recognized brands. If FEMSA Comercio is unsuccessful in protecting its intellectual property rights, or if another party prevails in litigation claiming any rights thereto, the value of the brands could be diminished, causing customer confusion and materially adversely impacting FEMSA Comercio's

business and financial results. Failure to maintain product safety and quality could materially adversely affect FEMSA Comercio's brand image and reputation and lead to potential product liability claims, governmental agency investigations and damages claims.

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

Tax changes in the countries where we operate could adversely affect FEMSA Comercio's business.

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

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

The Proximity Division increased the number of OXXO stores at a compound annual growth rate of 6.5% from 2016 to 2020. The growth in the number of OXXO stores has driven growth in total revenue and results of operations at the Proximity Division over the same period. As the overall number of stores increases, percentage growth in the number of OXXO stores is likely to slow. In addition, as small-format store penetration in Mexico grows, the number of viable new store locations may decrease, and new store locations may be less favorable in terms of same-store sales, average ticket and store traffic. As a result, our future results and financial condition may not be consistent with prior periods and may be characterized by lower growth rates in terms of total revenue and results of operations. In view of the uncertain outlook in 2020 due to the COVID-19 pandemic in the countries where the Proximity Division operates, it opened fewer new stores than in previous years and various OXXO stores were closed as they did not reach the profitability desired. We cannot assure that the revenues and cash flows of the Proximity Division that come from future retail stores will be comparable with those generated by existing retail stores. See "Item 4. Information on the Company—FEMSA Comercio—Proximity Division—Store Locations."

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

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

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

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

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

The Fuel Division mainly sells gasoline and diesel through owned or leased retail service stations. Previously, the prices of these products were regulated in Mexico by the Energy Regulatory Commission (*Comisión Reguladora de Energía*, or "CRE"). Since 2017, fuel prices gradually began to follow the dynamics of the international fuel market, and in 2021 we expect them to continue to do so in accordance with the regulatory framework, which may also adversely affect the results of operations and financial condition of the Fuel Division's business.

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

The Fuel Division mainly purchases gasoline and diesel for its operations in Mexico. The fuel market in Mexico recently experienced structural changes that should gradually increase the number of suppliers. In the event of changes in the industry, commercial terms for the Fuel Division could deteriorate in the future, and potential disruptions to the supply chain to our gas stations could adversely impact the financial performance of the Fuel Division.

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

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

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

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

Risks Related to Mexico and the Other Countries Where We Operate

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

We are a Mexican corporation and our Mexican operations are our single most important geographic territory. For the year ended December 31, 2020, 65.1% of our consolidated total revenues were attributable to Mexico. During 2019 and 2020, the Mexican gross domestic product ("GDP") decreased by approximately 0.1% and 8.5%, respectively, on an annualized basis compared to the previous year. We cannot assure that such conditions will not continue to slow down in the future or will not have a material adverse effect on our business, results of operations and financial condition going forward. The Mexican economy continues to be heavily influenced by the U.S. economy, and therefore, deterioration in economic conditions in, or delays in the recovery of, the U.S. economy may hinder any recovery. In the past, Mexico has experienced both prolonged periods of weak economic conditions and deteriorations in economic conditions that have had a negative impact on our results.

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

In addition, an increase in interest rates in Mexico would increase the cost of our debt and would cause an adverse effect on our financial position and results. Mexican peso-denominated debt (including currency hedges) constituted 33.1% of our total debt as of December 31, 2020.

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

Depreciation of the Mexican peso and of our other local currencies relative to the U.S. dollar increases the cost of a portion of the raw materials we acquire, the price of which is paid in or determined with reference to U.S. dollars, and of our debt obligations denominated in U.S. dollars, and thereby negatively affects our financial position and results. A severe devaluation or depreciation of the Mexican peso, which is our main operating currency, may result in disruption of the international foreign exchange markets and may limit our ability to transfer or to convert Mexican pesos into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal on our U.S. dollar-denominated debt or obligations in other currencies. The Mexican peso is a free-floating currency and, as such, it experiences exchange rate fluctuations relative to the U.S. dollar over time. As of December 31, 2020, the Mexican peso depreciated relative to the U.S. dollar by approximately 5.5% compared to 2019. As of December 31, 2019 and 2018, the Mexican peso experienced fluctuations relative to the U.S. dollar consisting of 3.9% and 0.02% of appreciation, respectively, compared to the prior year. Through April 9, 2021, the Mexican peso has depreciated 1.1% since December 31, 2020.

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

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

Political events in Mexico could adversely affect our operations.

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

As of the date of this annual report, the MORENA Political Party holds an absolute majority in the Chamber of Deputies and the Senate and a strong influence in various local legislatures. Moreover, mid-term federal and local elections will take place in Mexico in June 2021, after which the Chamber of Representatives may have new representatives and 15 Mexican states will elect new governors. We cannot provide any assurances that political developments in Mexico, over which we have no control, will not have an adverse effect on our business, results of operations and financial condition.

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

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

The Mexican economy and the market value of securities issued by Mexican issuers may be, to varying degrees, affected by economic and market conditions in other emerging market countries and in the United States. Furthermore, economic conditions in Mexico have been highly correlated with economic conditions in the United States

primarily as a result of the North American Free Trade Agreement ("NAFTA") and more recently, the United States-Mexico-Canada Agreement ("USMCA"), which came into force on July 1, 2020. It remains to be seen what impact the adoption of the USMCA or any subsequent trade agreements made as a response to the USMCA will have on us and our business. For example, in June and July 2020, the Mexican Congress approved several new laws and reforms to existing laws in connection with the enactment of the USMCA, including the new *Ley Federal de Protección a la Propiedad Industrial* and reforms to the *Ley de los Impuestos Generales de Importación y Exportación*. If the United States were to withdraw from or materially modify other international trade agreements to which it is a party, or if the United States were to withdraw from the World Trade Organization, certain foreign-sourced goods that we sell may no longer be available at a commercially attractive price or at all, which in turn could have a material adverse effect on our business, results of operations and financial condition. However, there can be no assurance as to what the new U.S. administration will do, and the impact of these measures or any others adopted by the new U.S. administration cannot be predicted.

Adverse economic conditions in the United States or other related events could have an adverse effect on the Mexican economy. Although economic conditions in other emerging market countries and in the United States may differ significantly from economic conditions in Mexico, investors' reactions to developments in other countries may have an adverse effect on the market value of securities of Mexican issuers or of Mexican assets. For example, in Chile, an increase in social unrest in late 2019 led to the announcement of a constitutional referendum, which was held on October 25, 2020 and resulted in the approval of a plan to call a Constitutional Convention, to be composed of elected members, in which a new constitution will be drafted. In June 2022, a second nationwide referendum will take place, in which the new constitution will be submitted for voters' approval. If social unrest continues in Chile, FEMSA Comercio's business in the country could be negatively affected. There can be no assurance that future developments in other emerging market countries and in the United States, over which we have no control, will not have a material adverse effect on our financial condition and results.

Natural disasters, weather conditions and public health issues, such as the coronavirus pandemic, could adversely affect our business.

Different regions of Mexico and other countries in which we operate could experience torrential rains, hurricanes, earthquakes or other adverse weather and climate conditions, as well as public health issues (including tainted food, food-borne illnesses, food tampering, tampering with or failure of water supply or widespread/pandemic illness such as COVID-19, Ebola, the avian or H1N1 flu, MERS) which may negatively impact consumer purchasing power and behavior that could result in reduced sales across our businesses. Additionally, such adverse weather conditions, natural disasters and public health issues may affect our personnel, assets, road infrastructure and points of sale in the territories in which we operate and thereby limit our ability to operate. Such events, or the containment measures to prevent or control them could also trigger increases in costs, disruption of supply, shortages of products, or consumer behavior changes including a decrease in an overall consumer mobility, thus affecting our business, financial condition and results of operations. If any of these events becomes significant in duration, our financial condition and results of operations could be materially adversely affected. FEMSA Comercio's points of sales and some operating facilities have been affected by hurricanes and other weather events in the past, which have resulted in temporary closures and losses. Also, any of these events could force us to increase our capital expenditures to put our assets back in operation. See "Item 4. Information on the Company—Insurance."

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

In recent years, Mexico has experienced a period of increasing criminal activity and particularly homicide rates, primarily due to organized crime. The presence of violence among drug cartels, and between these and the Mexican law enforcement and armed forces, or an increase in other types of crime, pose a risk to our business, and might negatively impact business continuity. Historically, these incidents have been relatively concentrated along the northern Mexican border, in cities such as in Tijuana, Ciudad Juarez and the state of Tamaulipas, and during recent years in certain other Mexican states such as Baja California, Colima, Chihuahua, Zacatecas and Guanajuato. The north of Mexico is an important region for some of our FEMSA Comercio operations, and an increase in crime rates could negatively affect our sales and customer traffic, increase our security expenses, affect our hours of operation and result in higher turnover of personnel or damage to the perception of our brands. This situation could worsen and adversely impact our business and financial results because consumer habits and patterns adjust to the increased perceived and real security risks, as people refrain from going out as much and gradually shift some on-premise consumption to off-premise consumption of food and beverages on certain occasions.

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

The devaluation of the local currencies against the U.S. dollar in our non-Mexican territories can increase our operating costs in these countries, and depreciation of the local currencies against the Mexican peso can negatively affect the translation of our results for these countries. Future currency devaluation or the imposition of exchange controls in any of these countries, or in Mexico, would have an adverse effect on our financial position and results.

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

Risks Related to the Heineken Investment

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

In 2010, we exchanged 100% of our beer operations for a 20% economic interest in Heineken N.V. and Heineken Holding N.V. (together with their respective subsidiaries, “Heineken” or the “Heineken Group”). As a result of this transaction (the “Heineken transaction”), we participate in the Heineken Holding N.V. Board of Directors (the “Heineken Holding Board”) and in the Heineken N.V. Supervisory Board (the “Heineken Supervisory Board”). However, we are not a majority or controlling shareholder of Heineken N.V. or Heineken Holding N.V., nor do we control the decisions of the Heineken Holding Board or the Heineken Supervisory Board. Therefore, the decisions made by the majority or controlling shareholders of Heineken N.V. or Heineken Holding N.V. or the Heineken Holding Board or the Heineken Supervisory Board may not be consistent with or may not consider the interests of our shareholders or may be adverse to the interests of our shareholders. Additionally, we have agreed not to disclose non-public information and decisions taken by Heineken. In 2017, we completed the sale of a 5.24% of combined shareholding in the Heineken Group, reducing our economic interest from 20% to 14.76%. Our aforementioned governance rights did not change as a result of the sale.

Heineken operates in a large number of countries.

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

The Mexican peso may strengthen compared to the euro.

In the event of a depreciation of the euro against the Mexican peso, the fair value of the Heineken Investment will be adversely affected. Furthermore, the cash flow that is expected to be received in the form of dividends from Heineken will be in euros, and therefore, in the event of a depreciation of the euro against the Mexican peso, the amount of expected cash flow will be adversely affected. “Item 11. Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Exchange Rate Risk.”

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

Heineken N.V. and Heineken Holding N.V. are listed companies whose stocks trade publicly and are subject to market fluctuation. A reduction in the price of Heineken N.V. or Heineken Holding N.V. shares would result in a reduction in the economic value of the Heineken Investment.

Risks Related to Our Principal Shareholders and Capital Structure

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

As of March 24, 2021 the voting trust owned 38.69% of our capital stock and 74.86% of our capital stock with full voting rights, consisting of Series B Shares. Consequently, the voting trust has the power to elect a majority of the members of our board of directors and to play a significant or controlling role in the outcome of substantially all matters to be decided by our board of directors or our shareholders. The interests of the voting trust may differ from those of our other shareholders. See “Item 7. Major Shareholders and Related-Party Transactions” and “Item 10. Additional Information– Bylaws–Voting Rights and Certain Minority Rights.”

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

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

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

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

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

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

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

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

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

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

FEMSA is organized under the laws of Mexico, and most of our directors, officers and controlling persons reside outside the United States. In addition, nearly all or a substantial portion of our assets and the assets of our subsidiaries are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States on such persons or to enforce judgments against them, including any action based on civil liabilities under the U.S. federal securities laws. There is doubt as to the enforceability against such persons in Mexico, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

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

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

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

We are a holding company. Accordingly, our cash flows are principally derived from dividends, interest and other distributions made to us by our subsidiaries. Currently, our subsidiaries do not have contractual obligations that require them to pay dividends to us. In addition, debt and other contractual obligations of our subsidiaries may in the future impose restrictions on our subsidiaries' ability to make dividend or other payments to us, which in turn may adversely affect our ability to pay dividends to shareholders and meet our debt and other obligations. As of March 31, 2021, we had no restrictions on our ability to pay dividends. Further, our non-controlling shareholder position in Heineken means that we will be unable to require payment of dividends with respect to the Heineken Investment.

ITEM 4. INFORMATION ON THE COMPANY

Introduction

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

- In the beverage industry, through Coca-Cola FEMSA, the largest franchise bottler of Coca-Cola products in the world by volume;
- In the retail industry, through FEMSA Comercio, comprised of the following divisions: (1) the Proximity Division, operating the OXXO small-format store chain, (2) the Fuel Division, operating the OXXO Gas chain of retail service stations and (3) the Health Division, which includes drugstores and related operations;
- In the beer industry, through the Heineken Investment, which is the second largest equity holding in Heineken, one of the world's leading brewers with operations in over 70 countries; and