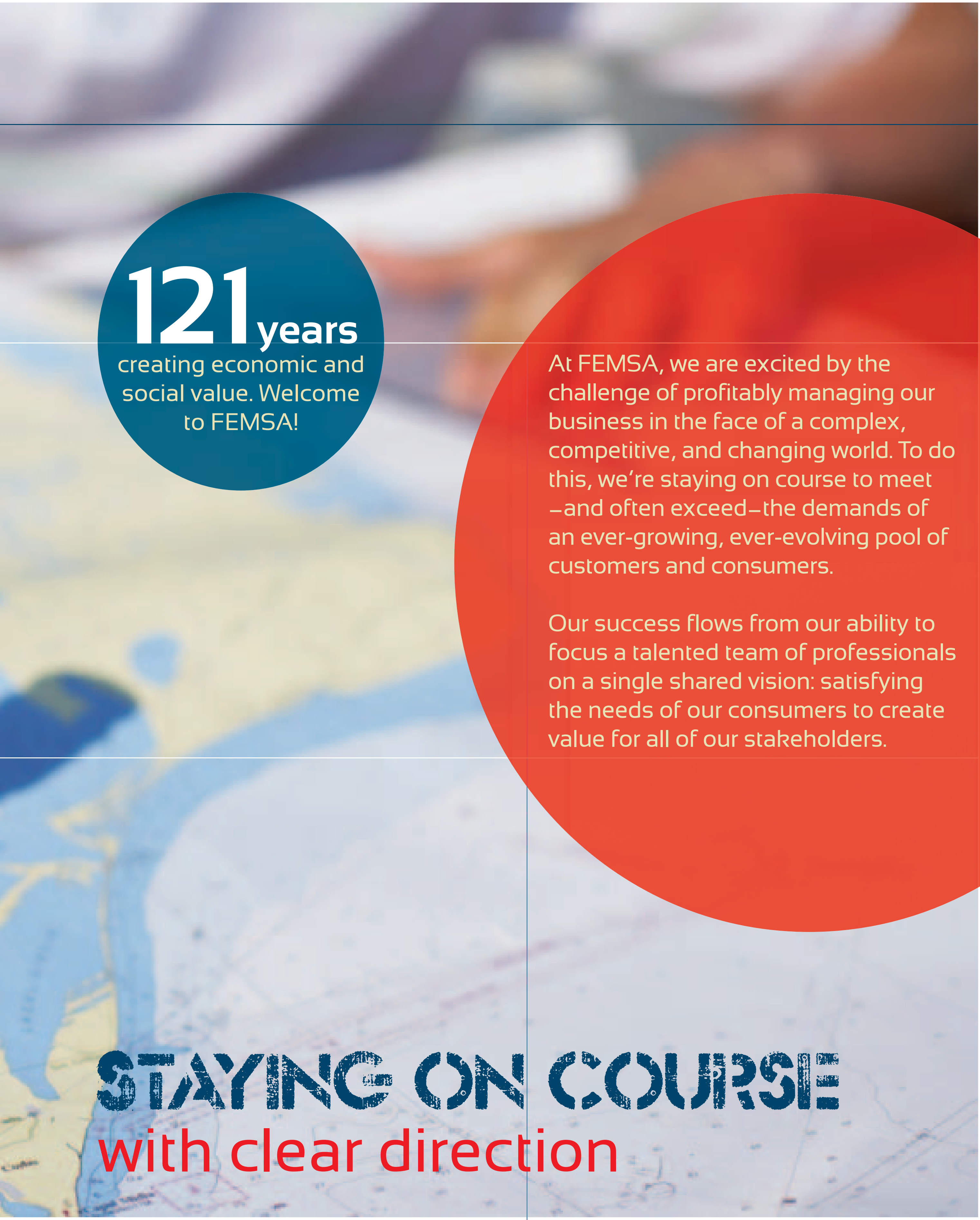
FEMSA

ANNUAL REPORT 2011

STAYING ON COURSE

FEMSA is a leading company that participates in the non-alcoholic beverage industry through Coca-Cola FEMSA, the largest independent bottler of **Coca-Cola** products in the world in terms of sales volume; in the retail industry through FEMSA Comercio, operating **OXXO**, the largest and fastest-growing chain of convenience stores in Latin America, and in the beer industry, through its ownership of the second largest equity stake in Heineken, one of the world's leading brewers with operations in over 70 countries.

Contents



121 years

creating economic and social value. Welcome to FEMSA!

At FEMSA, we are excited by the challenge of profitably managing our business in the face of a complex, competitive, and changing world. To do this, we're staying on course to meet –and often exceed–the demands of an ever-growing, ever-evolving pool of customers and consumers.

Our success flows from our ability to focus a talented team of professionals on a single shared vision: satisfying the needs of our consumers to create value for all of our stakeholders.

STAYING ON COURSE

with clear direction


1.75
million points of sale to satisfy our thirsty consumers! How can we serve you?
CONSUMER
Focus

Everybody talks about how focused they are on their consumers. But, at FEMSA, we deliberately design and develop our management processes to fulfill our consumers' evolving needs. We study our consumers and tailor our offerings according to a commercial strategy that caters to their tastes–delivered by a dedicated team committed to their satisfaction.

8 million

shoppers' daily needs were fulfilled at OXXO! What do you need today?

Constant GROWTH

When you wake up, there are three brand new **OXXO** stores waiting for you. Come in and taste the coffee!

425

million unit cases of beverages will be added with our three 2011 mergers. That's close to the sales volume of our territories in Brazil.

Growth is at the core of our value creation. While we aren't alone in pursuing this, we have made the concept a central driver of what we do every day of the year. Whether growth in current operations by increasing sales or by merging with enterprises that share our vision–growth is what we do.

3

billion shoppers served just last year, and we created value doing it. It's a complicated job, but we love it!

Profitable COMPLEXITY

+1,000 products;

more than 79 thousand employees; +1.7 million customers; and over 215.6 million consumers. Complicated? You bet. We did it happily and profitably.

If you grow at a rapid pace for a sustained period, and you build your business around your ability to accommodate changing consumer needs, things get pretty complicated, fast. Fortunately, our passionate team of professionals, utilizing leading-edge technology and management processes, sustains, and often expands, our profitability—even in the face of this ever-growing complexity.

DEAR shareholders

Staying on Course

2011 was a strong year for our company. Despite a volatile economic environment, demand for our products remained healthy. We stayed on course and managed to convert that demand into robust financial results by focusing our time, efforts, and resources on the extraordinary opportunities for Coca-Cola FEMSA and FEMSA Comercio. Moreover, following last year's smooth exchange of our beer business for a 20% economic interest in Heineken, we continue to benefit from the promising long-term growth prospects of the global brewing space.

Business Highlights, Results

Let me now briefly review some of the year's highlights for our non-alcoholic beverage and retail businesses.

Coca-Cola FEMSA

In the face of a challenging commodity cost environment and global market volatility, Coca-Cola FEMSA's balanced portfolio of franchise territories across Latin America delivered double-digit top- and bottom-line growth. During the year, we increased our market share throughout almost every franchise territory and generated growth across our sparkling and still beverage categories.

We leveraged our financial and operating flexibility to firmly advance on our strategy to grow through accretive mergers and acquisitions—from our incursion into the dairy category through our joint acquisition of Grupo Industrias Lácteas in Panama, together with our partner, The Coca-Cola Company, to our mergers with the beverage divisions of Grupo Tampico, Grupo CIMSA, and Grupo Fomento Queretano in Mexico. The aggregate value of these transactions is more than Ps. 28 billion, which represents the most significant investment for our company since our acquisition of Panamerican Beverages Inc. (Panamco) in 2003.

In March 2011, together with our partner, The Coca-Cola Company, we successfully closed the acquisition of Grupo Industrias Lácteas, a leading company with a more than 50-year tradition in the Panamanian dairy and juice-based beverage categories. This transaction, which marked our first foray into dairy products, began an exciting learning experience into marketing, selling, and distributing dairy and value-added dairy products—one of the most dynamic segments in terms of both volume and value in the global non-alcoholic beverage industry. Moreover, this transaction presented us with the opportunity to develop the capabilities to manage a cold distribution system and expand our horizons to other high-value-added segments.

19.4% growth in income from operations for the year

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In Mexico, we moved more rapidly than ever to reach—in less than six months—merger agreements with three of the most prominent and respected, family-owned **Coca-Cola** bottling operations, creating an even larger and stronger beverage company. In October 2011, we successfully completed our merger with Grupo Tampico's beverage division, one of the oldest private bottlers in Mexico. In December 2011, we successfully closed our merger with the strategically contiguous Grupo CIMSA, one of Mexico's largest private **Coca-Cola** bottlers. Furthermore, in December 2011, we reached an agreement to integrate Grupo Fomento Queretano's beverage division, another important family-owned beverage player in Mexico, which represents another key geographic link for our organization. As a result of these mergers, we will increase our Mexican operations' volume, revenue, and EBITDA by approximately 30%. In the process, we will achieve an unmatched leadership position in the Mexican **Coca-Cola** bottling system—one of the largest sources of value in the global beverage industry.

Through these mergers, we are privileged to enrich our organization with the track record, talented team of professionals, and entrepreneurial legacy of three of Mexico's most esteemed family-owned **Coca-Cola** bottlers, with whom we share an aligned vision of economic and social value creation. We are now one stronger family that looks to the future with optimism. Together, we will capitalize on the important growth prospects that we envision for our industry, our franchise territories, and the ample opportunities to exchange best practices and market and commercial experience—generating greater value for our new combined entity.

Beyond our considerable merger and acquisition activity, in 2011, we continued to evolve from a volume-driven to a value-driven commercial model to pursue the full potential of the non-alcoholic beverage industry. Indeed, since 2010, we have converted close to 90% of our volume to our new *Gestión de Valor del Cliente* (**GVC or Client Value Management**) commercial model. This model segments our customers in the traditional sales channel into three distinct clusters—gold, silver, and bronze—based on their potential to generate value for themselves, our company, and the industry as a whole. Through this tool, we gain the flexibility to allocate our marketing resources more efficiently and effectively, capture additional industry revenues, improve the performance of our customers in the traditional sales channel, and lay the cornerstone for our business' future organic growth.

2011 marked a historic year for Coca-Cola FEMSA. For the year, our total revenues rose 20.5% to Ps. 124.715 billion. Our gross profit grew 19.4% to Ps. 57.227 billion, resulting in a gross margin of 45.9% of total revenues. Additionally, our income from operations increased 18.0%, while our operating margin remained stable at 16.2% of total revenues.

FEMSA Comercio

In 2011, FEMSA Comercio's top-line growth resulted from our continuing store expansion and our comparable same-store sales growth. For the year, our same-store sales grew 9.2%, which was ahead of the trend, reinforcing our position as an industry benchmark. Our progress in mapping and understanding consumers' needs and adjusting our value proposition to better fulfill those needs significantly contributed to our same-store sales. Moreover, we achieved a healthy balance between store traffic and average customer ticket, which improved 4.6% and 4.3% for the year.

Our stores' performance also benefited from the closer logistics support offered by our addition of one new distribution center in the Valley of Mexico, and the expansion of the one in Monterrey. The growth in our distribution centers brings them nearer to our stores, enabling us to increase the frequency of our centers' store visits and the quantity and variety of SKUs available. This, in turn, drives greater sales growth by allowing

"Our stores' performance also benefited from the closer logistics support offered by our addition of one new distribution center in the Valley of Mexico, and the expansion of the one in Monterrey. The growth in our distribution centers brings them nearer to our stores, enabling us to increase the frequency of our centers' store visits and the quantity and variety of SKUs available."

us to enhance our product offerings to stimulate and satisfy our consumers' needs, without expanding the size of the store.

In addition to our expanded distribution network, we invested in extensive information management systems to optimize our supply chain management. Through our robust information technology platform, detailed processes, and logistics expertise, we manage the complex variables required to run an efficient supply chain profitably. As a result, we are increasingly able to forecast demand patterns for our product categories, significantly improve product availability, minimize stock-outs, increase inventory turnover, achieve high levels of service, and, ultimately, meet the needs of more than 8 million consumers daily.

Building on **OXXO's** leadership position as Mexico's unique national modern convenience store chain, we opened a record 1,135 new stores for a total of 9,561 stores nationwide. We also expanded our store openings to new non-traditional locations, including shopping malls and airports, where we now operate small, high-traffic stores. Given the relatively low penetration of the **OXXO** format across the vast majority of Mexico, we will continue our aggressive domestic store expansion, while we test the **OXXO** platform outside of the country. To this end, we are not only incrementally expanding our network of stores in Bogota, Colombia, but also in the final stages of fine-tuning our value proposition to satisfy local market needs.

In Mexico, a key to our success is our capability to identify sites and launch new **OXXO** stores quickly, successfully, and profitably. We utilize proprietary models that enable us to pinpoint proper store locations, formats, and product categories. Using location-specific demographic data and our extensive knowledge of similar locations, these models allow us to tailor the store's layout, along with its product and service offerings, to suit the target market. Even as the number of our convenience stores climbs, we continue to hone our processes. Consequently, the success rate of our new **OXXO** store openings remains at an all-time high. Additionally, we expect to continue experimenting and testing other small-box store formats under the FEMSA Comercio umbrella.

FEMSA Comercio generated excellent results again this year. In 2011, our total revenues rose 19.0% to Ps. 74.112 billion. Our gross profit grew 21.1% to Ps. 25.476 billion, resulting in a 60 basis point gross margin expansion to 34.4% of total revenues. Additionally, our income from operations increased 20.7%, while our operating margin remained stable at 8.5% of total revenues.

FEMSA

Overall, FEMSA delivered compelling results for our shareholders in 2011. For the full year, our comparable total revenues rose 19.6% to Ps. 203.044 billion (US$ 14.554 billion), and our comparable income from operations grew 19.4% to Ps. 26.904 billion (US$ 1.928 billion). Our net income from continuing operations increased 15.2% to Ps. 20.684 billion (US$ 1.483 billion), while our earnings per unit were Ps. 4.23 (US$ 3.03 per ADR).

With the creation of shareholder value as a key long-term objective, we are encouraged to see that—as the execution of our strategy has generated strong operational and financial results—our performance is being recognized over time and this has been reflected accordingly in the ultimate measure of economic value creation for a corporation: the performance of our shares. Today, FEMSA's market capitalization is commensurate with its role as a leading enterprise not just in Mexico but across Latin America. Moreover, consistent with our

With the completion of our three mergers, we will attain an unparalleled leadership in Mexico's **Coca-Cola** bottling system—one of the largest sources of value in the worldwide beverage industry.

growing financial flexibility, so too has grown our ability to return cash to our shareholders in the form of incremental dividends. During 2012, we intend to pay in ordinary dividends an amount representing almost four times the amount we paid in 2009.

Corporate Citizenship

At FEMSA, we are dedicated to our talented team of employees, who are the foundation for our past, present, and future success. We are committed to the personal and professional development of quality people at all levels of our organization. We offer proprietary training programs and tools to advance the capabilities of all of our people. For example, in 2011, approximately 78,854 employees took a course through **FEMSA University**, our integrated professional development and personalized training platform. We also foster the cross-fertilization and growth of our company's shared pool of knowledge and skills through the exchange of our executives among our international operations network.

Recognizing that people are at the heart of successful companies, I want to take a moment to mourn the passing of a great friend, colleague, and excellent human being, Alexis Rovzar de la Torre, who served as a member of the Boards of Directors of FEMSA and Coca-Cola FEMSA. For more than 30 years, Alexis contributed his talent, leadership, and counsel to help build the company that we are today. Beyond his many professional accomplishments, he was always dedicated and committed to many worthy charitable and non-profit causes. Indeed, he was a benchmark for many on how to nurture a family based on love and devotion. The exemplary way he lived his life will long endure among us.

As we continue with the development of our core businesses, we remain committed to sound corporate governance practices. We comply with all applicable legal standards—including those set forth in the Mexican Securities Market Law and the relevant provisions for foreign issuers in the U.S. Sarbanes-Oxley Act—and pursue a culture of transparency, accountability, and integrity.

Looking Forward

Staying on Course, we are extremely well positioned to keep concentrating our efforts on Coca-Cola FEMSA and FEMSA Comercio. We will continue to work closely with The Coca-Cola Company to pursue further consolidation opportunities for Coca-Cola FEMSA, building on our capability set and taking advantage of the business' proven track record of growth. As a leading bottler in the global **Coca-Cola** bottling system, we also look to continue to expand our non-alcoholic beverage business, maintaining our disciplined, efficient efforts to grow both organically and through targeted transactions that generate value for our stakeholders. We will further continue to emphasize and focus on the extraordinary growth potential of our **OXXO** convenience store chain, strengthening our business platform and further developing the capabilities that we need to operate at the forefront of the industry.

We envision an immensely rewarding future for our company, driven by our passionate team of managers and employees. On behalf of these more than 177,470 dedicated men and women across FEMSA, we thank you for your continued support. The very reason for our existence is to create economic and social value for our stakeholders—including our employees, our consumers, our shareholders, and the enterprises and institutions within our society—now and into the future. «

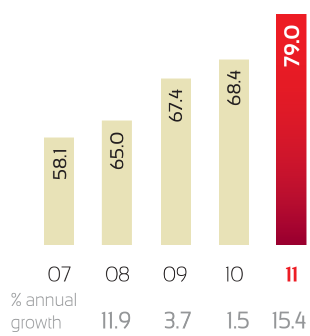
José Antonio Fernández Carbajal
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

Millions of 2011 pesos	2011 [1]	2011	2010	Change	2009 [2]	Change
Total revenues	14,554	203,044	169,702	19.6%	160,251	5.9%
Income from operations	1,928	26,904	22,529	19.4%	21,130	6.6%
Net income from continuing operations	1,483	20,684	17,961	15.2%	11,799	52.2%
Income from the exchange shares with HKN	0	0	26,623	N/A	0	100.0%
Net income from discontinuing operations	0	0	706	N/A	3,283	-78.5%
Net income	1,483	20,684	45,290	-54.3%	15,082	200.3%
Net majority income	1,085	15,133	40,251	-62.4%	9,908	306.2%
Net minority income	398	5,551	5,039	10.2%	5,174	-2.6%
Total assets	19,691	274,704	223,578	22.9%	225,906	-1.0%
Total liabilities	5,992	83,590	70,565	18.5%	110,077	-35.9%
Stockholders' equity	13,699	191,114	153,013	24.9%	115,829	32.1%
Capital expenditures	897	12,515	11,171	12.0%	9,103	22.7%
Book value per share [3]	0.54	7.47	6.56	13.8%	4.56	43.7%
Net income per share [3]	0	0.85	2.25	-62.4%	0.55	306.2%
Headcount [4]		177,470	153,809	15.4%	139,867	10.0%

1 U.S. dollar figures are converted from Mexican pesos using the noon-buying rate published by Federal Reserve Bank of New York, which was Ps. 13.9510 per US$1.00 as of December 30, 2011.
2 The figures for this year were restated for comparison with 2011 and 2010 as a result of exchange of 100% of FEMSA Cerveza for 20% economic interest in the Heineken Group.
3 Data based on outstanding shares of 17,891,131,350.
4 Includes headcount from Coca-Cola FEMSA, FEMSA Comercio and other FEMSA Businesses.

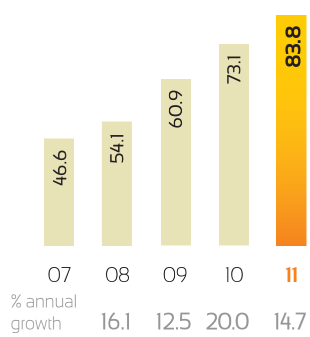
Financial HIGHLIGHTS

Headcount
thousands

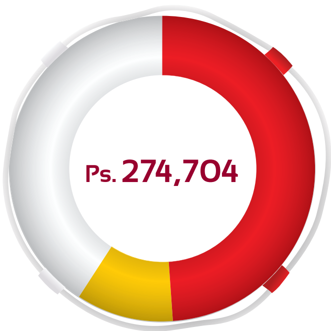


19.6% total revenues growth during 2011

Headcount
thousands



Total Assets
millions of Mexican pesos

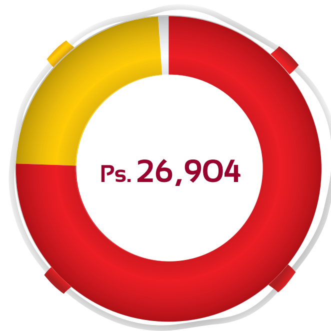


- Coca-Cola FEMSA 53.5%
- FEMSA Comercio 9.5%
- Others* 37.0%

Total Revenues
millions of Mexican pesos

- Coca-Cola FEMSA 58.8%
- FEMSA Comercio 34.9%
- Others* 6.3%

Income from Operations
millions of Mexican pesos

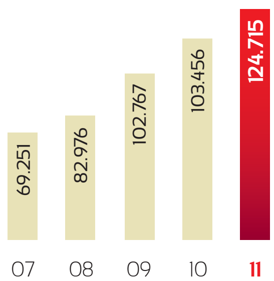


- Coca-Cola FEMSA 74.9%
- FEMSA Comercio 23.3%
- Others* 1.8%

* Includes other companies and our 20% economic interest in Heineken

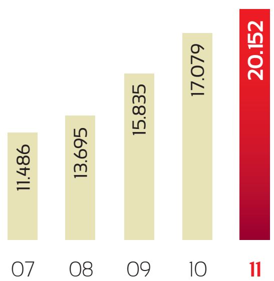
Coca-Cola FEMSA

Total Revenues
billions of Mexican pesos



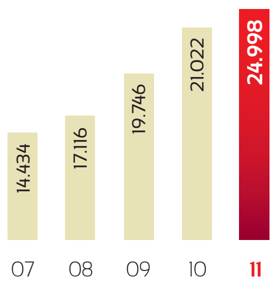
	08	09	10	11
% annual growth	19.8	23.9	0.7	20.5

Income from Operations
billions of Mexican pesos



	08	09	10	11
% annual growth	19.2	15.6	7.9	18.0
% operating margin	16.5	15.4	16.5	16.2

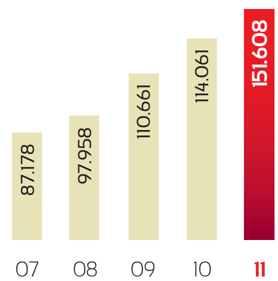
EBITDA*
billions of Mexican pesos



	08	09	10	11
% annual growth	18.6	15.4	6.5	18.9

* EBITDA equals Operating Income plus Depreciation, Amortization and other non-cash items.

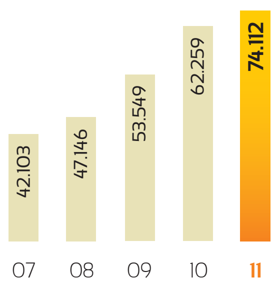
Total Assets
billions of Mexican pesos



	08	09	10	11
% annual growth	12.4	13.0	3.1	32.9

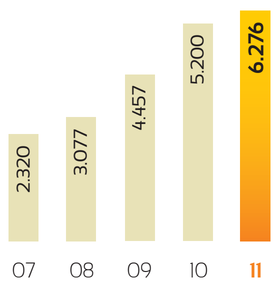
FEMSA Comercio

Total Revenues
billions of Mexican pesos



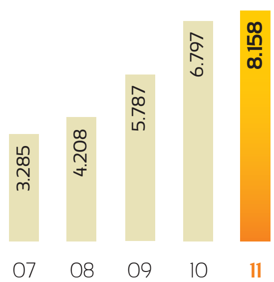
	08	09	10	11
% annual growth	12.0	13.6	16.3	19.0

Income from Operations
billions of Mexican pesos



	08	09	10	11
% annual growth	32.6	44.8	16.7	20.7
% operating margin	6.5	8.3	8.4	8.5

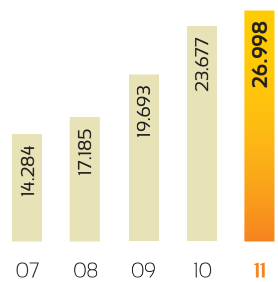
EBITDA*
billions of Mexican pesos



	08	09	10	11
% annual growth	28.1	37.5	17.5	20.0

* EBITDA equals Operating Income plus Depreciation, Amortization and other non-cash items.

Total Assets
billions of Mexican pesos



	08	09	10	11
% annual growth	20.3	14.6	20.2	14.0

4

great companies welcomed into our family just this year.

[illegible] [1]	
Plants	14
Distribution Facilities	126
Distribution Routes [2]	4,543
Brands [3]	46
Clients	767,836

Central America [1,5]	
Plants	5
Distribution Facilities	26
Distribution Routes [2]	622
Brands [3]	38
Clients	95,573

Colombia [1]	
Plants	6
Distribution Facilities	32
Distribution Routes [2]	1,099
Brands [3]	23
Clients	395,331

Argentina [1]	
Plants	2
Distribution Facilities	5
Distribution Routes [2]	303
Brands [3]	30
Clients	77,350

Note: Only includes core business information.

1. FEMSA owns 48.9%, the remaining 28.7% and 22.4%, are owned by The Coca-Cola Company and the investing public, respectively*.
2. Includes third-party distributors.
3. Includes brand extensions.
4. Millions of clients per day based on the number of daily transactions.
5. Includes Guatemala, Nicaragua, Costa Rica and Panama.

* Includes Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano.

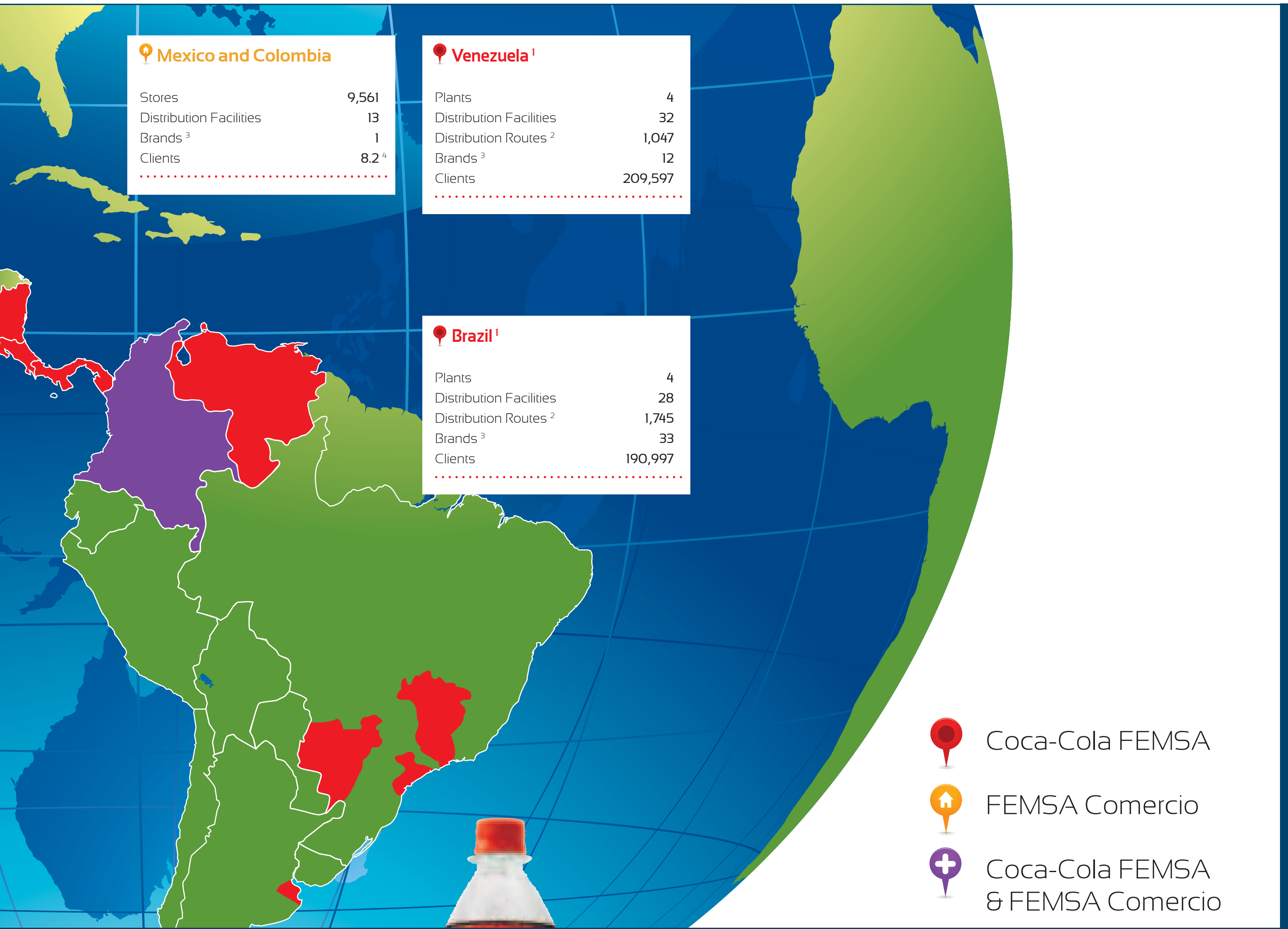
Operating OVERVIEW

Acquisition of Grupo Industrias Lácteas in Panama This transaction, which marked our first foray into dairy products, began a beneficial learning journey into marketing, selling, and distributing dairy and value-added dairy products,—one of the most dynamic segments in terms of growth, scale, and value in the worldwide non-alcoholic beverage industry.

OXXO strategic growth We opened a record 1,135 new stores to reach a total of 9,561 stores in 2011. We are also growing our network of stores in Bogota, to 23 for the year.

15.2%

net income growth from continuing operations



Mexico and Colombia

Stores	9,561
Distribution Facilities	13
Brands [3]	1
Clients	8.2 [4]

Venezuela [1]

Plants	4
Distribution Facilities	32
Distribution Routes [2]	1,047
Brands [3]	12
Clients	209,597

Brazil [1]

Plants	4
Distribution Facilities	28
Distribution Routes [2]	1,745
Brands [3]	33
Clients	190,997

New bottling plant

In 2011 Coca-Cola FEMSA announced the construction of a new bottling facility in Brazil with an annual installed capacity of 2.1 billion liters for 2015.

Robust logistics

13 distribution centers across Mexico including the opening of and additional one in the Valley of Mexico and the recent expansion of the one in Monterrey.

COCA-COLA FEMSA

Embracing industry opportunities

19.4%
gross profit growth to Ps. 57.227 billion

In 2011, our portfolio of franchise territories across Latin America delivered double-digit top- and bottom-line growth in the face of a challenging commodity cost environment and global market volatility. For the year, our total revenues rose 20.5% to Ps. 124.715 billion. Our gross profit increased 19.4% to Ps. 57.227 billion, and our income from operations increased 18.0% to Ps. 20.152 billion.

Consumer Focus

Consumer-driven innovation is a key element of our company's DNA. Through our devotion to innovation, we capitalize on our flexibility to serve the diverse, constantly evolving preferences and practices of our more than 210 million consumers across Latin America each and every day.

215.6
million consumers enjoy our innovative beverages every-day

Reinforcing our position in Costa Rica's sparkling beverage category, we introduced a compelling new 350-milliliter PET bottle for brand **Coca-Cola** with a different shape than our traditional bottles. This new presentation is a substantial success among our consumers.

Together with our partner, The Coca-Cola Company, in 2011 we introduced a number of new products and presentations to stimulate and satisfy consumer demand in multiple beverage categories. Among our portfolio of innovative new products, we launched **Reserva del Valle**, a premium line of cranberry fruit juices that responds to consumers' growing desire for anti-oxidant beverages. This "super fruit" drink is currently marketed in all of our Mexican franchise territories, and we expect to take advantage of opportunities to offer this product in other countries, especially Brazil, where consumer demand for such functional beverages is significant.

In the non-carbonated flavor category, we worked with The Coca-Cola Company to leverage the remarkable success of our **Valle Frut** orangeade, which is now the fourth largest brand in Mexico—with sales of close to 40 million unit cases in 2011. Given this category's ample potential, as well as consumers' demonstrated demand for natural alternatives to flavored beverages, we extended this brand by adding two new flavors, grape and apple. Altogether, **Valle Frut** grape, apple, and orangeade accounted for the majority of our non-carbonated beverage volumes in Mexico for 2011.

On the packaging front, we continued to provide our consumers with a growing array of imaginative alternatives. For **Frutsi**, a "fantasy" fruit drink for children, we introduced a

In the non-carbonated flavor category, we worked with The Coca-Cola Company to leverage the remarkable success of our **Valle Frut** orangeade, which is now the fourth largest brand in Mexico with sales of close to 40 million unit cases in 2011.

Responding to our consumers' growing desire for anti-oxidant beverages, we launched **Reserva del Valle**, a premium line of cranberry flavored "super fruit" juices.

novel 200-milliliter HDPF (High Density Polyurethane Foam) bottle in the shape of a Lego® block. This new presentation is designed to further enhance this product's appeal as the leader in Mexico's children's drink segment. Moreover, for our bottled water products, we recently began offering a new eco-friendly 20-ounce extra light PET container for our customers and consumers in Brazil and Mexico. This environmentally attractive presentation is 75% of the weight of a regular sparkling beverage PET bottle. Furthermore, to reinforce our presence in Costa Rica's sparkling beverage category, we rolled out a compelling new 350-milliliter PET bottle for brand **Coca-Cola** with a different shape than our traditional bottles; a considerable success among our consumers, this presentation alone is responsible for more than 25% of our sparkling beverages volume growth in the Central America region in 2011.

Looking forward, our flexibility to anticipate consumers' evolving needs, to adapt our portfolio to specific markets, and to successfully enter new categories and markets that capitalize on an ever increasing number of consumption occasions will continue to play an essential role in our ability to innovate, grow, and stay at the forefront of our industry.

Growth

In 2011, we generated solid organic growth. For the year, our organic sales volumes and revenues rose 4% and 19%, respectively. The main drivers of our positive performance

For **Frutsi** we introduced a novel bottle in the shape of a Lego® block.

Together with our partner, The Coca-Cola Company, we successfully closed the acquisition of Grupo Industrias Lácteas, a leading company with a more than 50-year tradition in the Panamanian dairy and juice-based beverage categories.

for the year were our revenue management initiatives—implemented over the past 12 months throughout our franchise territories and our volume growth, mainly in Mexico, Argentina, Brazil, and Colombia. The sparkling beverage category, led by the brand **Coca-Cola**, accounted for the majority of our incremental volumes during 2011.

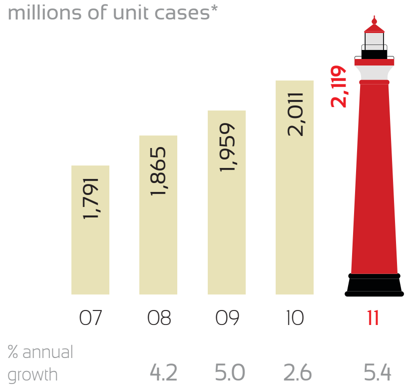
On top of our business' organic growth, 2011 marked a historic year in which we firmly advanced on our strategy to play an important role in the consolidation of the **Coca-Cola** system in our region through accretive mergers and acquisitions—from our incursion into the dairy category through our joint acquisition of Grupo Industrias Lácteas in Panama with our partner, The Coca-Cola Company, to our mergers with the beverage divisions of Grupo Tampico, Grupo CIMSA, and Grupo Fomento Queretano in Mexico. The aggregate value of these transactions is more than Ps. 28 billion, which represents a record investment for our company since our acquisition of Panamco in 2003.

In March 2011, to further leverage our capability set and our beverage platform, together with our partner, The Coca-Cola Company, we successfully closed the acquisition of Grupo Industrias Lácteas, a leading company with a more than 50-year tradition in the Panamanian dairy and juice-based beverage categories. This transaction, which marked our first foray into dairy products, began a beneficial learning journey into marketing, selling, and distributing dairy and value-added dairy products—one of the most dynamic segments in terms of growth, scale, and value in the worldwide non-alcoholic beverage industry.

In Mexico, we moved faster than ever to reach three merger agreements with prominent and respected, family-owned **Coca-Cola** bottling operations—with whom we share an aligned entrepreneurial vision for economic and social value

Sparkling Beverage Volume

millions of unit cases*



*One unit case equals 24 8-ounce bottles.

The still beverage category, mainly driven by the **Jugos del Valle** line of business in Mexico, Brazil and Venezuela, and **Hi-C** orangeade and the **Cepita** juice brand in Argentina contributed with approximately 15% of the incremental volumes and the bottled water category represented the balance.

creation—creating an even larger and stronger beverage company. In October 2011, we successfully completed our merger with Grupo Tampico's beverage division, one of the oldest private bottlers in Mexico. In December 2011, we successfully closed our merger with the strategically contiguous Grupo CIMSA, one of Mexico's largest private **Coca-Cola** bottlers. Furthermore, in December 2011, we reached an agreement to integrate Grupo Fomento Queretano's beverage division, an important family-owned beverage player in Mexico, which represents another key geographic link for our organization. As a result of these mergers, in addition to creating opportunities to capture significant synergies, we will increase our Mexican operations' volume by more than 425 million unit cases of beverages, revenue by more than Ps. 12 billion, and EBITDA by approximately Ps. 2.75 billion.

As we continue to expand our business organically, our strong cash position and high credit ratings provide us with the flexibility to pursue the global beverage industry's continued opportunities for growth through acquisitions, mergers, joint ventures, and other transaction structures that leverage our beverage platform even further.

Profitable Complexity

Over the past several years, the complexity of our business has increased dramatically. At year-end 2011, our more than 85 thousand employees sold more than 2.6 billion unit cases to more than 215.6 million consumers through a network of 1.75 million points of sale across nine countries in Latin America. In contrast, before our acquisition of Panamco in 2003, our approximately 14,500 employees sold 620 million unit cases through a network of approximately 360 thousand points of sale across only three franchise territories in Mexico and Argentina. In order to properly operate and maximize the profit potential of this strikingly more complicated organization, among our other initiatives, we have

For our bottled water products, we recently began offering a new eco-friendly 20-ounce extra light PET presentation for our consumers in Brazil and Mexico. This environmentally appealing container is 75% of the weight of a regular sparkling beverage PET bottle.

2.6

billion unit cases of beverages sold to quench our consumers' thrist!

Through our new value-driven *Gestión de Valor del Cliente* (**GVC or Client Value Management**) commercial model, we lay the cornerstone for our company's future organic growth.

developed a customer-centric commercial model, based on a multi-category beverage platform, supported by a customized, advanced information technology solution, which links our entire value chain—from production to distribution to the ultimate point of sale.

As part of our ongoing efforts to manage our large, growing, and increasingly complex enterprise with maximum operating efficiency and profitability, in 2011, we continued to evolve from a volume-driven to a value-driven commercial model to capture the full potential of the non-alcoholic beverage industry. Since 2010, we have converted close to 90% of our volume to our new *Gestión de Valor del Cliente* (**GVC or Client Value Management**) commercial model. This model segments our customers in the highly fragmented traditional sales channel into three distinct clusters—gold, silver, and bronze—based on their potential to generate value for themselves, our company, and the industry as a whole. Through this tool, we gain the flexibility to allocate our marketing resources more efficiently and effectively, capture additional industry revenues, improve the performance of our customers in the traditional sales channel, and lay the cornerstone for our company's future organic growth. «

Our more than 79 thousand employees produced, marketed, and distributed a multi-category beverage portfolio of more than one thousand products to over 215.6 million consumers throughout nine Latin American countries.

FEMSA COMERCIO

Delivering excellent results

60
basis points gross margin expansion

In the face of a volatile macroeconomic environment, FEMSA Comercio produced another set of excellent results.

Total revenues rose 19.0% to Ps. 74.112 billion. Our revenue growth came from our continued store expansion and our comparable same-store sales growth—driven by a balanced increase in store traffic and an improvement in average customer ticket. For the year, our same-store sales growth came in above the trend, reinforcing our position as an industry benchmark.

Gross profit grew 21.1% to Ps. 25.476 billion, resulting in a 60 basis point gross margin expansion to 34.4% of total revenues. Gain in gross margin largely resulted from our effective revenue management, our positive collaboration with our key supplier partners—combined with a more efficient use of promotion-related marketing resources—and our improved mix of higher margin products and services.

Income from operations increased 20.7% to Ps. 6.276 billion. Our higher operating expenses reflect our growing number of stores, as well as our strengthening of FEMSA Comercio's

1,135
new OXXO stores. Were you in one of them?

Think of it: 9,561 **OXXO** stores all waiting to serve you.

organizational structure—including management and information technology-related projects. For the year, our operating margin expanded 10 basis points to 8.5% of total revenues.

Consumer Focus

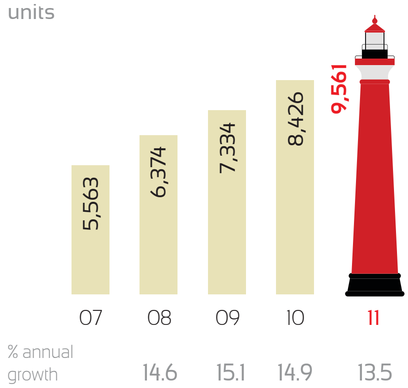
At **OXXO**, we recently re-designed our entire commercial strategy around distinct consumer needs that we seek to satisfy. As opposed to a purely supply-side driven category management model, this new matrix-like structure incorporates demand-side variables that enable us to more effectively operate our retail levers—assortment, price, and promotions—to drive incremental revenues at our stores. By increasingly targeting, understanding, and fulfilling the following eight primary reasons that consumers visit **OXXO**, we are continually improving our ability to use these retail levers to more effectively draw shoppers to our stores. We have identified our consumer needs as: Thirst, Craving, Time Optimization, Hunger, Gathering, Daily and Replenishment.

Through our ongoing analysis and satisfaction of these core consumption occasions, we continually expand and enhance our value proposition to enable our stores to provide consumers with an ever-increasing array of the quality products and services that they have come to expect from **OXXO**.

A key to our success is our capability to identify sites and launch new stores quickly, successfully, and profitably. As the number of our stores climbs, we continue to hone our proprietary models and processes. Consequently, the success rate of our new store openings remains at an all-time high.

OXXO Stores

units



Growth

2011 was a very strong year for our same-store sales growth, increasing an average of 9.2% compared with the prior year. Our progress in mapping and understanding consumers' needs and adjusting our value proposition to better fulfill those needs significantly contributed to our same store sales. Moreover, we achieved a healthy balance between store traffic and average customer ticket, which improved 4.6% and 4.3% for the year.

Our stores' performance—which exceeded the long-term trend—also benefited from the closer logistics support offered by our addition of one new distribution center in the Valley of Mexico and the expansion of the one in Monterrey for a total of 13 across Mexico. The growth in our distribution centers brings them nearer to our stores, enabling us to increase the frequency of our centers' store visits and the quantity and variety of SKUs available at our stores. This, in turn, drives greater sales growth by allowing us to enhance our product offering to stimulate and satisfy our consumers' needs.

In addition to our same-store sales growth, we continued to build on our leadership position as Mexico's largest and fastest growing modern convenience store chain. In 2011, we opened a record 1,135 new stores—an average of 3 per day—for a total of 9,561 stores nationwide. We also expanded our store openings to new non-traditional locations, including shopping malls and airports, where we now operate small, high-traffic stores.

Beyond Mexico, we continue to make progress in Colombia, where we are finding the right value proposition for the stores by experimenting with such variables as size, format, layout, location, and assortment. As we advance our understanding

3

billion transactions annually! How many did you make?

At OXXO, we offer our consumers an array of more than

2,000

products and services. What can we do for you?

In addition to our same-store sales growth, we continued to build on our leadership position as Mexico's largest and fastest growing modern convenience store chain.

of this promising new market, we are incrementally expanding our network of stores in the capital city of Bogota, from 17 at the end of 2010 to 23 at the end of 2011.

Profitable Complexity

We use our robust information technology platform, detailed processes, and logistics expertise to manage the complex variables required to run an efficient supply chain profitably. Today, through our demand planning system, we are able to accurately replenish our stores with the items they need to satisfy our consumers according to the movement of goods in different product categories. To do this, we use information extracted from our point-of-sale databases, as well as historical data, to predict the behavior patterns for our product categories in the different seasons and events of the year. Together, these systems and processes significantly improve product availability, reduce stock outs, increase inventory turnover, and achieve high levels of service.

Furthermore, our 13 distribution centers use the information generated by our demand planning system to design and execute the logistics required to pick, pack, and ship products on-time for sale at our stores. Our centers each serve an average of more than 700 stores, replenishing the inventory of over 1,000 products on average a week through a distribution network synchronized with our warehouse operations to ensure the proper transportation and care of the product. Our centers' operations are conducted through a warehouse management system, which has developed the functionality to manage each task and control every movement of an article from receiving to shipping. Because of the importance of inventory control, we use different devices such as Radio Frequency and Voice-guided Picking to register every transaction in real-time.

Moreover, the modern infrastructure of our new distribution centers enables optimal material handling and a high fill rate of orders, while minimizing the risk of any damage to our merchandise. Our centers are also capable of handling any kind of product—from dry to frozen and perishable foods. As **OXXO** grows, we will continually evolve our supply chain not only to efficiently manage the increasing size and complexity of our growing array of offerings, but also to maximize our profitability. Indeed, we recently enhanced our distribution network to reach our stores more frequently incorporating multi-temperature trucks and setting up dedicated routes for certain product categories.

At the end of the day, **OXXO's** sharpening consumer focus, growing ubiquity, and expanding array of products and services ensure that "we are always ready, and we are always there for you." «

SUSTAINABILITY

Fostering sustainable development

FEMSA is one of the 23 companies selected for the new IPC

In 2011, we grouped all of the actions and programs that we undertake to benefit our society at large under the concept of Sustainability. This concept not only integrates all of our operations' social, economic, and environmental aspects and actions, but also paves the way for our company's sustainable development now and far into the future.

Our firm commitment to sustainability was recognized by the Mexican Stock Exchange for its new Sustainable IPC—its first index of companies that met international standards for environmental and social responsibility and corporate governance. We were one of only 23 companies selected for this exclusive listing.

For the fourth consecutive year, we applied the Global Reporting Initiative (GRI) G3 Sustainable Reporting Guidelines, and, for the first time, when applicable, we used the Food Processing Sector Supplement to produce our 2011 Sustainability Report, achieving an application level of A, the highest level available.

level A achieved by our 2011 Sustainability Report, according to the GRI

We invite you to read our full 2011 Sustainability Report on our website at www.sustainabilityreport.femsa.com

Together with Macquarie Capital Group Limited and Macquarie Mexico Infrastructure Fund, we are developing the Mareña Renovables Wind Farm Project. When completed in 2013, the project will be the biggest wind farm in Mexico and one of the largest in Latin America, with an installed capacity of 396 megawatts.

Exemplary Sustainability Initiatives

Coordinates for Life is our program developed to help young people, 10 to 18 years old, to make sound decisions in their lives. We also work with the adults who participate in their education including parents, teachers, grandparents, older siblings, and other responsible caregivers—to help them develop those skills. Launched in June 2011, the program currently works with 7,000 young people through schools and nongovernmental organizations (NGOs) in Nuevo León, Puebla, and Veracruz, Mexico, and in Buenos Aires, Argentina.

In 2011, we launched **Youth with Value**, a program that trains young people from 14 to 18 years of age to become social entrepreneurs through the design and implementation of development projects that can benefit their communities. Teams of three to five students develop ideas for actual social enterprises in their communities. Selected ventures receive a maximum of US$ 1,000 of seed capital to implement their project. Thus far, 362 students have participated in this program in the states of Nuevo León, Michoacán, and Veracruz, Mexico.

A third program, **Your Best Move**, works with physical education teachers to apply a methodology that is designed to develop the academic, physical, physiological, and social condition of students through sports and other physical activity. Working with the Center for Integral Development Through Sports and the Ministries of Education, we are training and equipping these teachers with a precise system and routines to instill a broadly applicable culture of sports among students from first through ninth grade at 100 schools in each of three cities, Monterrey, Puebla, and Mexico City, Mexico. We are currently reaching more than 105 thousand students through this program.

Our business strategies include actions focused on the use of renewable energy sources for our operations. In 2011, together with Macquarie Capital Group Limited and Macquarie Mexico Infrastructure Fund, we participated in the development phase of the Mareña Renovables Wind Farm Project. When completed in 2013, the project will be the largest wind farm in Mexico and one of the largest in Latin America, with an installed capacity of 396 megawatts. Located in the Isthmus of Tehuantepec region of the state of Oaxaca, Mexico, the project will include the installation of

132 wind turbines, as well as the construction of a 52-kilometer transmission line to interconnect the wind farm with the national power distribution grid. The wind farm will generate 1,632 gigawatt hours of electricity per year and contribute to the reduction of approximately 825,707 metric tons of carbon dioxide (CO_2) emissions per year, equal to the annual emissions of 161,903 passenger vehicles. All of the clean renewable energy produced by the wind farm will be supplied to FEMSA and Cuauhtemoc Moctezuma's operations in Mexico. «

FEMSA Foundation

Is an independent organization aligned with FEMSA's sustainability strategy. As the company's instrument for social investment, we are committed to the creation of long-term value for the communities where we operate. During the past three years, the key has been to multiply our impact through comprehensive projects where our partners complement our efforts.

In 2011, we supported five times the number of people we benefited in 2010, and quadrupled the number of communities we helped improve. We brought projects to more Latin American countries, while continuing to replicate our initiatives across the region.

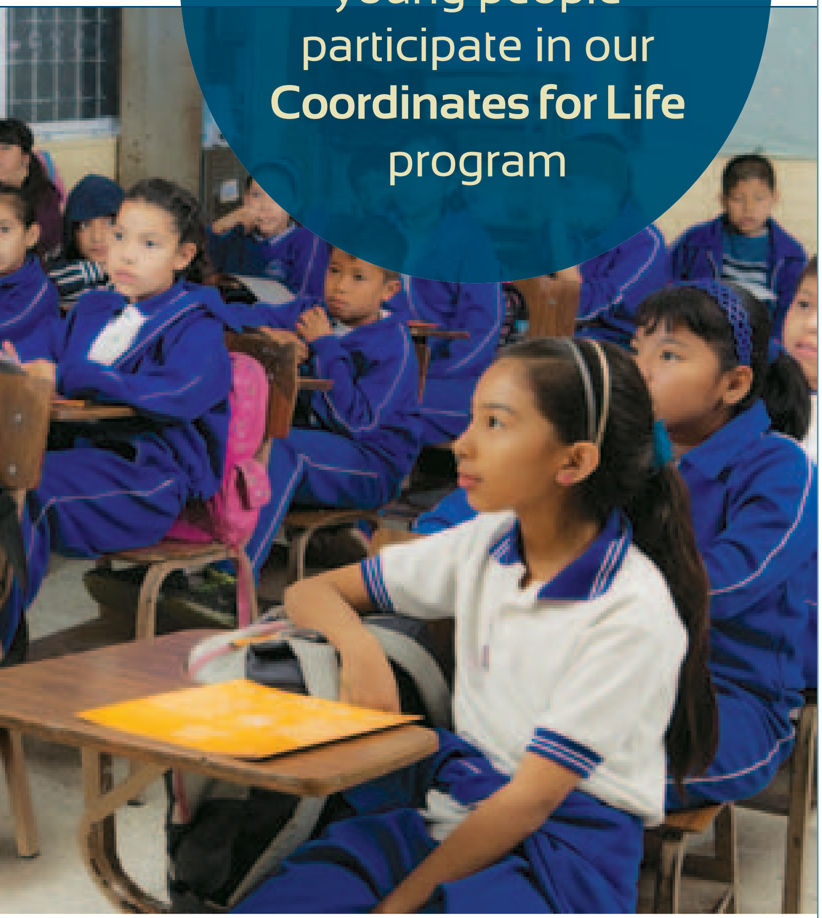
Sustainable Development of Water Resources

With the Colombian government and Coca-Cola FEMSA Colombia, and Coca-Cola Servicios de Colombia we donated 10 stationary water disinfection plants to local communities in 2011. Today, six plants are already installed and have benefited 40,000 people. We also funded the donation and operation of a mobile drinking water plant that generates one liter of clean water per second, helping more than 75,000 people throughout the country. In alliance with *Empresas Públicas de Medellín*, we are funding a two-year project to install 60 drinking water systems in rural schools of the department of Antioquia. To date, 32 plants are already in place, benefiting over 3,600 children, their families, and communities.

Working with the Colombian government and Coca-Cola FEMSA Colombia, we donated 10 stationary water disinfection plants to local communities. The six plants already installed have benefited 40,000 people. We also funded a mobile drinking water plant that generates one liter of clean water per second, providing help to more than 75,000 people during Colombia's worst winter in the past 30 years.

7,000

young people participate in our **Coordinates for Life** program



In 2011, we united with The Nature Conservancy, Inter-American Development Bank (IDB), and Global Environment Facility (GEF) to create the Latin American Water Funds Partnership. With investments of more than US$ 27 million, the Partnership plans to create, implement, and fund at least 32 Water Funds throughout Latin America over the next five years. Revenue from these investments preserve key lands upstream that filter and regulate the water supply.

The Water Center for Latin America and the Caribbean —created with the IDB and the Tecnológico de Monterrey— trained over 200 directors and technical personnel of the water community in 2011. Its research projects have received national and international recognition. One of its young students represented Mexico at the prestigious Stockholm Junior Water Prize, organized by the Stockholm International Water Institute.

Quality of Life

In the Quality of Life area, in October 2011, we partnered with the IDB, Chiapas State Health Institute, Sabin Institute, Global Network for Neglected Tropical Diseases, and Pan-American Health Organization to deploy a strategy aimed at the eradication of trachoma. Chiapas is the only state in Mexico afflicted with this disease, the first cause of infectious blindness in the world. Through an integration of safe water initiatives and health programs, we can eliminate the disease from the country.

We continued the study of the relationship between genes and nutrition through our Nutrigenomics Research Chair. In collaboration with the FEMSA Biotechnology Center and the Salvador Zubirán National Institute for Medical Sciences and Nutrition, the Chair finished a strong second year. Today, it conducts 17 research projects—from techniques to grow plants that are rich in anticancer molecules, to intelligent and biodegradable packaging. «

We partnered with the IDB, Chiapas State Health Institute, Sabin Institute, Global Network for Neglected Tropical Diseases, and Pan-American Health Organization to eradicate trachoma in Chiapas, the only state in Mexico afflicted with this disease that ultimately blinds people.

For more information about FEMSA Foundation, please visit:
www.femsafoundation.org/report2011

EXECUTIVE TEAM

Our deep bench of talented executives leads our unwavering pursuit of excellence as an international industry leader. Our team continues to extend our strong track record of sustainable, profitable growth—creating value year after year. Together, they leverage what we do best to increase our corporate and financial flexibility, to take advantage of strategic opportunities, and to achieve a superior competitive position in our industry. In the process, they ensure and instill FEMSA's legacy of integrity well into the future.

José Antonio Fernández Carbajal

Chairman of the Board and Chief Executive Officer of FEMSA

After eleven years of professional experience in different companies, José Antonio Fernández Carbajal began his career at FEMSA holding various management positions in different businesses. He assumed his current position as CEO on 1995 and, in 2001 he was appointed Chairman of the company. In 2010, he was appointed Vice-President of Heineken NV's Board of Directors and Chairman of Heineken's Americas Committee; which oversees the strategic direction of business in the Americas and evaluates new business opportunities in the region. Additionally, Mr. Fernández was Vice-Chairman of the Tecnológico de Monterrey System since 1997 and is Chairman since 2012. He is also Chairman of the Board of FEMSA Foundation and the U.S. Mexico Foundation. Currently he participates as a board member of Grupo Financiero BBVA Bancomer, Peñoles, CEMEX, Televisa and Volaris Airlines, among others. In addition, he co-chairs the Mexico chapter of the Woodrow Wilson Center. He has a degree in Industrial Engineering and Systems from Tecnológico de Monterrey and in 1976 he earned an MBA at that same institution. For over 20 years, he has been professor of Planning Systems at Tecnológico de Monterrey.

Federico Reyes García

Vice-President of Corporate Development of FEMSA

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

Javier Astaburuaga Sanjines

Chief Financial Officer and Vice-President of Strategic Development

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

Alfonso Garza Garza

Executive Vice-President of Human Resources and Strategic Procurement, Business Processes, and Information Technology

Alfonso Garza joined FEMSA in 1985 and was named Executive Vice-President of Human Resources in 2005. Prior to that, he held various positions at FEMSA Cerveza and FEMSA Empaques, including the management of FEMSA Empaques and Grafo Regia. In January 2009, he was appointed as Vice-President of Strategic Procurement, Business Processes, and Information Technology of FEMSA. Since March 2011, he is President of the Employers Confederation of Mexico (Coparmex) for the state of Nuevo León. Mr. Garza earned a Bachelor's degree in Industrial Engineering from Tecnológico de Monterrey and completed postgraduate courses at IPADE.

José González Ornelas

Vice-President of Administration and Corporate Control of FEMSA

José González assumed the current position in 2002. He first joined FEMSA in 1973, where he held different positions in the organization, such as Finance Information Vice-President. In 1987, he was CFO of FEMSA Cerveza and in 1994, he was named Vice-President of Planning and Corporate Development of FEMSA and CEO of FEMSA Logística. He is a board member of several international companies, he participates as Auditing Committee Secretary of FEMSA's and Coca-Cola FEMSA's board and sits on the controller board at Tecnológico de Monterrey. He is also part of the Instituto de Contadores Públicos de Nuevo León Directive Committee and he is President of the Club de Fútbol Monterrey board. He holds a B.A. in Accounting from Universidad Autónoma de Nuevo León and undertook postgraduate studies in Business Administration from different universities in Mexico and abroad.

Genaro Borrego Estrada

Vice-President of Corporate Affairs

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

Carlos Salazar Lomelín

Chief Executive Officer Coca-Cola FEMSA

Carlos Salazar joined FEMSA in 1973 and he has held several senior management positions across FEMSA, including: Vice-President of Grafo Regia, Plásticos Técnicos Mexicanos, S.A., the International Division of FEMSA Cerveza, Commercial Planning in Grupo Visa, and CEO of FEMSA Cerveza. Since 2000, he was appointed CEO of Coca-Cola FEMSA. In 2010, he was awarded the medal of Distinguished Citizen by the state of Nuevo León. He was President of the 21st Century Commission and Executive Director of CINTERMEX in Monterrey and since 2010, he leads the Planning Committee on the Reconstruction Council for the same city. He has been a professor in economics for a number of years at the Tecnológico de Monterrey and is the current President of the Advisory Board of the EGADE Business School of this Institution. He holds a B.A. in Economics and a Master in Business Administration from this institution. He also has graduate studies in Economic Development in Italy and a Management Program from the IPADE in Mexico, among other studies in different countries.

Eduardo Padilla Silva

Chief Executive Officer of FEMSA Comercio

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

CORPORATE GOVERNANCE

For more than a century, the FEMSA Board of Directors has guided our company's dynamic growth in accordance with the highest standards of corporate governance. We are committed to the quality of our disclosure practices, and adhere to best corporate governance practices. We comply with the standards set forth in the Mexican Securities Law and the pertinent provisions of the United States' Sarbanes-Oxley Act. Moreover, we were among the leaders to embrace the Code of Best Corporate Governance Practices, established by the Mexican Entrepreneurial Council.

We work to ensure that our company promotes financial transparency, accountability, and high ethical standards. Based on a sound foundation of responsible corporate governance, we can sustainably build our business—delivering the results that our shareholders, consumers, employees, and other stakeholders expect from FEMSA.

Audit Committee

The Audit Committee is responsible for (1) reviewing the accuracy and integrity of quarterly and annual financial statements in accordance with accounting, internal control and auditing requirements, (2) the appointment, compensation, retention, and oversight of the independent auditor, who reports directly to the Audit Committee, and (3) identifying and following up on contingencies and legal proceedings. The Audit Committee has implemented procedures for receiving, retaining, and addressing complaints regarding accounting, internal control, and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing matters. To carry out its duties, the Audit Committee may hire independent counsel and other advisors. As necessary, the company compensates the independent auditor and any outside advisor hired by the Audit Committee and provides funding for ordinary administrative expenses incurred by the Audit Committee in the course of its duties. Alexis E. Rovzar de la Torre(†) served as Chairman of the Audit Committee in 2011 and until he passed away on January 7, 2012. Members include a financial expert, José Manuel Canal Hernando, Francisco Zambrano Rodriguez, and Alfonso González Migoya—all of them independent directors as required by the Mexican Securities Law and applicable New York Stock Exchange listing standards. The Secretary (non-member) of the Audit Committee is José González Ornelas.

Corporate Practices Committee

The Corporate Practices Committee, is responsible for preventing or reducing the risk of performing operations that could damage the value of our company or that benefit a particular group of shareholders. The committee may call a shareholders' meeting and include matters on the agenda for that meeting that it may deem appropriate, approve policies on the use of the company's assets or related party transactions, approve the compensation of the chief executive officer's and relevant officers, and support our board of directors in the elaboration of reports on accounting practices. The Chairman of the Corporate Practices Committee is Helmut Paul. Additional members include: Robert E. Denham and Ricardo Saldívar Escajadillo. Each member of the Corporate Practices Committee is an independent director, as required by the Mexican Securities Law. The Secretary (non-member) of the Corporate Practices Committee is Alfonso Garza Garza.

Finance Committee

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

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

BOARD OF DIRECTORS

Our Board of Directors is at the head of FEMSA's corporate governance system, guided by what is in the best long-term interests of our company's shareholders and other stakeholders. Our Board is responsible for approving our corporate strategy; advising management on significant issues; defining and overseeing the implementation of our key values and vision; and reviewing and approving related-party transactions and transactions not in the ordinary course of business.

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

Series "B" Directors

José Antonio Fernández Carbajal
Chief Executive Officer of Fomento Económico Mexicano, S.A.B. de C.V.
Elected 1984
Alternate Director: Federico Reyes García [c]

Eva Garza Lagüera Gonda
Private Investor
Elected 1999
Alternate Director: Barbara Garza Lagüera Gonda

Paulina Garza Lagüera Gonda
Private Investor
Elected 2009
Alternate Director: Othón Páez Garza

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

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

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

Alberto Baillères González
Chairman of the Board of Grupo Bal, S.A. de C.V., Grupo Nacional Provincial, S.A, Fresnillo PLC, Grupo Palacio de Hierro, S.A.B. de C.V., Grupo Profuturo, S.A.B. de C.V., and Chairman of the Governance Board of Instituto Tecnológico Autónomo de México.
Elected 1989
Alternate Director: Arturo Fernández Pérez

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

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

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

Mariana Garza Lagüera Gonda
Private Investor
Elected 2001
Alternate Director: Juan Guichard Michel

José Manuel Canal Hernando [a, i]
Private Consultant
Elected 2003
Alternate Director: Ricardo Saldívar Escajadillo [b, i]

Series "D" Directors

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

Alexis E. Rovzar de la Torre (†) [a, i]
Executive Partner of White & Case, S.C.
Law firm
Elected 1988
Alternate Director: Francisco Zambrano Rodríguez [a, i]

Helmut Paul [b, i]
Member of the Advisory Council of Zurich Financial Services
Elected 1988
Alternate Director: Moises Naim [i]

Michael Larson [i]
Chief Investment Officer of William H. Gates III
Elected 2011

Robert E. Denham [b, c, i]
Partner at Munger, Tolles & Olson LLP
Law firm
Elected 2001

Secretary
Carlos Eduardo Aldrete Ancira

Alternate Secretary
Arnulfo Treviño Garza

In Memoriam. We mourn the passing of Alexis Rovzar de la Torre, who served as a member of the Boards of Directors of FEMSA and Coca-Cola FEMSA. For more than 30 years, Alexis contributed his talent, leadership, and counsel to help build the company that we are today. We will remember his devotion to FEMSA and the exemplary way he lived his life.

Committees:
a) Auditing
b) Corporate Practices
c) Finance and Planning

Relation:
i) Independent

FINANCIAL STATEMENTS

Contents

FINANCIAL SUMMARY

Amounts expressed in millions of Mexican pesos (Ps.) as of December 31: [1]		2011		2010		2009 [2]		2008 [2]		2007 [2]
Income Statement										
Net sales	Ps.	**201,867**	Ps.	168,376	Ps.	158,503	Ps.	132,260	Ps.	113,320
Total revenues		**203,044**		169,702		160,251		133,808		114,459
Cost of sales		**118,009**		98,732		92,313		77,990		67,492
Gross profit		**85,035**		70,970		67,938		55,818		46,967
Operating expenses		**58,131**		48,441		46,808		38,469		32,667
Income from operations		**26,904**		22,529		21,130		17,349		14,300
Other expenses, net		**2,917**		282		1,877		2,019		832
Comprehensive financing result		**783**		2,153		2,627		4,682		1,111
Equity Method of Associated		**5,167**		3,538		132		90		12
Income taxes		**7,687**		5,671		4,959		3,108		3,931
Net income from continuing operations		**20,684**		17,961		11,799		7,630		8,438
Income from the exchange shares with HKN		**0**		26,623		0		0		0
Net Income from Discontinuing operations		**0**		706		3,283		1,648		3,498
		20,684		45,290		15,082		9,278		11,936
Net controlling interest income		**15,133**		40,251		9,908		6,708		8,511
Net non-controlling interest income		**5,551**		5,039		5,174		2,570		3,425
Ratios to total revenues (%)										
Gross margin		**41.9%**		41.8%		42.4%		41.7%		41.0%
Operating margin		**13.3%**		13.3%		13.2%		13.0%		12.5%
Net income from continuing operations		**10.2%**		10.6%		7.4%		5.7%		7.4%
Other information										
Depreciation		**4,604**		3,827		3,729		3,276		2,765
Amortization and other non cash charges to income from operations		**2,450**		2,061		1,773		1,499		1,391
EBITDA		**33,958**		28,417		26,632		22,124		18,456
Capital expenditures [3]		**12,515**		11,171		9,103		7,816		5,939
Balance Sheet										
Assets										
Current assets		**58,967**		51,460		38,263		27,595		26,988
Current assets of discontinuing operations		**0**		0		13,450		15,561		15,343
Property, plant and equipment, net [4] [5]		**53,402**		41,910		40,040		36,463		30,569
Investment in shares		**78,972**		68,793		2,208		1,850		1,537
Intangible assets		**71,608**		52,340		51,992		48,539		43,511
Other assets		**11,755**		9,075		21,135		12,386		11,932
Non current assets of discontinuing operations		**0**		0		58,818		55,640		53,538
Total assets		**274,704**		223,578		225,906		198,034		183,418

Amounts expressed in millions of Mexican pesos (Ps.) as of December 31: [1]	2011	2010	2009 [2]	2008 [2]	2007 [2]
Liabilities					
Short-term debt	**5,573**	3,303	8,539	9,269	6,059
Current liabilities	**33,057**	27,213	28,679	26,082	22,724
Current liabilities of discontinuing operations	**0**	0	10,883	12,912	13,581
Long-term debt	**24,031**	22,203	21,260	21,853	23,066
Labor liabilites	**2,258**	1,883	1,776	1,500	1,886
Deferred income taxes liabilities	**13,911**	10,567	867	1,916	1,810
Other	**4,760**	5,396	5,857	4,869	6,186
Non current liabilities of discontinuing operations	**0**	0	32,216	22,738	18,453
Total liabilites	**83,590**	70,565	110,077	101,139	93,765
Stockholders' equity	**191,114**	153,013	115,829	96,895	89,653
Controlling interest	**133,580**	117,348	81,637	68,821	64,578
Non-controlling interest	**57,534**	35,665	34,192	28,074	25,075
Financial ratios (%)					
Liquidity	**1.526**	1.696	1.028	0.791	0.938
Leverage	**0.437**	0.461	0.950	1.044	1.046
Capitalization	**0.14**	0.15	0.22	0.26	0.26
Data per share					
Book value [6]	**7.466**	6.559	4.563	3.847	3.609
Net income [7]	**0.846**	2.250	0.554	0.375	0.476
Dividends paid [8]					
Series B shares	**0.229**	0.130	0.081	0.081	0.074
Series D shares	**0.287**	0.162	0.101	0.101	0.093
Number of employees from continuing operations	**177,470**	153,809	139,867	129,289	105,020
Number of outstanding shares [9]	**17,891.13**	17,891.13	17,891.13	17,891.13	17,891.13

(1) Amounts as of December 31, 2007 are expressed in millions of pesos as of December 31, 2007

(2) The figures for these years were restated for comparison with the current period as a result of exchange of 100% of FEMSA Cerveza for 20% economic interest in the Heineken Group.

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

(4) Includes bottles and cases

(5) Property, plant and equipment paid in advance of prior years was reclassified to other assets for comparable purposes in accordance with NIF C-5 which came into effect on January 1, 2011.

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

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

(8) Expressed in nominal pesos of each year

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUDITED FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2011 COMPARED TO THE TWELVE MONTHS ENDED DECEMBER 31, 2010.

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

On April 30, 2010, FEMSA announced the closing of the strategic transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group ("the transaction"). For more information regarding this acquisition, please refer to the transaction filings available at www.femsa.com/investor. FEMSA's consolidated 2011 and 2010 results reflect the transaction.

All of the figures in this report were prepared in accordance with Mexican Financial Reporting Standards ("Mexican FRS" or "Normas de Información Financiera"). The 2011 and 2010 results are stated in nominal Mexican pesos ("Pesos" or "Ps."). Translations of Pesos into US dollars ("US$") are included solely for the convenience of the reader and are determined using the noon buying rate for Pesos as published by the Federal Reserve Bank of New York on December 30, 2011, which was 13.9510 Pesos per US dollar.

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

FEMSA Consolidated

2011 amounts in average Mexican pesos (billions)
FEMSA and its Subsidiaries

	Total Revenues	% Growth vs '10	Income from Operations	% Growth vs '10
FEMSA Consolidated	203.044	19.6%	26.904	19.4%
Coca-Cola FEMSA	124.715	20.5%	20.152	18.0%
FEMSA Comercio	74.112	19.0%	6.276	20.7%

Total Revenues

FEMSA's consolidated total revenues increased 19.6% to Ps. 203.044 billion in 2011 compared to Ps. 169.702 billion in 2010. All of FEMSA's operations—beverages and retail—contributed positively to this revenue growth. Coca-Cola FEMSA's total revenues increased 20.5% to Ps. 124.715 billion, driven by double-digit total revenues growth in both divisions and the integration of Grupo Tampico and Grupo CIMSA in the Mexican territories. FEMSA Comercio's revenues increased 19.0% to Ps. 74.112 billion, mainly driven by the opening of 1,135 net new stores combined with an average increase of 9.2% in same-store sales.

Gross Profit

Consolidated gross profit increased 19.8% to Ps. 85.035 billion in 2011 compared to Ps. 70.970 billion in 2010, driven by Coca-Cola FEMSA. Gross margin increased by 0.1 percentage points, from 41.8% of consolidated total revenues in 2010 to 41.9% in 2011.

Income from Operations

Consolidated operating expenses increased 20.0% to Ps. 58.131 billion in 2011 compared to Ps. 48.441 billion in 2010. The majority of this increase resulted from Coca-Cola FEMSA and additional operating expenses at FEMSA Comercio, resulting from accelerated store expansion. As a percentage of total revenues, consolidated operating expenses increased from 28.5% in 2010 to 28.6% in 2011.

Consolidated administrative expenses increased 6.2% to Ps. 8.249 billion in 2011 compared to Ps. 7.766 billion in 2010. As a percentage of total revenues, consolidated administrative expenses decreased from 4.6% in 2010 compared with 4.1% in 2011.

Consolidated selling expenses increased 22.6% to Ps. 49.882 billion in 2011 as compared to Ps. 40.675 billion in 2010. This increase was attributable to Coca-Cola FEMSA and FEMSA Comercio. As a percentage of total revenues, selling expenses increased 0.5 percentage points from 24.0% in 2010 to 24.5% in 2011.

Consolidated income from operations increased 19.4% to Ps. 26.904 billion in 2011 as compared to Ps. 22.529 billion in 2010. Consolidated operating margin remained at 13.3% as a percentage of 2011 consolidated total revenues.

Integral Result of Financing

Integral result of financing decreased 63.6% in 2011 to Ps. 783 million, reflecting a Foreign exchange gain due to

FINANCIAL RESULTS BY BUSINESS SEGMENT

the devaluation of the Mexican Peso on the U.S. Dollar-denominated component of our cash position.

Income Taxes

Our accounting provision for income taxes in 2011 was Ps. 7.687 billion compared to Ps. 5.671 billion in 2010, resulting in an effective tax rate of 27.1% in 2011 as compared with 24.0% in 2010.

Net Income from Continuing Operations

Net income from continuing operations increased 15.2% to Ps. 20.684 billion in 2011 compared to Ps. 17.961 billon in 2010. These results were driven by the growth in income from operations which more than compensated for an increase in the other expenses line largely driven by the net effect of non-recurring items. These include the tough comparison base caused by income from the sale of our flexible packaging business and the sale of the *Mundet* brand to The Coca-Cola Company during 2010.

Net Consolidated Income

Net consolidated income reached Ps. 20.684 billion in 2011 compared to 2010.

Net majority income amounted to Ps. 15.133 billion in 2011 compared to 2010. Net majority income in 2011 per FEMSA Unit[1] was Ps. 4.23 (US$ 3.03 per ADS).

Capital Expenditures

Capital Expenditures reached Ps. 12,515 billion in 2011, an increase of 12.0% from 2010 levels, driven by back-end loaded capacity-related investments at Coca-Cola FEMSA and the accelerated expansion of store openings at FEMSA Comercio.

Consolidated Balance Sheet

As of December 31, 2011, FEMSA recorded a cash balance of Ps. 27.658 billion (US$ 1.983 billion), an increase of Ps. 0.495 billion (US$ 35.5 million) as compared to December 31, 2010. Short-term debt was Ps. 5.573 billion (US$ 399.5 million) while long-term debt was Ps. 24.031 billion (US$ 1.723 billion). Our consolidated net debt balance was Ps. 1.946 billion (US$ 139.5 million).

[1] FEMSA Units consist of FEMSA BD Units and FEMSA B Units. Each FEMSA BD Unit is comprised of one Series B Share, two Series D-B Shares and two Series D-L Shares. Each FEMSA B Unit is comprised of five Series B Shares. The number of FEMSA Units outstanding as of December 31, 2011 was 3,578,226,270 equivalent to the total number of FEMSA Shares outstanding as of the same date, divided by 5.

COCA-COLA FEMSA

Total Revenues

Coca-Cola FEMSA total revenues increased 20.5% to Ps. 124.715 billion in 2011, compared to Ps. 103.456 billion in 2010 as a result of double-digit total revenue growth in our South America and Mexico & Central America divisions and the integration of Grupo Tampico and Grupo CIMSA in our Mexican territories during the fourth quarter of 2011. Excluding the integration of Grupo Tampico and Grupo CIMSA in Mexico, total revenues grew approximately 19%. On a currency neutral basis and excluding the recently merged territories in Mexico, total revenues increased approximately 15% in 2011.

Consolidated average price per unit case increased 13.8%, reaching Ps. 45.38 in 2011 as compared to Ps. 39.89 in 2010.

Consolidated total sales volume reached 2,648.7 million unit cases in 2011, compared to 2,499.5 million unit cases in 2010, an increase of 6.0%. Volume growth resulted from increases in sparkling beverages, which accounted for approximately 80% of incremental volumes, driven by the *Coca-Cola* brand. The still beverage category, mainly driven by the *Jugos del Valle* line of business in Mexico, Brazil and Venezuela, and *Hi-C* orangeade and the *Cepita* juice brand in Argentina contributed with approximately 15% of the incremental volumes and the bottled water category represented the balance. Excluding the integration of Grupo Tampico and Grupo CIMSA in Mexico, volumes grew 4.0% to 2,599.8 million unit cases.

Gross Profit

Cost of sales increased 21.5% to Ps. 67.488 billion in 2011 compared to Ps. 55.534 billion in 2010, as a result of higher cost of sweetener and PET costs across our operations, which were partially offset by the appreciation of the average exchange rate of the Brazilian real, the Colombian peso and the Mexican peso as applied to our U.S. Dollar-denominated raw material costs. Gross profit increased 19.4% to Ps. 57.227 billion in 2011, as compared to 2010; our gross margin decreased 0.4 percentage points to 45.9% in 2011.

Income from Operations

Operating expenses increased 20.2% to Ps. 37.075 billion in 2011. As a percentage of sales, operating expenses decreased to 29.7% in 2011 from 29.8% in 2010.

Income from operations increased 18.0% to Ps. 20.152 billion in 2011, as compared to Ps. 17.079 billion in 2010 driven by our South America division. Operating margin was 16.2% in 2011, a contraction of 0.3 percentage points as compared to 2010.

FEMSA COMERCIO

Total Revenues

FEMSA Comercio total revenues increased 19.0% to Ps. 74.112 billion in 2011 compared to Ps. 62.259 billion in 2010, primarily as a result of the opening of 1,135 net new stores during 2011, together with an average increase of same-store sales of 9.2%. As of December 31, 2011, there were a total of 9,561 stores in Mexico. FEMSA Comercio same-store sales increased an average of 9.2% compared to 2010, driven by a 4.6% increase in store traffic and 4.3% in average ticket.

Gross Profit

Cost of sales increased 18.0% to Ps. 48.636 billion in 2011, below total revenue growth, compared with Ps. 41.220 billion in 2010. As a result, gross profit reached Ps. 25.476 billion in 2011, which represented a 21.1% increase from 2010. Gross margin expanded 0.6 percentage points to reach 34.4% of total revenues. This increase reflects a positive mix shift due to the growth of higher margin categories and a more effective collaboration and execution with our key supplier partners combined with a more efficient use of promotion-related marketing resources.

Income from Operations

Operating expenses increased 21.2% to Ps. 19.200 billion in 2011 compared with Ps. 15.839 billion in 2010, largely driven by the growing number of stores as well as by the incremental expenses such as the strengthening of FEMSA Comercio's organizational structure, mainly IT-related, and targeted marketing programs. Administrative expenses increased 21.2% to Ps. 1.438 billion in 2011, compared with Ps. 1.186 billion in 2010, however, as a percentage of sales, it remained stable at 1.9%. Selling expenses increased 21.2% to Ps. 17.762 billon in 2011 compared with Ps. 14.653 billion in 2010. Income from operations increased 20.7% to Ps. 6.276 billion in 2011 compared with Ps. 5.200 billion in 2010, resulting in an operating margin expansion of 0.1 percentage points to 8.5% as a percentage of total revenues for the year, compared with 8.4% in 2010.

Key Events During 2011

Coca-Cola FEMSA shareholders approved dividend payment in the amount of Ps. 4.357 billion

On March 23, 2011, Coca-Cola FEMSA, held its Annual Ordinary General Shareholders Meeting during which its shareholders approved the annual report presented by the Board of Directors, the Company's consolidated financial statements for the year ended December 31, 2010, the declaration of dividends corresponding to fiscal year 2010 and the composition of the Board of Directors and the Finance and Planning, Audit, and Corporate Practices Committees for 2011.

Shareholders approved the payment of a cash dividend in the amount of Ps. 4.357 billion. The dividend will be paid on April 27, 2011, in the amount of Ps. 2.36 per each ordinary share, equivalent to Ps. 23.60 per ADS. In accordance with Mexican legislation requirements, shareholders approved the maximum amount that can potentially be used for share repurchase program during 2011, the amount of Ps. 400 million.

FEMSA Shareholders Approved Ps. 4.600 Billion Dividend

On March 25, 2011, FEMSA held its Annual Ordinary General Shareholders Meeting, during which the shareholders approved the Company's annual report for 2010 prepared by the Chief Executive Officer, the Company's consolidated financial statements for the year ended December 31, 2010, the declaration of dividends for the 2010 fiscal year and the election of the Board of Directors and its Committees for 2011.

The shareholders approved the payment of a cash dividend in the amount of Ps. 4.600 billion, consisting of Ps. 0.28675 per each Series "D" share and Ps. 0.2294 per each Series "B" share, which amounts to Ps. 1.3764001 per "BD" Unit (BMV: FEMSAUBD) or Ps. 13.764001 per ADS (NYSE: FMX), and Ps. 1.147 per "B" Unit (BMV: FEMSAUB). The dividend payment will be split in two equal payments, payable on May 4, 2011 and November 2, 2011. In addition, the shareholders established the amount of Ps. 3.000 billion as the maximum amount that could potentially be used for the Company's share repurchase program during 2011.

Coca-Cola FEMSA acquired Grupo Industrias Lácteas in Panama

On March 28, 2011, Coca-Cola FEMSA, announced that, together with The Coca-Cola Company, it successfully closed the acquisition of Grupo Industrias Lácteas, a leading company with a more than 50-year tradition in the Panamanian dairy and juice-based beverage categories.

This transaction represented an important step in the growth strategy of Coca-Cola FEMSA. It enabled the Company to enter the milk and value-added dairy products category, one of the most dynamic segments in terms of scale and value in the non-alcoholic beverage industry in Latin America. It further reinforces the Company's non-carbonated product portfolio in the juice-based beverage segment.

Offering Placement in Mexican Bond Market

On April 15, 2011, Coca-Cola FEMSA, announced the placement of peso-denominated bonds ("Certificados Bursátiles") in the Mexican markets.

On April 14, 2011, the Company successfully placed two tranches of "Certificados Bursátiles": a 5 year bond for Ps. 2.500 billion at a yield of 28-day TIIE plus 13 (thirteen) basis points; and a 10 year bond for Ps. 2.500 billion at a fixed rate of 8.27%. Both bonds are guaranteed by Coca-Cola FEMSA's wholly-owned subsidiary Propimex, S.A. de C.V. The "Certificados Bursátiles" were issued on Monday, April 18, 2011. A portion of the proceeds from this placement were used to pay our KOF 07 "Certificado Bursátil" at maturity on March 2012, in the amount of Ps. 3.000 billion. The remainder of the proceeds will be used by the Company for general corporate purposes, including investment expenses and working capital.

Coca-Cola FEMSA and Grupo Tampico reach an agreement to merge their bottling operations

On June 28, 2011, Coca-Cola FEMSA and Grupo Tampico S.A. de C.V. and its shareholders agreed to merge Grupo Tampico's beverage division, one of the largest family-owned bottlers in terms of sales volume in Mexico, with Coca-Cola FEMSA. The merger agreement was approved by both Coca-Cola FEMSA's and Grupo Tampico's Board of Directors and was subject to the completion of confirmatory legal, financial and operating due diligence and to customary regulatory and corporate approvals, among them, the approval of The Coca-Cola Company and the Comisión Federal de Competencia, the Mexican antitrust authority.

Coca-Cola FEMSA announces new business structure and organizational changes

On August 25, 2011, Coca-Cola FEMSA, announced a new business structure and organizational changes. In accordance with this new business structure, the Company's new reporting segments are Mexico & Central America and South America. On October 11, 2011, the Company released restated unaudited quarterly financial information for the years 2009, 2010 and 2011.This information is available on the Company's website.

Coca-Cola FEMSA and Grupo CIMSA reach an agreement to merge their bottling operations

On September 19, 2011, Coca-Cola FEMSA and Corporación de los Ángeles, S.A. de C.V. and its shareholders ("Grupo CIMSA") agreed to merge their beverage businesses. The merger agreement was approved by Coca-Cola FEMSA's Board of Directors and was subject to the completion of confirmatory legal, financial and operating due diligence and to customary regulatory and corporate approvals.

Coca-Cola FEMSA and Grupo Tampico successfully merge their bottling operations

On October 11, 2011, Coca-Cola FEMSA, announced the successful merger of Grupo Tampico's beverage division with Coca-Cola FEMSA. Coca-Cola FEMSA held an ordinary and extraordinary shareholders meeting on October 10, 2011, at which the Company's shareholders approved this merger, amended the Company's by-laws to increase the number of board members from 18 to 21 and appointed Mr. Herman Fleishman and Mr. Robert Fleishman, President and Vice President, respectively, of Grupo Tampico, as director and alternate director in our Board.

The aggregate enterprise value of this transaction was Ps. 9.300 billion, which at the time of the announcement of this merger represented an EV/EBITDA multiple of approximately 9.6 times. As a result of the completion of the due diligence process, no material adjustment was recorded, and Grupo Tampico's main shareholders received 63.5 million newly issued KOF series L shares. Coca-Cola FEMSA assumed Ps. 2.747 billion in net debt.

This transaction received all necessary approvals, among others, the approval of The Comisión Federal de Competencia, the Mexican antitrust authority, and The Coca-Cola Company.

Coca-Cola FEMSA and Grupo CIMSA successfully merge their bottling operations

On December 12, 2011, Coca-Cola FEMSA, announced the successful merger of Grupo CIMSA with Coca-Cola FEMSA. This transaction received all necessary approvals, including the approval of The Comisión Federal de Competencia, the Mexican antitrust authority, and The Coca-Cola Company. Subsequently, Coca-Cola FEMSA held an extraordinary shareholders meeting on December 9, 2011, at which the Company's shareholders approved this merger.

The aggregate enterprise value of this transaction is Ps. 11.000 billion, which at the time of the announcement of this merger represented an EV/EBITDA multiple of approximately 10 times. As a result of the completion of the due diligence process, no material adjustment was recorded, and Grupo CIMSA's main shareholders received 75.4 million newly issued KOF series L shares. Coca-Cola FEMSA assumed Ps. 2.100 billion in net debt.

Coca-Cola FEMSA and Grupo Fomento Queretano reach an agreement to merge their bottling operations

On December 15, 2011 Coca-Cola FEMSA and Grupo Fomento Queretano and its shareholders agreed to merge Grupo Fomento Queretano's beverage division with Coca-Cola FEMSA. The merger agreement has been approved by both Coca-Cola FEMSA's and Grupo Fomento Queretano's Boards of Directors and is subject to the completion of confirmatory legal, financial, and operating due diligence and to customary regulatory and corporate approvals, including the approval of The Coca-Cola Company and the Comisión Federal de Competencia, the Mexican antitrust authority. «

AUDIT COMMITTEE ANNUAL REPORT

TO THE BOARD OF DIRECTORS
FOMENTO ECONÓMICO MEXICANO, S.A.B. DE C.V. (THE "COMPANY"):

Pursuant to Articles 42 and 43 of the Mexican Securities Law *(Ley del Mercado de Valores)* and the Charter of the Audit Committee, we submit to the Board of Director of the Company the following report of the activities performed by this Committee during the fiscal year ending on December 31st, 2011. In the performance of our work, we took into consideration the recommendations set forth in the Code of Corporate Best Practices and, since our Company is a publicly-listed company in New York Stock Exchange ("NYSE"), we also complied with the applicable provisions set forth in the Sarbanes - Oxley Act (SAROX). We met at least on a quarterly basis and, based on a work program, we carried out the activities described below:

Internal Control

We verified that Management, in compliance with its responsibilities regarding internal control, established the general guidelines and the procedures necessary for their application and compliance. Additionally, we followed through on the comments and remarks made in this regard by External Auditors as a result of their findings.

We validated the actions taken by the Company in order to comply with section 404 of the Sarbanes - Oxley Act regarding the self-assessment of internal control performed by the Company and to be reported for the fiscal year 2011. Throughout this process, we followed up on the preventive and corrective measures implemented for any internal control aspects that required improvement.

Risk Assessment

We periodically evaluated the effectiveness of the Risk Management System, which was established to identify, measure, record, assess, and control the Company's risks, as well as for the implementation of follow-up measures to ensure its effective operation, which we consider appropriate.

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

External Auditing

We recommended to the Board of Directors to hire external auditors for the Company and its subsidiaries for the fiscal year 2011. For this purpose, we verified their independence and their compliance with the requirements established by applicable laws and regulations. Together, we analyzed their approach and work program as well as their coordination with the Internal Audit department of the Company.

We remained in constant and direct communication in order to be kept informed of their progress and their observations, and also to note any comments that resulted from their review of quarterly and annual financial statements. We were timely informed on their conclusions and reports regarding annual financial statements and followed up on the committed actions implemented resulting from the findings and recommendations provided during their work program.

We authorized the fees to be paid to external auditors for their audit and other permitted services, and made sure that such services would not compromise their independence from the Company.

Taking into account Management's views, we carried out an assessment of their services for the previous year and initiated the evaluation process for the fiscal year 2011.

Internal Auditing

In order to maintain independence and objectiveness, the Internal Audit area reports functionally to the Audit Committee. Therefore:

We reviewed and approved, in due time, their annual work program and budget. In order to prepare them, the Internal Audit area participated in the process of identifying risks, establishing controls and testing them, in order to comply with the requirements of SAROX.

We received periodical reports regarding the progress of the approved work program, any deviations and the causes thereof.

We followed up on the remarks and suggestions they issued and their proper implementation.

We made sure an annual training plan was implemented.

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

Financial Information, Accounting Policies and Reports to Third Parties

We reviewed the quarterly and annual financial statements of the Company with the individuals responsible for their preparation and recommended the Board of Directors to approve them and authorize their disclosure. As a part of this process, we took into account the opinions and remarks of the external auditors and made sure that the criteria, accounting policies and information used by Management to prepare financial information were adequate and sufficient and that they were applied consistently with the previous year. As a consequence, the information submitted by Management reasonably reflects the Company's financial situation, its operating results and the changes in its financial situation for the fiscal year ending on December 31, 2011.

We also reviewed the quarterly reports prepared by Management to be submitted to shareholders and the public, verifying that such information was prepared with the same accounting criteria used to prepare annual information. We also reviewed the existence of an integral process that provides a reasonable assurance of fairness in the information content. To conclude, we recommended to the Board to authorize the disclosure thereof.

Our review also included the reports as well as any other financial information required by Mexican and United States regulatory authorities.

We approved the inclusion of new accounting procedures issued by the entities in charge of Mexican accounting standards that came into force in 2011, into the corporate accounting policies, recommending their approval to the Board of Directors.

We periodically received advance reports about the process taken by the Company for the adoption of International Financial Reporting Standards based on the terms established in the Circular for Issuers issued by the Mexican National Banking and Securities Commission, and reviewed and approved the corresponding new accounting policies for the Company that came into force in 2012, recommending their approval to the Board of Directors.

Compliance with Standards, Legal Issues and Contingencies

We confirm the existence and reliability of the Company-established controls to ensure compliance with the various legal provisions applicable to the Company. We verified they were properly disclosed with the financial information.

We made a periodical review of the various tax, legal and labor contingencies of the Company. We oversaw the efficiency of the procedures established for their identification and follow-up, as well as their adequate disclosure and recording.

Code of Conduct

With the support from Internal Auditing, we verified the compliance of the personnel of the Company with the Business Code of Ethics currently in force in the Company, the existence of adequate processes to update it and its diffusion to the employees, as well as the application of sanctions in those cases where violations were detected, ensuring that the current Code incorporates the anti-bribery provisions established in the Foreign Corrupt Practices Act.

We went over the complaints recorded in the Company's Whistle-Blower System and followed up on their correct and timely handling.

Administrative Activities

We held regular Committee meetings with Management to stay informed of the management of the Company and of any relevant or unusual activities and events. We also met with external and internal auditors to comment on their work, the problems that might have arisen and to facilitate any private communication they might wish to have with the Committee.

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

We held executive meetings that were solely attended by Committee members. In the course of such meetings, agreements and recommendations for Management were made.

The Chairman of the Audit Committee submitted quarterly reports to the Board of Directors, on the activities performed by the Audit Committee.

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

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

The work performed was duly documented in the minutes prepared for each meeting. Such minutes were properly reviewed and approved by Committee members.

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

Sincerely,

José Manuel Canal Hernando | **Alfonso González Migoya** | **Francisco Zambrano Rodríguez**

February 27, 2012

THE MEMBERS OF THE AUDIT COMMITTEE

ERNST & YOUNG

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheets of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

The financial statements of Heineken N.V. (an entity in which the Company holds an equity interest of 12.53% and 9.24% as of December 31, 2011 and 2010, respectively), as well as those of Heineken Holdings N.V. (collectively, Heineken), its majority shareholder (in which the Company holds an equity interest of 14.94% in both years), were prepared under International Financial Reporting Standards as adopted by the European Union (IFRS) and were audited by other auditors. The accompanying consolidated financial statements include the Company's investment in Heineken of Ps. 66,478 million at December 31, 2010 and equity income of Ps. 3,319 million related to the Company's participation in Heineken's net income for the eight-month period from April 30, 2010 to December 31, 2010. Our opinion on the accompanying financial statements as of December 31, 2010 and for the eight-month period then ended, insofar as it relates to the reported amounts of the Company's investment in Heineken and the corresponding equity income, is based on the unqualified opinion issued by the other auditors on February 15, 2011. In conformity with the changes to the auditing standards generally accepted in Mexico, effective for periods beginning as of January 1, 2011, our opinion on the Company's consolidated financial statements at December 31, 2011 and for the year then ended, insofar as it relates to the reported amounts corresponding to Heineken, is based on the audit procedures that we believe were appropriate under the circumstances.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are prepared in conformity with Mexican Financial Reporting Standards. Our 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 (including the conversion to Mexican Financial Reporting Standards of Heineken's financial statements at December 31, 2010 and for the eight-month period then ended, which were prepared by the Company to compute the amount of its investment in Heineken and its corresponding equity income) and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries at December 31, 2011, and consolidated results of their operations, changes in their shareholders' equity and their cash flows for the year then ended, in conformity with Mexican Financial Reporting Standards.

Also, in our opinion, based on our audits and the report of other auditors mentioned in the second paragraph above, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries at December 31, 2010, and consolidated results of their operations, changes in their shareholders' equity and their cash flows for each of the two years in the period ended December 31, 2010, in conformity with Mexican Financial Reporting Standards.

Mancera, S.C.
A Member Practice of Ernst & Young Global

C.P.C. Agustín Aguilar Laurents
Monterrey, N.L., Mexico
March 14, 2012

CONSOLIDATED BALANCE SHEETS

At December 31, 2011 and 2010. Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.).	Note	2011				2010	
ASSETS							
Current Assets:							
Cash and cash equivalents	4 B	$	1,887	Ps.	26,329	Ps.	27,097
Investments	4 B		95		1,329		66
Accounts receivable	6		753		10,499		7,702
Inventories	7		1,031		14,385		11,314
Recoverable taxes			309		4,311		4,243
Other current assets	8		152		2,114		1,038
Total current assets			4,227		58,967		51,460
Investments in shares	9		5,661		78,972		68,793
Property, plant and equipment	10		3,828		53,402		41,910
Intangible assets	11		5,133		71,608		52,340
Deferred tax asset	23 C		33		461		346
Other assets	12		809		11,294		8,729
TOTAL ASSETS			19,691		274,704		223,578
LIABILITIES AND STOCKHOLDERS' EQUITY							
Current Liabilities:							
Bank loans and notes payable	17		46		638		1,578
Current portion of long-term debt	17		354		4,935		1,725
Interest payable			15		216		165
Suppliers			1,539		21,475		17,458
Accounts payable			413		5,761		5,375
Taxes payable			230		3,208		2,180
Other current liabilities	24 A		172		2,397		2,035
Total current liabilities			2,769		38,630		30,516
Long-Term Liabilities:							
Bank loans and notes payable	17		1,723		24,031		22,203
Employee benefits	15 B		162		2,258		1,883
Deferred tax liability	23 C		997		13,911		10,567
Contingencies and other liabilities	24 B		341		4,760		5,396
Total long-term liabilities			3,223		44,960		40,049
Total liabilities			5,992		83,590		70,565
Stockholders' Equity:							
Non-controlling interest in consolidated subsidiaries	20		4,124		57,534		35,665
Controlling interest:							
Capital stock			383		5,348		5,348
Additional paid-in capital			1,470		20,513		20,558
Retained earnings from prior years			6,219		86,756		51,045
Net income			1,085		15,133		40,251
Cumulative other comprehensive income	4 V		418		5,830		146
Controlling interest			9,575		133,580		117,348
Total stockholders' equity			13,699		191,114		153,013
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$	19,691	Ps.	274,704	Ps.	223,578

The accompanying notes are an integral part of these consolidated balance sheets.
Monterrey, N.L., México.

José Antonio Fernández Carbajal
CHIEF EXECUTIVE OFFICER

Javier Astaburuaga Sanjines
CHIEF FINANCIAL OFFICER

CONSOLIDATED INCOME STATEMENTS

For the years ended December 31, 2011, 2010 and 2009. Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.), except for data per share.	2011		2010	2009
Net sales	$ 14,470	Ps. 201,867	Ps. 168,376	Ps. 158,503
Other operating revenues	84	1,177	1,326	1,748
Total revenues	14,554	203,044	169,702	160,251
Cost of sales	8,459	118,009	98,732	92,313
Gross profit	6,095	85,035	70,970	67,938
Operating expenses:				
Administrative	591	8,249	7,766	7,835
Selling	3,576	49,882	40,675	38,973
	4,167	58,131	48,441	46,808
Income from operations	1,928	26,904	22,529	21,130
Other expenses, net (Note 18)	(209)	(2,917)	(282)	(1,877)
Comprehensive financing result:				
Interest expense	(210)	(2,934)	(3,265)	(4,011)
Interest income	72	999	1,104	1,205
Foreign exchange gain (loss), net	84	1,165	(614)	(431)
Gain on monetary position, net	9	146	410	486
Market value (loss) gain on ineffective portion of derivative financial instruments	(11)	(159)	212	124
	(56)	(783)	(2,153)	(2,627)
Equity method of associates (Note 9)	370	5,167	3,538	132
Income before income taxes	2,033	28,371	23,632	16,758
Income taxes (Note 23 D)	550	7,687	5,671	4,959
Consolidated net income before discontinued operations	1,483	20,684	17,961	11,799
Income from the exchange of shares with Heineken, net of taxes (Note 5 B)	-	-	26,623	-
Net income from discontinued operations (Note 5 B)	-	-	706	3,283
Consolidated net income	$ 1,483	Ps. 20,684	Ps. 45,290	Ps. 15,082
Net controlling interest income	1,085	15,133	40,251	9,908
Net non-controlling interest income	398	5,551	5,039	5,174
Consolidated net income	$ 1,483	Ps. 20,684	Ps. 45,290	Ps. 15,082
Net controlling interest income before discontinued operations [(1)]:				
Per series "B" share	$ 0.05	Ps. 0.75	Ps. 0.64	Ps. 0.33
Per series "D" share	0.07	0.94	0.81	0.42
Net income from discontinued operations [(1)]:				
Per series "B" share	-	-	1.37	0.16
Per series "D"share	-	-	1.70	0.20
Net controlling interest income [(1)]:				
Per series "B" share	0.05	0.75	2.01	0.49
Per series "D"share	0.07	0.94	2.51	0.62

The accompanying notes are an integral part of these consolidated income statements.

(1) U.S. dollars and Mexican pesos, see Note 22 for number of shares.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2011, 2010 and 2009.
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.).

	2011		2010	2009
Cash Flows Generated by (Used in) Operating Activities:				
Income before income taxes from continuing operations	$ 2,033	Ps. 28,371	Ps. 23,632	Ps. 16,758
Non-cash operating expenses	37	513	386	664
Other adjustments regarding operating activities	113	1,583	545	773
Adjustments regarding investing activities:				
Depreciation	394	5,498	4,527	4,391
Amortization	75	1,043	975	798
(Gain) loss on sale of long-lived assets	(1)	(9)	215	177
Gain on sale of shares	-	(1)	(1,554)	(35)
Disposal of long-lived assets	50	703	9	129
Interest income	(72)	(999)	(1,104)	(1,205)
Equity method of associates	(370)	(5,167)	(3,538)	(132)
Adjustments regarding financing activities:				
Interest expenses	210	2,934	3,265	4,011
Foreign exchange (gain) loss, net	(84)	(1,165)	614	431
Gain on monetary position, net	(9)	(146)	(410)	(486)
Market value loss (gain) on ineffective portion of derivative financial instruments	11	159	(212)	(124)
	2,387	33,317	27,350	26,150
Accounts receivable and other current assets	(202)	(2,819)	(1,402)	(681)
Inventories	(160)	(2,227)	(1,369)	(698)
Suppliers and other accounts payable	107	1,492	823	2,373
Other liabilities	(40)	(566)	(249)	(267)
Employee benefits	(36)	(496)	(530)	(302)
Income taxes paid	(463)	(6,457)	(6,821)	(3,831)
Net cash flows provided by continuing operations	1,593	22,244	17,802	22,744
Net cash flows provided by discontinued operations	-	-	1,127	8,181
Net cash flows provided by operating activities	1,593	22,244	18,929	30,925
Cash Flows Generated by (Used in) Investing Activities:				
BRISA acquisition, net of cash acquired (see Note 5 A)	-	-	-	(717)
Payment of debt for the acquisition of Grupo Tampico, net of cash acquired (see Note 5 A)	(173)	(2,414)	-	-
Payment of debt for the acquisition of Grupo CIMSA, net of cash acquired (see Note 5 A)	(137)	(1,912)	-	-
Purchase of investments	(97)	(1,351)	(66)	(2,001)
Proceeds from investments	5	68	1,108	-
Recovery of long-term financing receivables with FEMSA Cerveza	-	-	12,209	-
Net effects of FEMSA Cerveza exchange	-	-	876	-
Other disposals	-	-	1,949	-
Interest received	71	991	1,104	1,205
Dividends received	119	1,661	1,304	-
Long-lived assets acquisitions	(760)	(10,615)	(9,590)	(7,315)
Long-lived assets sale	38	535	624	679
Other assets	(324)	(4,515)	(2,448)	(1,880)
Intangible assets	(38)	(538)	(892)	(1,347)
Net cash flows (used in) generated by investment activities by continuing operations	(1,296)	(18,090)	6,178	(11,376)
Net cash flows used in investment activities by discontinued operations	-	-	(4)	(3,389)
Net cash flows (used in) generated by investing activities	(1,296)	(18,090)	6,174	(14,765)
Net cash flows available for financing activities	297	4,154	25,103	16,160
Cash Flows Generated by (Used in) Financing Activities:				
Bank loans obtained	474	6,606	9,016	14,107
Bank loans paid	(267)	(3,732)	(12,536)	(15,533)
Interest paid	(218)	(3,043)	(3,018)	(4,259)
Dividends declared and paid	(475)	(6,625)	(3,813)	(2,246)
Acquisition of non-controlling interest	(8)	(115)	(219)	67
Other liabilities	(1)	(13)	74	(25)
Net cash flows used in financing activities by continuing operations	(495)	(6,922)	(10,496)	(7,889)
Net cash flows used in financing activities by discontinued operations	-	-	(1,012)	(909)
Net cash flows used in financing activities	(495)	(6,922)	(11,508)	(8,798)
Net cash flows by continuing operations	(198)	(2,768)	13,484	3,479
Net cash flows by discontinued operations	-	-	111	3,883
Net cash flows	(198)	(2,768)	13,595	7,362
Translation and restatement effect on cash and cash equivalents	143	2,000	(1,006)	(1,173)
Initial cash	1,942	27,097	15,824	9,635
Initial cash of discontinued operations	-	-	(1,316)	-
Initial cash and cash equivalents	1,942	27,097	14,508	9,635
Ending balance	1,887	26,329	27,097	15,824
Ending balance by discontinued operations	-	-	-	(1,316)
Total ending balance of cash and cash equivalents, net	$ 1,887	Ps. 26,329	Ps. 27,097	Ps. 14,508

The accompanying notes are an integral part of this consolidated statement of cash flows.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2011, 2010 and 2009. Amounts expressed in millions of Mexican pesos (Ps.).		Capital Stock		Additional Paid-in Capital
Balances at December 31, 2008	Ps.	5,348	Ps.	20,551
Transfer of prior year net income				
Change in accounting principles (see Note 2 K)				
Dividends declared and paid (see Note 21)				
Acquisition by FEMSA Cerveza of non-controlling interest				(3)
Comprehensive income				
Balances at December 31, 2009		5,348		20,548
Transfer of prior year net income				
Dividends declared and paid (see Note 21)				
Other transactions of non-controlling interest				10
Recycling of OCI and decreasing of non-controlling interest due to exchange of FEMSA Cerveza (see Note 5 B)				
Other movements of equity method of associates, net of taxes				
Comprehensive income				
Balances at December 31, 2010		5,348		20,558
Transfer of prior year net income				
Dividends declared and paid (see Note 21)				
Acquisition of Grupo Tampico through issuance of Coca-Cola FEMSA shares (see Note 5 A)				
Acquisition of Grupo CIMSA through issuance of Coca-Cola FEMSA shares (see Note 5 A)				
Other transactions of non-controlling interest				(45)
Other movements of equity method of associates, net of taxes				
Comprehensive income				
Balances at December 31, 2011	**Ps.**	**5,348**	**Ps.**	**20,513**

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

Retained Earnings from Prior Years	Net Income	Cumulative Other Comprehensive Income (Loss)	Controlling Interest	Non-Controlling Interest in Consolidated Subsidiaries	Total Stockholders' Equity
Ps. 38,929	Ps. 6,708	Ps. (2,715)	Ps. 68,821	Ps. 28,074	Ps. 96,895
6,708	(6,708)		-	-	-
(182)			(182)	-	(182)
(1,620)			(1,620)	(635)	(2,255)
			(3)	19	16
	9,908	4,713	14,621	6,734	21,355
43,835	9,908	1,998	81,637	34,192	115,829
9,908	(9,908)		-	-	-
(2,600)			(2,600)	(1,213)	(3,813)
			10	(283)	(273)
	525	(525)	-	(1,221)	(1,221)
(98)			(98)	-	(98)
	39,726	(1,327)	38,399	4,190	42,589
51,045	40,251	146	117,348	35,665	153,013
40,251	(40,251)		-	-	-
(4,600)			(4,600)	(2,025)	(6,625)
			-	7,828	7,828
			-	9,017	9,017
			(45)	(70)	(115)
60			60	-	60
	15,133	5,684	20,817	7,119	27,936
Ps. 86,756	**Ps. 15,133**	**Ps. 5,830**	**Ps. 133,580**	**Ps. 57,534**	**Ps. 191,114**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2011, 2010 and 2009. Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.).

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 grouped under direct and indirect holding company subsidiaries (the "Subholding Companies") of FEMSA.

On February 1, 2010, the Company and The Coca-Cola Company signed a second amendment to the shareholders' agreement that confirms contractually the capability of the Company to govern the operating and financial policies of Coca-Cola FEMSA, to exercise control over the operations in the ordinary course of business and grants protective rights to The Coca-Cola Company on such items as mergers, acquisitions or sales of any line of business. These amendments were signed without transfer of any consideration. The percentage of voting interest of the Company in Coca-Cola FEMSA remains the same after the signing of this amendment.

On April 30, 2010, FEMSA exchanged 100% of its stake in FEMSA Cerveza, the beer business unit, for a 20% economic interest in Heineken Group ("Heineken"). This strategic transaction, as well as the related impacts, is broadly described in Note 5 B.

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

Subholding Company	% Ownership	Activities
Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries ("Coca-Cola FEMSA")	50.0% [1] [2] (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 and Argentina. The Coca-Cola Company indirectly owns 29.4% of Coca-Cola FEMSA's capital stock. In addition, shares representing 20.6% of Coca-Cola FEMSA's capital stock are traded on the Bolsa Mexicana de Valores (Mexican Stock Exchange "BMV").
FEMSA Comercio, S.A. de C.V. and subsidiaries ("FEMSA Comercio")	100%	Operation of a chain of convenience stores in Mexico under the trade name "OXXO."
CB Equity, LLP ("CB Equity")	100%	This Company holds Heineken N.V. and Heineken Holding N.V. shares, acquired as part of the exchange of FEMSA Cerveza on April 2010 (see Note 5 B).
Other companies	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 operating and financial policies.
(2) The ownership decreased from 53.7% in 2010 to 50.0% as of December 31, 2011 as a result of merger transactions (see Note 5 A).

2 Basis of Presentation

The accompanying consolidated financial statements were prepared in accordance with Normas de Información Financiera (Mexican Financial Reporting Standards or "Mexican FRS"), individually referred to as "NIFs," and are stated in millions of Mexican pesos ("Ps."). The translation of Mexican pesos into U.S. dollars ("$") is included solely for the convenience of the reader, using the noon buying exchange rate published by the Federal Reserve Bank of New York of 13.9510 pesos per U.S. dollar as of December 30, 2011.

The consolidated financial statements include the financial statements of FEMSA and those companies in which it exercises control. All intercompany account balances and transactions have been eliminated in consolidation.

The Company classifies its costs and expenses by function in the consolidated income statement, in order to conform to the industry's practices where the Company operates. The income from operations line in the income statement is the result of subtracting cost of sales and operating expenses from total revenues, and it has been included for a better understanding of the Company's financial and economic performance.

Beginning on January 1, 2008, and according to NIF B-10 "Effects of Inflation," only inflationary economic environments have to recognize inflation effects. Since that date the Company has operated in a non inflationary economic environment in Mexico. As a result, the financial statements are no longer restated for inflation after December 31, 2007. Figures as of December 31, 2010, 2009 and 2008 are presented as they were reported in last year.

The consolidated balance sheet as of December 31, 2010 and the consolidated statement of cash flows for the years ended December 31, 2010 and 2009 present certain reclassifications for comparable purposes in accordance with several Mexican FRS which came into effect on January 1, 2011 (see Notes 2 C, D and E).

The results of operations of businesses acquired by the Company are included in the consolidated financial statements since the date of acquisition. As a result of certain acquisitions (see Note 5 A), the consolidated financial statements are not comparable to the figures presented in prior years.

The accompanying consolidated financial statements and their accompanying notes were approved for issuance by the Company's Chief Executive Officer and Chief Financial Officer on March 12, 2012 and subsequent events have been considered through that date (see Note 27). These consolidated financial statements and their accompanying notes will be presented at the Shareholders meeting in March 23, 2012. The Company´s Shareholders have the faculty to approve or modify the Company´s consolidated financial statements.

On January 1, 2011, 2010, and 2009 several Mexican FRS came into effect. Such changes and their application are described as follows:

a) NIF B-5 "Financial Information by Segment":
In 2011, the Company adopted NIF B-5 "Financial Information by Segment", which superseded Bulletin B-5. NIF B-5 establishes that an operating segment shall meet the following criteria: i) the segment engages in business activities from which it earns or is in the process of obtaining revenues, and incurs in the related costs and expenses; ii) the operating results are reviewed regularly by the main authority of the entity's decision maker; and iii) specific financial information is available. NIF B-5 also requires disclosures related to operating segments subject to reporting, including details of earnings, assets and liabilities, reconciliations, information about products and services, and geographical areas. This pronouncement was applied retrospectively for comparative purposes and had no impact, except for new disclosure requirements such as: consolidated other expenses, consolidated other net finance expenses, consolidated net income before discontinued operations and investment in associates and joint ventures (see Note 25).

b) NIF B-9 "Interim Financial Reporting":
The Company adopted NIF B-9 "Interim Financial Reporting", which prescribes the content to be included in a complete or condensed set of financial statements for an interim period. In accordance with this standard, the complete set of financial statements shall include: a) a statement of financial position as of the end of the period, b) an income statement for the period, c) a statement of changes in equity for the period, d) a statement of cash flows for the period, and e) notes providing the relevant accounting policies and other explanatory notes. Condensed financial statements shall include: a) condensed statement of financial position, b) condensed income statement, c) condensed statement of changes in equity, d) condensed statement of cash flows, and e) selected explanatory notes. The adoption of NIF B-9 did not impact the Company's annual financial statements.

c) NIF C-4 "Inventories":
On January 1, 2011 the Company adopted NIF C-4, which replaced Mexican accounting Bulletin C-4, Inventories. The principal difference between Mexican accounting Bulletin C-4 and Mexican FRS C-4 is that the new standard does not allow using direct costs as the inventory valuation method nor does it allow using the LIFO cost method as the formulas (formerly method) for the assignment of unit cost to the inventories. Mexican FRS C-4 establishes that inventories must be valued at the lower of either acquisition cost or net realizable value. Such standard also establishes that advances to suppliers for the acquisition of merchandise must be classified as inventories provided the risks and benefits are transferred to the Company. This standard also sets some additional disclosures. NIF C-4 was applied retrospectively causing a decrease in the inventory balances reported as of December 31, 2010 as a result of the treatment of presentation of advances to suppliers (see Note 2 D), and additional disclosures related to goods in transit and allowance for obsolescence, which was reclassified to finished products (see Note 7). The application of this standard did not impact on inventory valuation of the Company.

d) NIF C-5 "Prepaid Expenses":
In 2011, the Company adopted NIF C-5, which superseded Mexican accounting Bulletin C-5. This standard establishes that the main characteristic of prepaid expenses is that they do not result in the transfer to the entity of the benefits and risks inherent to the goods or services to be received. Consequently, prepaid expenses must be recognized in the balance sheet as either current or non-current assets, depending on the item classification in the statement of financial position. Moreover, Mexican FRS C-5 establishes that prepayments made for goods or services whose inherent benefits and risks have already been transferred to the entity must be carried to the appropriate caption. The accounting changes resulting from the adoption of this standard were recognized retrospectively, causing an increase in "other current assets" Ps. 133 (see Note 8) and "other assets" Ps. 226 (see Note 12), as a result of the comparative presentation of prepaid expenses, which were reclassified from "inventories" (Ps. 133) and "property, plant, and equipment" (Ps. 226), as of December 31, 2010.

e) NIF C-6, "Property, Plant and Equipment":

In 2011, the Company adopted NIF C-6, which replaced Mexican accounting Bulletin C-6, Property, Machinery and Equipment, and it is effective beginning on January 1, 2011, with the exception for the changes related to the segregation of property, plant and equipment into separate components of those assets with different useful lives that is effective on January 1, 2012. However, the depreciation by separate items (major components), has been applied by the Company since priors years, and consequently did not impact its financials statements. Among other points, NIF C-6 establishes that for acquisitions of free-of charge assets, the cost of the assets must be null, thus eliminating the option of performing appraisals. In the case of asset exchanges, NIF C-6 requires entities to determine the commercial substance of the transaction. The depreciation of all assets must be applied against the components of the assets, and the amount to be depreciated is the cost of acquisition less the asset's residual value. In addition, NIF C-6 clarifies that regardless of whether the use or non use of the asset is temporary or indefinite, it should not cease the depreciation charge. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. There are specific disclosures for public entities such as: additions, disposals, depreciation, impairments, among others. This standard was fully applied and did not impact the Company's financial statements, except for reclassification from the balance of the property, plant and equipment as of December 31, 2010 as a result of the treatment of presentation of advances to suppliers (see Note 2 D) and additional disclosures (see Note 10).

f) NIF C-18 "Obligations Related to Retirement of Property, Plant and Equipment":

In 2011, the Company adopted NIF C-18, which establishes the accounting treatment for the recognition of a liability for legal or constructive obligations related to the retirement of property, plant and equipment recognized as a result of the acquisition, construction, development and/or normal operation of such components. This standard also establishes that an entity must initially recognize a provision for obligations related to retirement of property, plant and equipment based on its best estimate of the disbursements required to settle the present obligation at the time it is assumed, provided a reliable estimate can be made of the amount of the obligation. The best estimate of a provision for an obligation associated with the retirement of property, plant and equipment components should be determined using the expected present value method. The adoption of NIF C-18 did not impact the Company's financial statements.

g) NIF C-1 "Cash and Cash Equivalents":

In 2010, the Company adopted NIF C-1 "Cash and Cash Equivalents," which superseded Bulletin C-1 "Cash." NIF C-1 establishes that cash shall be measured at nominal value, and cash equivalents shall be measured at acquisition cost for initial recognition. Subsequently, cash equivalents should be measured according to its designation: precious metals shall be measured at fair value, foreign currencies shall be translated to the reporting currency applying the closing exchange rate, other cash equivalents denominated in a different measure of exchange shall be recognized to the extent provided for this purpose at the closing date of financial statements, and temporary investments shall be presented at fair value. Cash and cash equivalents will be presented in the first line of assets, including restricted cash. This pronouncement was applied retrospectively, causing an increase in the cash balances reported as a result of the treatment of presentation of restricted cash, which was reclassified from "other current assets" for the amount of Ps. 394 at December 31, 2010 (see Note 4 B).

h) Interpretation to Mexican Financial Reporting Standards ("Interpretación a las Normas de Información Financiera") or "INIF 19", "Accounting Change as a Result of IFRS Adoption":

On September 30, 2010, INIF 19 "Accounting change as a result of IFRS adoption" was issued. INIF 19 states disclosure requirements for: (a) financial statements based on Mexican FRS that were issued before IFRS adoption and (b) financial statements on Mexican FRS that are issued during IFRS adoption process. The adoption of this INIF, resulted in additional disclosures regarding IFRS adoption, such as date of adoption, significant financial impact, significant changes in accounting policies, and others (see Note 26).

i) NIF B-7, "Business Combinations":

In 2009, the Company adopted NIF B-7 "Business Combinations," which is an amendment to the previous Bulletin B-7 "Business Acquisitions." NIF B-7 establishes general rules for recognizing the fair value of net assets of businesses acquired as well as the fair value of non-controlling interests, at the purchase date. This statement differs from the previous Bulletin B-7 in the following: a) To recognize all assets and liabilities acquired at their fair value, including the non-controlling interest based on the acquirer accounting policies, b) acquisition-related costs and restructuring expenses should not be part of the purchase price, and c) changes to tax amounts recorded in acquisitions must be recognized as part of the income tax provision. This pronouncement was applied prospectively to business combinations for which the acquisition date was on or after January 1, 2009.

j) NIF C-7, "Investments in Associates and Other Permanent Investments":

NIF C-7 "Investments in Associates and Other Permanent Investments," establishes general rules of accounting recognition for the investments in associated and other permanent investments not jointly or fully controlled or that are significantly influenced by an entity. This pronouncement includes guidance to determine the existence of significant influence. Previous Bulletin B-8 "Consolidated and Combined Financial Statements and Assessment of Permanent Share Investments," defined that permanent share investments were accounted for by the equity method if the entity held 10% or more of its outstanding shares. NIF C-7 establishes that permanent share investments should be accounted for by equity method if: a) an entity holds 10% or more of a public entity, b) an entity holds 25% or more of a non-public company, or c) an entity has significant influence in its investment as defined in NIF C-7. The Company adopted NIF C-7 on January 1, 2009, and its adoption did not have a significant impact in its consolidated financial results.

k) NIF C-8, "Intangible Assets":

In 2009, the Company adopted NIF C-8 "Intangible Assets" which is similar to previous Bulletin C-8 "Intangible Assets." NIF C-8, establishes the rules of valuation, presentation and disclosures for the initial and subsequent recognition of intangible assets that are acquired either individually, through acquisition of an entity, or generated internally in the course of the entity's operations. This NIF considers intangible assets as non-monetary items, broadens the criteria of identification to include not only if they are separable (asset could be sold, transferred or used by the entity) but also whether they come from contractual or legal rights. NIF C-8 establishes that preoperative costs capitalized before this standard went into effect should have intangible assets characteristics, otherwise preoperative costs must be expensed as incurred. The impact of adopting NIF C-8 was a Ps. 182, net of deferred income tax, regarding prior years preoperative costs that did not have intangible asset characteristics, charged to January 1, 2009 retained earnings in the consolidated financial statements and is presented as a change in accounting principle in the consolidated statements of changes in stockholders' equity.

l) NIF D-8, "Share-Based Payments":

In 2009, the Company adopted NIF D-8 "Share-Based Payments" which establishes the recognition of share-based payments. When an entity purchases goods or pays for services with equity instruments, the NIF requires the entity to recognize those goods and services at fair value and the corresponding increase in equity. If the entity cannot determine the fair value of goods and services, it should determine if using an indirect method, based on fair value of the equity instruments. This pronouncement substitutes for the supplementary use of IFRS 2 "Share-Based Payments." The adoption of NIF D-8 did not impact the Company's financial statements.

m) NIF B-8, "Consolidated and Combined Financial Statements":

NIF B-8 "Consolidated and Combined Financial Statements," issued in 2008 amends Bulletin B-8 "Consolidated and Combined Financial Statements and Assessment of Permanent Share Investments." Prior Bulletin B-8 based its consolidation principle mainly on ownership of the majority voting capital stock. NIF B-8 differs from previous Bulletin B-8 in the following: a) defines control as the power to govern financial and operating policies, b) establishes that there are other facts, such as contractual agreements that have to be considered to determine if an entity exercises control or not, c) defines "Specific-Purpose Entity" ("SPE"), as those entities that are created to achieve a specific purpose and are considered within the scope of this pronouncement, d) establishes new terms as "controlling interest" instead of "majority interest" and "non-controlling interest" instead of "minority interest," and e) confirms that non-controlling interest must be assessed at fair value at the subsidiary acquisition date. NIF B-8 was applied prospectively, beginning on January 1, 2009. The amendment to the shareholders agreement described in Note 1, allowed the Company to continue to consolidate Coca-Cola FEMSA for Mexican FRS purposes during 2009.

Adoption of IFRS

The *Comisión Nacional Bancaria y de Valores* (Mexican National Banking and Securities Commission, or CNBV) announced that from 2012, all public companies listed in Mexico must report their financial information in accordance with International Financial Reporting Standards ("IFRS"). Since 2006, the CINIF (Mexican Board of Research and Development of Financial Reporting Standards) has been modifying Mexican Financial Reporting Standards in order to ensure their convergence with IFRS.

The Company will adopt IFRS beginning in January 1, 2012 with a transition date to IFRS of January 1, 2011. The consolidated financial statements of the Company for 2012 will be presented in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The SEC has previously changed its rules to allow foreign private issuers that report under IFRS as issued by the IASB to not reconcile their financial statements to Generally Accepted Accounting Principles in the United States of America (U.S. GAAP), (see Note 26).

3 Foreign Subsidiary Incorporation

The accounting records of foreign subsidiaries are maintained in local currency and in accordance with local accounting principles of each country. For incorporation into the Company's consolidated financial statements, each foreign subsidiary's individual financial statements are adjusted to Mexican FRS, and translated into Mexican pesos, as described as follows:

- For inflationary 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 balance sheets and income statements; and
- For non-inflationary economic environments, assets and liabilities are translated into Mexican pesos using the year-end exchange rate, stockholders' equity is translated into Mexican pesos using the historical exchange rate, and the income statement is translated using the average exchange rate of each month.

		Local Currencies to Mexican Pesos					
		Average Exchange Rate for			Exchange Rate as of December 31		
Country or Zone	Functional / Recording Currency	**2011**	2010	2009	**2011**	2010	2009
Mexico	Mexican peso	**Ps. 1.00**	Ps. 1.00	Ps. 1.00	**Ps. 1.00**	Ps. 1.00	Ps. 1.00
Guatemala	Quetzal	**1.60**	1.57	1.66	**1.79**	1.54	1.56
Costa Rica	Colon	**0.02**	0.02	0.02	**0.03**	0.02	0.02
Panama	U.S. dollar	**12.43**	12.64	13.52	**13.98**	12.36	13.06
Colombia	Colombian peso	**0.01**	0.01	0.01	**0.01**	0.01	0.01
Nicaragua	Cordoba	**0.55**	0.59	0.67	**0.61**	0.56	0.63
Argentina	Argentine peso	**3.01**	3.23	3.63	**3.25**	3.11	3.44
Venezuela [(1)]	Bolivar	**2.89**	2.97	6.29	**3.25**	2.87	6.07
Brazil	Reai	**7.42**	7.18	6.83	**7.45**	7.42	7.50
Euro Zone	Euro	**17.28**	16.74	18.80	**18.05**	16.41	18.81

[(1)] Equals 4.30 bolivars per one U.S. dollar in 2011 and 2010; and 2.15 bolivars per one U.S. dollar for 2009, translated to Mexican pesos applying the year-end exchange rate.

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

Beginning in 2010, the government of Venezuela announced the devaluation of the Bolivar (Bs). The official exchange rate of Bs 2.150 to the dollar, in effect since 2005, was replaced on January 8, 2010, with a dual-rate regime, which allows two official exchange rates, one for essential products of Bs 2.60 per U.S. dollar and other non-essential products of Bs 4.30 per U.S. dollar. According to this, the exchange rate used by the company to convert the information of the operation for this country changed from Bs 2.15 to 4.30 per U.S. dollar in 2010. As a result of this devaluation, the balance sheet of the Coca-Cola FEMSA Venezuelan subsidiary reflected a reduction in other comprehensive income (part of shareholder's equity) of Ps. 3,700 which was accounted for at the time of the devaluation in January 2010. 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 to us of raw materials purchased in local currency.

During December 2010, authorities of the Venezuelan Government announced the unification of their two fixed U.S. dollar exchange rates to Bs 4.30 per U.S. dollar, effective January 1, 2011. As a result of this change, the translation of balance sheet of the Coca-Cola FEMSA's Venezuelan subsidiary did not have an impact in shareholders' equity, since transactions performed by this subsidiary were already using the Bs 4.30 exchange rate.

Intercompany financing balances with foreign subsidiaries 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 are recorded in equity as part of cumulative translation adjustment, in cumulative other comprehensive income (loss).

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.

4 Significant Accounting Policies

The Company's accounting policies are in accordance with Mexican FRS, which require that the Company's management make certain estimates and use certain assumptions to determine the valuation of various items included in the consolidated financial statements. The Company's management believes that the estimates and assumptions used were appropriate as of the date of these consolidated financial statements. However actual results are subject to future events and uncertainties, which could materially impact the Company's actual performance.

The significant accounting policies are as follows:

a) Recognition of the Effects of Inflation in Countries with Inflationary Economic Environment:
NIF B-10 establishes two types of inflationary environments: a) inflationary economic environment; this is when cumulative inflation of the three preceding years is 26% or more. In such case, inflation effects are recognized in the financial statements by applying the integral method and the recognized restatement effects for inflationary economic environments is made starting in the period that the entity becomes inflationary; and b) non-inflationary economic environment; this is when cumulative inflation of the three preceding years is less than 26%. In such case, no inflationary effects are recognized in the financial statements, keeping the recognized restatement effects from the last period in which the inflationary accounting was applied.

The Company recognizes the effects of inflation in the financial information of its subsidiaries that operate in inflationary economic environments through the integral method, which consists of:

- Using inflation factors to restate non-monetary assets such as inventories, investments in process, property, plant and equipment, intangible assets, including related costs and expenses when such assets are consumed or depreciated. The imported assets are recorded using the exchange rate of the acquisition date, and are restated using the inflation factors of the country where the asset is acquired for inflationary economic environments;
- Applying the appropriate inflation factors to restate capital stock, additional paid-in capital, retained earnings and the cumulative other comprehensive income/loss by the necessary amount to maintain the purchasing power equivalent in Mexican pesos on the dates such capital was contributed or income was generated up to the date these consolidated financial statements are presented; and
- Including in the Comprehensive Financing Result the gain or loss on monetary position (see Note 4 T).

The Company restates the financial information of its subsidiaries that operate in inflationary economic environments using the consumer price index of each country.

The operations of the Company are classified as follows considering the cumulative inflation of the three preceding years of 2011. The following classification was also applied for the 2010 period:

	Inflation Rate			Cumulative Inflation	Type of
	2011	2010	2009	2010-2008	Economy
Mexico	**3.8%**	4.4%	3.6%	15.2%	Non-Inflationary
Guatemala	**6.2%**	5.4%	(0.3)%	15.0%	Non-Inflationary
Colombia	**3.7%**	3.2%	2.0%	13.3%	Non-Inflationary
Brazil	**6.5%**	5.9%	4.1%	17.4%	Non-Inflationary
Panama	**6.3%**	4.9%	1.9%	14.1%	Non-Inflationary
Euro Zone	**2.7%**	2.2%	0.9%	4.3%	Non-Inflationary
Argentina	**9.5%**	10.9%	7.7%	28.1%	Inflationary
Venezuela	**27.6%**	27.2%	25.1%	108.2%	Inflationary
Nicaragua [1]	**7.6%**	9.2%	0.9%	25.4%	Inflationary
Costa Rica [1]	**4.7%**	5.8%	4.0%	25.4%	Inflationary

[1] Costa Rica and Nicaragua have been considered inflationary economies in 2009, 2010 and 2011. While the cumulative inflation for 2008-2010 was less than 26%, inflationary trends in these countries continue to support this classification.

b) Cash and Cash Equivalents and Investments:

Cash and Cash Equivalents:

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

		2011		2010
Mexican pesos	**Ps.**	**7,642**	Ps.	11,207
U.S. dollars		**13,752**		12,652
Brazilian reais		**1,745**		1,792
Euros		**785**		531
Venezuelan bolivars		**1,668**		460
Colombian pesos		**471**		213
Argentine pesos		**131**		153
Others		**135**		89
	Ps.	**26,329**	Ps.	27,097

As of December 31, 2011 and 2010, the Company has restricted cash which is pledged as collateral of accounts payable in different currencies as follows:

		2011		2010
Venezuelan bolivars	**Ps.**	**324**	Ps.	143
Argentine pesos		**-**		2
Brazilian reais		**164**		249
	Ps.	**488**	Ps.	394

As of December 31, 2011 and 2010, cash equivalents amounted to Ps. 17,908 and Ps. 19,770, respectively.

Investments:

Investments consist of debt securities and bank deposits with maturities more than three months. Management determines the appropriate classification of investments of the time of purchase and reevaluates such designation as of each balance date. As of December 31, 2011 and 2010 investments are classified as available-for-sale and held-to maturity.

Available-for-sale 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.

Held-to maturity investments are those that the Company has the positive intent and ability to hold to maturity, and are carried at acquisition cost which includes any cost of purchase and premium or discount related to the investment which is amortized over the life of the investment based on its outstanding balance. Interest and dividends on investments classified as held-to maturity are included in interest income. 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.

Available-for-Sale Debt Securities		**2011**		2010
Acquisition cost	**Ps.**	**326**	Ps.	66
Unrealized gross gain		**4**		-
Fair value	**Ps.**	**330**	Ps.	66

Held-to Maturity [(1)] Bank Deposits				
Acquisition cost	**Ps.**	**993**	Ps.	-
Accrued interest		**6**		-
Amortized cost	**Ps.**	**999**	Ps.	-
Total investments	**Ps.**	**1,329**	Ps.	66

(1) Investments contracted in euros at a fixed interest rate and maturing on April 2, 2012.

c) Accounts Receivable:
Accounts receivable representing exigible rights arising from sales, services and loans to employees or any other similar concept, are measured at their realizable value and are presented net of discounts and allowance for doubtful accounts.

Allowance for doubtful accounts is based on an evaluation of the aging of the receivable portfolio and the economic situation of the Company's clients, as well as the Company's historical loss rate on receivables and the economic environment in which the Company operates. The carrying value of accounts receivable approximates its fair value as of both December 31, 2011 and 2010.

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 (see Note 4 L).

d) Inventories and Cost of Sales:
Inventories are measured at the lower of cost or net realizable value.

The cost of inventories is based on the weighted average cost formula and 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.

Cost of sales based on average cost is determined based on the average amount of the inventories at the time of sale. Cost of sales includes expenses related to raw materials used in the production process, labor cost (wages and other benefits), depreciation of production facilities, equipment and other costs such as fuel, electricity, breakage of returnable bottles in the production process, equipment maintenance, inspection and plant transfer costs.

e) Other Current Assets:
Other current assets are comprised of payments for goods and services whose inherent risks and benefits have not been transferred to the Company and that will be received over the next 12 months, the fair market value of derivative financial instruments with maturity dates of less than one year (see Note 4 U), and long-lived assets available for sale that will be sold within the following year.

Prepaid expenses principally consist of advances to suppliers of raw materials, advertising, promotional, leasing and insurance expenses, and are recognized in the appropriate balance sheet or income statement caption when the risks and benefits have already been transferred to the Company and/or goods, services or benefits are received.

Advertising costs consist of television and radio advertising airtime paid in advance, and is generally amortized over a 12-month period based on the transmission of the television and radio spots. The related production costs are recognized in income from operations the first time the advertising is broadcasted.

Promotional expenses are recognized as incurred, except for those promotional costs related to the launching of new products or presentations before they are on the market. These costs are recorded as prepaid expenses and amortized over the period during which they are estimated to increase sales of the related products or container presentations to normal operating levels, which is generally no longer than one year.

The long-lived assets available-for-sale are recorded at the lower of cost or net realizable value. Long-lived assets are subject to impairment tests (see Note 8).

f) Capitalization of Comprehensive Financing Result:
Comprehensive financing result directly attributable to qualifying assets has to be capitalized as part of acquisition cost, except for interest income obtained from temporary investments while the entity is waiting to invest in the qualifying asset. Comprehensive financing result of long-term financing clearly linked to qualifying assets is capitalized directly. When comprehensive financing result of direct or indirect financing is not clearly linked to qualifying assets, the Company capitalizes the proportional comprehensive financing result attributable to those qualifying assets by the weighted average interest rate of each business, including the effects of derivative financial instruments related to that financing.

g) Investments in Shares:

Investments in shares of associated companies where the Company holds 10% or more of a public company, 25% or more of a non-public company, or exercises significant influence according to NIF C-7 (see Note 2 J), are initially recorded at their acquisition cost as of acquisition date and are subsequently accounted for by the equity method. In order to apply the equity method from associates, the Company uses the investee's financial statements for the same period as the Company's consolidated financial statements and converts them to Mexican FRS if the investee reports financial information in a different GAAP. Equity method income from associates is presented in the consolidated income statements as part of the income from continuing operations.

Goodwill identified at the investment's acquisition date is presented as part of the investment of shares of an associate in the consolidated balance sheet.

On May 1, 2010, the Company started to account for its 20% interest in Heineken Group under the equity method (see Notes 5 B and 9). Heineken is an international company which prepares its information based on International Financial Reporting Standards (IFRS). The Company has analyzed differences between Mexican FRS and IFRS to reconcile Heineken's net controlling interest income and comprehensive income as required by NIF C-7, in order to estimate the impact on its figures.

Investments in affiliated companies in which the Company does not have significant influence are recorded at acquisition cost and restated using the consumer price index if that entity operates in an inflationary economic environment.

h) Property, Plant and Equipment:

Property, plant and equipment are initially recorded at their cost of acquisition and/or construction. The comprehensive financing result 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. Property, plant and equipment also may include costs of dismantling and removing the items and restoring the site on which they are located. In 2011 bottles and cases are also part of property, plant and equipment and 2010 has been also aggregated to conform this presentation.

Investments in fixed assets in progress consist of property, plant and equipment 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 acquisition cost, reduced by their residual values. 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, which along with residual value is reviewed, and modified if appropriate, at each financial year-end.

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

	Years
Buildings	40-50
Machinery	12-20
Distribution equipment	10-12
Refrigeration equipment	5-7
Returnable bottles	1.5-4
Information technology equipment	3-5

Returnable and Non-Returnable Bottles:

The Company has two types of bottles: returnable and non-returnable.

- Non returnable: Are recorded in the results of operations at the time of product sale.
- Returnable: Are classified as long-lived assets as a component of property, plant and equipment.

Returnable bottles are recorded at acquisition cost, and for countries with inflationary economy they are restated by applying inflation factors as of the balance sheet date, according to NIF B-10.

There are two types of returnable bottles:

- Those that are in the Company's control within its facilities, plants and distribution centers; and
- Those that have been placed in the hands of customers, but still belong to the Company.

Depreciation of returnable bottles is computed using the straight-line method over acquisition cost. The Company estimates depreciation rates considering their estimated useful lives.

Returnable bottles that have been placed in the hands of customers are subject to an agreement with a retailer pursuant to which the Company retains ownership. These bottles are monitored by sales personnel during periodic visits to retailers and the Company 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.

The Company's returnable bottles in the market and for which a deposit from customers has been received are presented net of such deposits, and the difference between the cost of these assets and the deposits received is depreciated according to their useful lives.

Leasing Contracts:

The Company leases assets such as property, land, and transportation, machinery and computer equipments.

Leases are capitalized if: i) the contract transfers ownership of the leased asset to the lessee at the end of the lease, ii) the contract contains an option to purchase the asset at a bargain purchase price, iii) the lease period is substantially equal to the remaining useful life of the leased asset or iv) the present value of future minimum payments at the inception of the lease is substantially equal to the market value of the leased asset, net of any residual value.

When the inherent risks and benefits of a leased asset remains substantially with the lessor, leases are classified as operating and rent is charged to results of operations as incurred.

i) Other Assets:

Other assets represent payments whose benefits will be received in future years and mainly consist of the following:

- Agreements with customers for the right to sell and promote the Company's products during certain periods of time, which are considered monetary assets and amortized under the straight-line method over the life of the contract.

  The amortization is recorded reducing net sales, which during years ended December 31, 2011, 2010 and 2009, amounted to Ps. 803, Ps. 553 and Ps. 604, respectively.

- Leasehold improvements are amortized using the straight-line method, over the shorter of the useful life of the assets and the period of the lease. The amortization of leasehold improvements as of December 31, 2011, 2010 and 2009 were Ps. 590, Ps. 518 and Ps. 471, respectively.

j) Intangible Assets:

Intangible assets represent payments whose benefits will be received in future years. These assets are classified as either intangible assets with a finite useful life or intangible assets with an indefinite useful life, in accordance with the period over which the Company is expected to receive the benefits.

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

- Information technology and management systems costs incurred during the development stage which are currently in use. Such amounts were capitalized and then amortized using the straight-line method over the useful life of those assets. Expenses that do not fulfill the requirements for capitalization are expensed as incurred.
- Other computer systems cost in the development stage, not yet in use. Such amounts are capitalized as they are expected to add value such as income or cost savings in the future. Such amounts will be amortized on a straight-line basis over their estimated useful life after they are placed in service.
- Long-term alcohol licenses are amortized using the straight-line method, and are presented as part of intangible assets of finite useful life.

Intangible assets with indefinite lives are not amortized and are subject to annual impairment tests or more frequently if necessary. These assets are recorded in the functional currency of the subsidiary in which the investment was made and are subsequently translated into Mexican pesos applying the closing rate of each period. Where inflationary accounting is applied, the intangible assets are restated applying inflation factors of the country of origin and then translated into Mexican pesos at the year-end exchange rate. The Company's intangible assets with indefinite lives mainly consist of rights to produce and distribute Coca-Cola trademark products in the territories acquired. These rights are contained in agreements that are standard contracts that The Coca-Cola Company has with its bottlers.

There are seven bottler agreements for Coca-Cola FEMSA's territories in Mexico; two expire in June 2013, two expire in May 2015 and additionally three contracts that arose from the merger with Grupo Tampico and CIMSA, expire in September 2014, April and July 2016. The bottler agreement for Argentina expires in September 2014, for Brazil expires in April 2014, in Colombia in June 2014, in Venezuela in August 2016, in Guatemala in March 2015, in Costa Rica in September 2017, in Nicaragua in May 2016 and in Panama in November 2014. All of the Company's bottler agreements are automatically renewable for ten-year terms, subject to the right of each party to decide not to renew any of these agreements. In addition, these agreements generally may be terminated in the case of material breach. Termination would prevent Coca-Cola FEMSA from selling Coca-Cola trademark beverages in the affected territory and would have an adverse effect on its business, financial conditions, results from operations and prospects.

Goodwill represents the excess of the acquisition cost over the fair value of the Company's share in identifiable net assets on the acquisition date. It equates to synergies both existing in the acquired operations and those further expected to be realized upon integration. Goodwill is recognized separately and is carried at cost, less accumulated impairment losses.

k) Impairment of Investments in Shares, Long-Lived Assets and Goodwill:

The Company reviews the carrying value of its long-lived assets and goodwill for impairment and determines whether impairment exists, by comparing the book value of the assets with its fair value which is calculated using recognized methodologies. In case of impairment, the Company records the resulting fair value.

For depreciable and amortizable long-lived assets, such as property, plant and equipment and certain other definite long lived assets, the Company performs tests 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 their expected future cash flows.

For indefinite life intangible assets, such as distribution rights and trademarks, the Company tests for impairment on an annual basis and whenever certain circumstances indicate that the carrying amount of those intangible assets exceeds its implied fair value calculated using recognized methodologies consistent with them.

For goodwill, the Company tests for impairment on an annual basis and whenever certain circumstances indicate that the carrying amount of the reporting unit might exceed its implied fair value.

For investments in shares, including its goodwill, the Company performs impairment tests whenever certain events or changes in circumstances indicate that the carrying amount may exceed fair value. When the events or circumstances are considered by the Company as an evidence of impairment that is other than temporary, a loss in value is recognized. Impairment charges regarding long-lived assets and goodwill are recognized in other expenses and charges regarding investments in shares are recognized as a decrease in the equity income method of the period.

Impairments regarding amortizable and indefinite life intangible assets are presented in Note 11. No impairment was recognized regarding to depreciable long-lived assets, goodwill nor investments in shares.

l) Payments from The Coca-Cola Company:
The Coca-Cola Company participates in certain advertising and promotional programs as well as in Coca-Cola FEMSA's refrigeration equipment and returnable bottles investment program. The contributions received for advertising and promotional incentives are included as a reduction of selling expenses. The contributions received for the refrigeration equipment and returnable bottles investment program are recorded as a reduction of the investment in refrigeration equipment and returnable bottles. Total contributions received were Ps. 2,561, Ps. 2,386 and Ps. 1,945 during the years ended December 31, 2011, 2010 and 2009, respectively.

m) Employee Benefits:
Employee benefits include obligations for pension and retirement plans, seniority premiums, postretirement medical services and severance indemnity liabilities other than restructuring, all based on actuarial calculations, using the projected unit credit method. Costs related to compensated absences, such as vacations and vacation premiums, are recognized on an accrual basis.

Employee benefits are considered to be non-monetary and are determined using long-term assumptions. The yearly cost of employee benefits is charged to income from operations and labor cost of past services is recorded as expenses over the remaining working life period of the employees.

Certain subsidiaries of the Company have established funds for the payment of pension benefits, seniority premiums and postretirement medical services through irrevocable trusts of which the employees are named as beneficiaries.

n) Contingencies:
The Company recognizes a liability for a loss when it is probable that certain effects related to past events, would materialize and could be reasonably estimated. These events and its financial impact are disclosed as loss contingencies in the consolidated financial statements and include penalties, interests and any other charge related to contingencies. The Company does not recognize an asset for a gain contingency unless it is certain that will be collected.

o) Commitments:
The Company discloses all its commitments regarding material long-lived assets acquisitions, and all contractual obligations (see Note 24 F).

p) Revenue Recognition:
Revenue is recognized in accordance with stated shipping terms, as follows:

- For Coca-Cola FEMSA sales of products are recognized as revenue upon delivery to the customer and once the customer has taken ownership of the goods. 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 products of Coca-Cola FEMSA; and
- For FEMSA Comercio retail sales, net revenues are recognized when the product is delivered to customers, and customers take possession of products.

During 2007 and 2008, Coca-Cola FEMSA sold certain of its private label brands to The Coca-Cola Company. Proceeds received from The Coca-Cola Company were initially deferred and are being amortized against the related costs of future product sales over the estimated period of such sales. The balance of unearned revenues as of December 31, 2011 and 2010 amounted to Ps. 302 and Ps. 547, respectively. The short-term portions of such amounts which are presented as other current liabilities, amounted Ps. 197 and Ps. 276 at December 31, 2011 and 2010, respectively.

q) Operating Expenses:
Operating expenses are comprised of administrative and selling expenses. Administrative expenses include labor costs (salaries and other benefits) of employees not directly involved in the sale of the Company's products, as well as professional service fees, depreciation of office facilities and amortization of capitalized information technology system implementation costs.

Selling expenses include:

- Distribution: labor costs (salaries and other benefits); outbound freight costs, warehousing costs of finished products, breakage of returnable bottles in the distribution process, depreciation and maintenance of trucks and other distribution facilities and equipment. For the years ended December 31, 2011, 2010 and 2009, these distribution costs amounted to Ps. 15,125, Ps. 12,774 and Ps. 13,395, respectively;

- Sales: labor costs (salaries and other benefits) and sales commissions paid to sales personnel; and
- Marketing: labor costs (salaries and other benefits), promotional expenses and advertising costs.

r) Other Expenses:

Other expenses include Employee Profit Sharing ("PTU"), gains or losses on disposals of long-lived assets, impairment of long-lived assets, contingencies reserves as well as their subsequent interest and penalties, severance payments derived from restructuring programs and all other non-recurring expenses related to activities different from the main activities of the Company that are not recognized as part of the comprehensive financing result.

PTU is applicable to Mexico and Venezuela. 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 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. 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.

According to the assets and liabilities method described in NIF D-4 Income Taxes, the Company does not expect relevant deferred items to materialize. As a result, the Company has not recognized deferred employee profit sharing as of either December 31, 2011, 2010 or 2009.

Severance indemnities resulting from a restructuring program and associated with an ongoing benefit arrangement are charged to other expenses on the date when the Company has made the decision to dismiss personnel under a formal program or for specific causes.

s) Income Taxes:

Income tax is charged to results as incurred, as are deferred income taxes. For purposes of recognizing the effects of deferred income taxes in the consolidated financial statements, the Company utilizes both retrospective and prospective analysis over the medium term when more than one tax regime exists per jurisdiction and recognizes the amount based on the tax regime it expects to be subject to, in the future. Deferred income taxes assets and liabilities are recognized for temporary differences resulting from comparing the book and tax values of assets and liabilities plus any future benefits from tax loss carryforwards. Deferred income tax assets are reduced by any benefits for which it is more likely than not that they are not realizable.

The balance of deferred taxes is comprised of monetary and non-monetary items, based on the temporary differences from which it is derived. Deferred taxes are classified as a long-term asset or liability, regardless of when the temporary differences are expected to reverse.

The Company determines deferred taxes for temporary differences of its permanent investments.

The deferred tax provision to be included in the income statement is determined by comparing the deferred tax balance at the end of the year to the balance at the beginning of the year, excluding from both balances any temporary differences that are recorded directly in stockholders' equity. The deferred taxes related to such temporary differences are recorded in the same stockholders' equity account that gave rise to them.

t) Comprehensive Financing Result:

Comprehensive financing result includes interest, foreign exchange gain and losses, market value gain or loss on ineffective portion of derivative financial instruments and gain or loss on monetary position, except for those amounts capitalized and those that are recognized as part of the cumulative comprehensive income (loss). The components of the Comprehensive Financing Result are described as follows:

- Interest: Interest income and expenses are recorded when earned or incurred, respectively, except for interest capitalized on the financing of long-term assets;
- Foreign Exchange Gains and Losses: Transactions in foreign currencies are recorded in local currencies using the exchange rate applicable on the date they occur. Assets and liabilities in foreign currencies are adjusted to the year-end exchange rate, recording the resulting foreign exchange gain or loss directly in the income statement, except for the foreign exchange gain or loss from the intercompany financing foreign currency denominated balances that are considered to be of a long-term investment nature and the foreign exchange gain or loss from the financing of long-term assets (see Note 3);
- Gain or Loss on Monetary Position: The gain or loss on monetary position results from the changes in the general price level of monetary accounts of those subsidiaries that operate in inflationary environments (see Note 4 A), which is determined by applying inflation factors of the country of origin to the net monetary position at the beginning of each month and excluding the intercompany financing in foreign currency that is considered as long-term investment because of its nature (see Note 3), as well as the gain or loss on monetary position from long-term liabilities to finance long-term assets, and
- Market Value Gain or Loss on Ineffective Portion of Derivative Financial Instruments: Represents the net change in the fair value of the ineffective portion of derivative financial instruments, the net change in the fair value of those derivative financial instruments that do not meet hedging criteria for accounting purposes; and the net change in the fair value of embedded derivative financial instruments.

u) Derivative Financial Instruments:

The Company is exposed to different risks related to cash flows, liquidity, market and credit. As a result the Company contracts in different derivative financial instruments in order to reduce its exposure to the risk of exchange rate fluctuations between the Mexican peso and other currencies, the risk of exchange rate 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, including certain derivative financial instruments embedded in other contracts, in the balance sheet 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, recognized in the financial sector. 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 (loss), based on the item being hedged and the ineffectiveness of the hedge.

As of December 31, 2011 and 2010, the balance in other current assets of derivative financial instruments was Ps. 511 and Ps. 24 (see Note 8), and in other assets Ps. 850 and Ps. 708 (see Note 12), respectively. The Company recognized liabilities regarding derivative financial instruments in other current liabilities of Ps. 69 and Ps. 41 (see Note 24 A), as of the end of December 31, 2011 and 2010, respectively, and other liabilities of Ps. 565 and Ps. 653 (see Note 24 B) for the same periods.

The Company designates its financial instruments as cash flows hedges at the inception of the hedging relationship when transactions meet all hedging accounting requirements. For cash flows hedges, the effective portion is recognized temporarily in cumulative other comprehensive income (loss) within stockholders' equity and subsequently reclassified to current earnings at the same time the hedged item is recorded in earnings. When derivative financial instruments do not meet all of the accounting requirements for hedging purposes, the change in fair value is immediately recognized in net income. For fair value hedges, the changes in the fair value are recorded in the consolidated results in the period the change occurs as part of the market value gain or loss on ineffective portion of derivative financial instruments.

The Company identifies embedded derivatives that should be segregated from the host contract for purposes of valuation and recognition. When an embedded derivative is identified and the host contract has not been stated at fair value, the embedded derivative is segregated from the host contract, stated at fair value and is classified as trading. Changes in the fair value of the embedded derivatives at the closing of each period are recognized in the consolidated results.

v) Cumulative Other Comprehensive Income (OCI):
The cumulative other comprehensive income represents the period net income as described in NIF B-3 "Income Statement," plus the cumulative translation adjustment resulted from translation of foreign subsidiaries and associates to Mexican pesos and the effect of unrealized gain/loss on cash flows hedges from derivative financial instruments.

		2011		2010
Unrealized gain on cash flows hedges	**Ps.**	**367**	Ps.	140
Cumulative translation adjustment		**5,463**		6
	Ps.	**5,830**	Ps.	146

The changes in the cumulative translation adjustment ("CTA") were as follows:

		2011		2010		2009
Initial balance	**Ps.**	**6**	Ps.	2,894	Ps.	(826)
Recycling of CTA from FEMSA Cerveza business (see Note 5 B)		**-**		(1,418)		-
Gain (loss) translation effect		**5,436**		(3,031)		2,183
Foreign exchange effect from intercompany long-term loans		**21**		1,561		1,537
Ending balance	**Ps.**	**5,463**	Ps.	6	Ps.	2,894

The changes in the deferred income tax from the cumulative translation adjustment amounted to a provision of Ps. 2,779 and a credit of Ps. 352 for the years ended December 2011 and 2010, respectively (see Note 23 C).

w) Provisions:
Provisions are recognized for obligations that result from a past event that will probably result in the use of economic resources and that can be reasonably estimated. Such provisions are recorded at net present values when the effect of the discount is significant. The Company has recognized provisions regarding contingencies and vacations in the consolidated financial statements.

x) Issuances of Subsidiary Stock:
The Company recognizes issuances of a subsidiary's stock as a capital transaction. The difference between the book value of the shares issued and the amount contributed by the non-controlling interest holder or a third party is recorded as additional paid-in capital.

y) Earnings per Share:
Earnings per share are determined by dividing net controlling interest income by the average weighted number of shares outstanding during the period.

Earnings per share before discontinued operations are calculated by dividing consolidated net income before discontinued operations by the average weighted number of shares outstanding during the period.

Earnings per share from discontinued operations are calculated by dividing net income from discontinued operations plus income from the exchange of shares with Heineken, net of taxes, by the average weighted number of shares outstanding during the period.

z) Information by Segment:

The analytical information by segment is presented considering the business units (Subholding Companies as defined in Note 1) and geographic areas in which the Company operates, which is consistent with the internal reporting presented to the Chief Operating Decision Maker, which is considered to be the main authority of the entity. A segment is a component of the Company that engages in business activities from which it earns or is in the process of obtaining revenues, and incurs in the related costs and expenses, including revenues and 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 to make decisions about resources to be allocated to the segment and to assess its performance, and for which financial information is available.

The main indicators used by the Chief Operating Decision Maker to evaluate performance of the Company in each segment are its income from operations and cash flow from operations before changes in working capital and provisions, which the Company defined as the result of subtracting cost of sales and operating expenses from total revenues and income from operations plus depreciation and amortization, respectively. Inter-segment transfers or transactions are entered and presented into 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 table in Note 25. Unallocated results items comprise other expenses, net and other net finance expenses (see Note 25).

5 Acquisitions and Disposals

a) Acquisitions:

Coca-Cola FEMSA made certain business acquisitions that were recorded using the purchase method. The results of the acquired operations have been included in the consolidated financial statements since Coca-Cola FEMSA obtained control of acquired businesses as disclosed below. Therefore, the consolidated income statements and the consolidated balance sheets in the years of such acquisitions are not comparable with previous periods. The consolidated cash flows for the years ended December 31, 2011 and 2009 show the acquired operations net of the cash related to those acquisitions. In 2010 the Company did not have any significant business combinations.

i) On October 10, 2011, Coca-Cola FEMSA completed the acquisition of 100% of Administradora de Acciones del Noreste, S.A. de C.V. ("Grupo Tampico") 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. This acquisition was made so as to reinforce the Coca-Cola FEMSA's leadership position in Mexico and Latin America. The transaction involved: (i) the issuance of 63,500,000 shares of previously unissued Coca-Cola FEMSA L shares, and (ii) the assumption of previous intercompany debt 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 123.27 per share on October 10, 2011. Transaction related costs of Ps. 20 were expensed by the Coca-Cola FEMSA as incurred as required by Mexican FRS, and recorded as a component of administrative expenses in the accompanying consolidated statements of income. Grupo Tampico was included in operating results from October, 2011.

The Coca-Cola FEMSA's preliminary estimate of fair value of the Grupo Tampico's net assets acquired is as follows:

Total current assets, including cash acquired of Ps. 22	Ps.	461
Total non-current assets		2,529
Distribution rights		4,800
Goodwill		3,278
Total assets		11,068
Debt		(2,436)
Other liabilities		(804)
Total liabilities		(3,240)
Net assets acquired		7,828
Consideration transfered through issuance of shares	Ps.	7,828
Debt paid by Coca-Cola FEMSA		2,436
Total purchase price		10,264

Coca-Cola FEMSA's purchase price allocation is preliminary in nature in that its estimation of the fair value of distribution rights is pending receipt of final valuation reports by a third-party valuation experts. To date, only draft reports have been received.

The condensed income statement of Grupo Tampico for the period from October 10 to December 31, 2011 is as follows:

Income Statement

Total revenues	Ps.	1,056
Income from operations		117
Income before taxes		43
Net income	Ps.	31

ii) On December 9, 2011, Coca-Cola FEMSA completed the acquisition of 100% of Corporación de los Angeles, S.A. de C.V. ("Grupo CIMSA"), 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, Mexico. This acquisition was also made so as to reinforce the Coca-Cola FEMSA's leadership position in Mexico and Latin America. The transaction involved the issuance of 75,423,728 shares of previously unissued Coca-Cola FEMSA L shares along with the 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 the Coca-Cola FEMSA as incurred as required by Mexican FRS, and recorded as a component of administrative expenses in the accompanying consolidated statements of income. Grupo CIMSA was included in operating results from December 2011.

Coca-Cola FEMSA, preliminary estimate of fair value of Grupo CIMSA's net assets acquired is as follows:

Total current assets, including cash acquired of Ps. 188	Ps.	737
Total non-current assets		2,802
Distribution rights		6,228
Goodwill		1,936
Total assets		11,703
Total liabilities		(586)
Net assets acquired		11,117
Consideration transfered through issuance of shares	Ps	9,017
Cash paid by Coca-Cola FEMSA		2,100
Total purchase price		11,117

Coca-Cola FEMSA's purchase price allocation is preliminary in nature in that its estimation of the fair value of property and equipment and distribution rights is pending receipt of final valuation reports by a third-party valuation experts. To date, only draft reports have been received.

The condensed income statement of Grupo CIMSA for the period from December 12, to December 31, 2011 is as follows:

Total revenues	Ps.	429
Income from operations		60
Income before taxes		32
Net income	Ps.	23

iii) On February 27, 2009, Coca-Cola FEMSA, along with The Coca-Cola Company, completed the acquisition of certain assets of the Brisa bottled water business in Colombia. This acquisition was made so as to strengthen Coca-Cola FEMSA's position in the local water business in Colombia. The Brisa bottled water business was previously owned by a subsidiary of SABMiller. Terms of the transaction called for an initial purchase price of $92, of which $46 was paid by Coca-Cola FEMSA and $46 by The Coca-Cola Company. The Brisa brand and certain other intangible assets were acquired by The Coca-Cola Company, while production related property and equipment and inventory was acquired by Coca-Cola FEMSA. Coca-Cola FEMSA also acquired the distribution rights over Brisa products in its Colombian territory. In addition to the initial purchase price, contingent purchase consideration also existed related to the net revenues of the Brisa bottled water business subsequent to the acquisition. The total purchase price incurred by Coca-Cola FEMSA was Ps. 730, consisting of Ps. 717 in cash payments, and accrued liabilities of Ps. 13. Transaction related costs were expensed by Coca-Cola FEMSA as incurred, as required by Mexican FRS. Following a transition period, Brisa was included in Coca-Cola FEMSA's operating results beginning June 1, 2009.

The estimated fair value of Brisa's net assets acquired by Coca-Cola FEMSA is as follows:

Production related property and equipment, at fair value	Ps.	95
Distribution rights, at fair value, with an indefinite life		635
Net assets acquired / purchase price	Ps.	730

Brisa's results operation for the period from the acquisition through December 31, 2009 were not material to our consolidated results of operations.

iv) 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 acquisitions of Grupo Tampico and Grupo CIMSA mentioned in the preceding paragraphs; and (ii) certain accounting adjustments mainly related to the pro forma depreciation of fixed assets of the acquired companies.

The unaudited pro forma adjustments assume that the acquisitions were made at the beginning of the year immediately preceding the year of acquisition, and are based upon available information and other assumptions that management considers reasonable. The pro forma financial information data does not purport to represent what the effect on the Company's consolidated operations would have been for each year, had the transactions in fact occurred on January 1, 2010, nor are they intended to predict the Company's future results of operations.

	FEMSA unaudited pro forma consolidated results for the years ended December 31,			
		2011		2010
Total revenues	**Ps.**	**212,264**	Ps.	177,857
Income before income taxes		**29,296**		24,268
Consolidated net income before discontinued operations		**21,319**		18,389
Net controlling interest income before discontinued operations per share Series "B"		**0.77**		0.66
Net controlling interest income before discontinued operations per share Series "D"		**0.96**		0.82

b) Disposals:

i) On April 30, 2010 FEMSA exchanged 100% of FEMSA Cerveza, the beer business unit, for 20% economic interest in Heineken. Under the terms of the agreement, FEMSA exchanged its beer business and received 43,018,320 shares of Heineken Holding N.V., and 72,182,203 shares of Heineken N.V., of which 29,172,504 will be delivered pursuant to an allotted share delivery instrument ("ASDI"). Those shares are considered in substance common stock due to its similarity to common stock, such as rights to receive the same dividends as any other share. Under the ASDI, it was expected that the allotted shares would be acquired by Heineken in the secondary market for delivery to FEMSA over a term not to exceed five years. As of December 31, 2011, the process of delivery of all shares has been completed (and 10,240,553 shares had been delivered to the Company as of December 31, 2010) (see Note 9).

The total transaction was valued approximately at $7,347, net of assumed debt of $2,100, based on shares closing prices of € 35.18 for Heineken N.V., and € 30.82 for Heineken Holding N.V. on April 30, 2010. The Company recorded a net gain after taxes that amounted to Ps. 26,623 which is the difference between the fair value of the consideration received and the book value of FEMSA Cerveza as of April 30, 2010; a deferred income tax of Ps. 10,379 (see "Income from the exchange of shares with Heineken, net of taxes" in the consolidated income statements and Note 23 C), and recycling Ps. 525 (see consolidated statements of changes in stockholders' equity) from other comprehensive income which are integrated of Ps.1,418 accounted as a gain of cumulative translation adjustment and Ps. 893 as a mark to market loss on derivatives in cumulative comprehensive loss. Additionally, the Company maintained a loss contingency of Ps. 560 as of December 31, 2010, regarding the indemnification accorded with Heineken over FEMSA Cerveza prior tax contingencies. This contingency amounted to Ps. 445 as of December 31, 2011 and Ps. 113 has been reclassified to other current liabilities (see Note 24 B).

As of the date of the exchange, the Company lost control over FEMSA Cerveza and stopped consolidating its financial information and accounted for the 20% economic interest of Heineken acquired by the purchase method as established in NIF C-7 "Investments in Associates and Other Permanent Investments." Subsequently, this investment in shares has been accounted for by the equity method, because of the Company's significant influence.

After purchase price adjustments, the Company identified intangible assets of indefinite and finite life brands and goodwill that amounted to € 14,074 million and € 1,200 million respectively and increased certain operating assets and liabilities to fair value, which are presented as part of the investment in shares of Heineken within the consolidated financial statement.

The fair values of the proportional assets acquired and liabilities assumed as part of this transaction are as follows:

In millions of euros	Heineken Figures at Fair Value	Fair Value of Proportional Net Assets Acquired by FEMSA (20%)
ASSETS		
Property, plant and equipment	8,506	1,701
Intangible assets and goodwill	15,274	3,055
Other assets	4,025	805
Total non-current assets	27,805	5,561
Inventories	1,579	316
Trade and other receivable	3,240	648
Other assets	1,000	200
Total current assets	5,819	1,164
Total assets	33,624	6,725
LIABILITIES		
Loans and borrowings	9,551	1,910
Employee benefits	1,335	267
Deferred tax liabilities	2,437	487
Other non-current liabilities	736	147
Total non-current liabilities	14,059	2,811
Trade and other payables	5,019	1,004
Other current liabilities	1,221	244
Total current liabilities	6,240	1,248
Total liabilities	20,299	4,059
Net assets acquired	13,325	2,666

Summarized consolidated balance sheet and income statements of FEMSA Cerveza are presented as follows as of:

Consolidated Balance Sheet		April 30, 2010
Current assets	Ps.	13,770
Property, plant and equipment		26,356
Intangible assets and goodwill		18,828
Other assets		11,457
Total assets		70,411
Current liabilities		14,039
Long term liabilities		27,586
Total liabilities		41,625
Total stockholders' equity:		
Controlling interest		27,417
Non-controlling interest in consolidated subsidiaries		1,369
Total stockholders' equity		28,786
Total liabilities and stockholders' equity	Ps.	70,411

Consolidated Income Statements		April 30, 2010		December 31, 2009
Total revenues	Ps.	14,490	Ps.	46,329
Income from operations		1,342		5,887
Income before income tax		749		2,231
Income tax		43		(1,052)
Consolidated net income		706		3,283
Less: Net income attributable to the non-controlling interest		48		787
Net income attributable to the controlling interest	Ps.	658	Ps.	2,496

As a result of the transaction described above, FEMSA Cerveza operations for the period ended on April 30, 2010, and December 31, 2009 are presented in a single line as discontinued operations, net of taxes in the consolidated income statement. Prior years consolidated financial statements and the accompanying notes were reformulated in order to present FEMSA Cerveza as discontinued operations for comparable purposes.

Consolidated statement of cash flows of December 31, 2010 and 2009 presents FEMSA Cerveza as discontinued operations. Intercompany transactions between the Company and FEMSA Cerveza for 2009 were reclassified in order to conform to consolidated financial statements as of December 31, 2010.

ii) On September 23, 2010, the Company disposed of its subsidiary Promotora de Marcas Nacionales, S.A. de C.V. for which it received a payment of Ps.1,002 from The Coca-Cola Company. The Company recognized a gain of Ps. 845 as a sale of shares within other expenses, which is the difference between the fair value of the consideration received and the carrying value of the net assets disposed.

iii) On December 31, 2010, the Company disposed of its subsidiary Grafo Regia, S.A. de C.V for which it received a payment of Ps. 1,021. The Company recognized a gain of Ps. 665, as a sale of shares within other expenses, which is the difference between the fair value of the consideration received and the carrying value of the net assets disposed.

6 Accounts Receivable

		2011		2010
Trade	Ps.	**8,175**	Ps.	5,739
Allowance for doubtful accounts		**(343)**		(249)
The Coca-Cola Company		**1,157**		1,030
Notes receivable		**339**		402
Loans to employees		**146**		111
Travel advances to employees		**54**		51
Other		**971**		618
	Ps.	**10,499**	Ps.	7,702

The changes in the allowance for doubtful accounts are as follows:

		2011		2010		2009
Opening balance	Ps.	**249**	Ps.	246	Ps.	206
Provision for the year		**173**		113		91
Write-off of uncollectible accounts		**(86)**		(100)		(76)
Translation of foreign currency effect		**7**		(10)		25
Ending balance	Ps.	**343**	Ps.	249	Ps.	246

7 Inventories

		2011		2010
Finished products	Ps.	**8,339**	Ps.	7,222
Raw materials		**3,656**		2,674
Spare parts		**779**		710
Work in process		**82**		60
Goods in transit		**1,529**		648
	Ps.	**14,385**	Ps.	11,314

8 Other Current Assets

		2011		2010
Prepaid expenses	Ps.	**1,266**	Ps.	638
Long-lived assets available for sale		**26**		125
Agreements with customers		**194**		85
Derivative financial instruments		**511**		24
Short-term licenses		**28**		24
Other		**89**		142
	Ps.	**2,114**	Ps.	1,038

Prepaid expenses as of December 31, 2011 and 2010 are as follows:

		2011		2010
Advances for inventories	Ps.	**497**	Ps.	133
Advertising and promotional expenses paid in advance		**211**		207
Advances to service suppliers		**259**		154
Prepaid leases		**85**		84
Prepaid insurance		**58**		31
Other		**156**		29
	Ps.	**1,266**	Ps.	638

The advertising and deferred promotional expenses recorded in the consolidated income statements for the years ended December 31, 2011, 2010 and 2009 amounted to Ps. 5,076 Ps. 4,406 and Ps. 3,629, respectively.

9 Investments in Shares

Company	% Ownership		2011		2010
Heineken Group [1][2]	20.00% [3]	Ps.	**75,075**	Ps.	66,478
Coca-Cola FEMSA:					
Compañía Panameña de Bebidas S.A.P.I., S.A. de C,V. [2]	50.00%		**703**		-
SABB Sistema de Alimentos e Bebidas Do Brasil, LTDA [2][4]	19.73%		**931**		814
Jugos del Valle, S.A.P.I. de C.V. [1][2]	23.99%		**819**		603
Holdfab2 Participacoes Societarias, ("Holdfab2"), LTDA [2]	27.69%		**262**		300
Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA") [1][2]	19.20%		**100**		67
Industria Mexicana de Reciclaje, S.A. de C.V. [2]	35.00%		**70**		69
Estancia Hidromineral Itabirito, LTDA [2]	50.00%		**142**		87
Beta San Miguel, S.A. de C.V. ("Beta San Miguel") [5]	2.54%		**69**		69
KSP Partiçipações, LTDA [2]	38.74%		**102**		93
Promotora Industrial Azucarera, S.A. de C.V. ("PIASA") [2]	13.20%		**281**		-
Dispensadoras de Café, S.A.P.I. de C.V. [2]	50.00%		**161**		-
Other	Various		**16**		6
Other investments	Various		**241**		207
		Ps.	**78,972**	**Ps.**	**68,793**

(1) The Company has significant influence due to the fact of its representation in the Board of Directors in those companies.
(2) Equity method. The date of the financial statements of the investees used to account for the equity method is the same as the one used in the Company consolidated financial statements.
(3) As of December 31, 2011 , 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 (see Note 5 B).
(4) During June 2011, a reorganization of the Coca-Cola FEMSA Brazilian investments occurred by way of a merger of the companies Sucos del Valle Do Brasil, LTDA and Mais Industria de Alimentos, LTDA giving rise to a new company by the name of Sistema de Alimentos e Bebidas do Brasil, LTDA.
(5) Acquisition cost.

On March 28, 2011 Coca-Cola FEMSA made an initial investment for Ps. 620 together with The Coca-Cola Company in Compañía Panameña de Bebidas S.A.P.I. de C.V. (Grupo Estrella Azul), a Panamanian conglomerate in the dairy and juice-based beverage categories business in Panama. The investment of Coca-Cola FEMSA represents 50% of ownership .

In August 2010, Coca-Cola FEMSA made an investment for approximately Ps. 295 (40 Brazilian Reai million) in Holdfab2 Participações Societárias, LTDA representing a 27.69% interest. Holdfab2 has a 50% investment in Leao Junior, a tea producer company in Brazil.

During 2010, the shareholders of Jugos del Valle, including Coca-Cola FEMSA, agreed to spin-off the distribution rights. Those shareholders now purchase product directly from Jugos del Valle for resale to their customers. This reorganization resulted in a decrease of Coca-Cola FEMSA's investment in shares of Ps. 735 and an increase to its intangible assets (distribution rights of a separate legal entity) for the same amount. During 2011, Coca-Cola FEMSA increased its ownership percentage in Jugos del Valle from 19.80% to 23.99% as a result of the holdings of the acquired companies disclosed in Note 5.

Heineken's main activities are the production, distribution and marketing of beer worldwide. The Company recognized an equity income of Ps. 5,080 and Ps. 3,319 regarding its interest in Heineken, for the year ended December 31, 2011 and the period from May 1, 2010 to December 31, 2010, respectively.

The following is some relevant financial information from Heineken as of December 31, 2011 and 2010 and the consolidated results for the full years as of December 31, 2011 and 2010:

In millions of euros	2011	2010 [1]
Current assets	**4,708**	4,318
Long-term assets	**22,419**	22,344
Total assets	**27,127**	26,662
Current liabilities	**6,159**	5,623
Long-term liabilities	**10,876**	10,819
Total liabilities	**17,035**	16,442
Total stockholders' equity	**10,092**	10,220

In millions of euros	2011	2010 [1]
Total revenues and other income	**17,187**	16,372
Total expenses	**(14,972)**	(14,074)
Results from operating activities	**2,215**	2,298
Profit before income tax	**2,025**	1,982
Income tax	**(465)**	(403)
Profit	**1,560**	1,579
Profit attributable to equity holders of the company	**1,430**	1,447
Total comprehensive income	**1,007**	2,130
Total comprehensive income attributable to equity holders of the company	**884**	1,983

(1) Heineken adjusted its comparative figures due to the accounting policy change in employee benefits.

As of December 31, 2011 and 2010 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 € 3,942 and € 4,048 based on quoted market prices of those dates. As of March 12, 2012, issuance date of these consolidated financial statements, fair value amounted to € 4,469.

During the years ended December 31, 2011 and 2010, the Company has received dividends distributions from Heineken, amounted to Ps. 1,661 and Ps. 1,304, respectively.

10 Property, Plant and Equipment

Cost	Land	Buildings, Machinery and Equipment	Refrigeration Equipment	Bottles and Cases	Investments in Fixed Assets in Progress	Not Strategic Assets	Others	Total
Cost as of January 1, 2010	Ps. 5,412	Ps. 51,658	Ps. 9,027	Ps. 2,024	Ps. 2,825	Ps. 330	Ps. 527	Ps. 71,803
Additions	106	3,368	834	1,013	4,154	-	115	9,590
Transfer of completed projects in progress	-	2,334	700	409	(3,443)	-	-	-
Transfer to/(from) assets classified as held for sale	(64)	28	-	-	-	71	-	35
Disposals	(57)	(2,634)	(540)	(612)	(40)	(29)	(32)	(3,944)
Effects of changes in foreign exchange rates	(269)	(5,098)	(730)	-	(495)	(140)	(214)	(6,946)
Changes in value on the recognition of inflation effects	98	1,500	249	14	47	-	65	1,973
Capitalization of comprehensive financing result	-	-	-	-	(33)	-	-	(33)
Cost as of December 31, 2010	Ps. 5,226	Ps. 51,156	Ps 9,540	Ps. 2,848	Ps. 3,015	Ps. 232	Ps. 461	Ps. 72,478
Cost as of January 1, 2011	**Ps. 5,226**	**Ps. 51,156**	**Ps. 9,540**	**Ps. 2,848**	**Ps. 3,015**	**Ps. 232**	**Ps. 461**	**Ps. 72,478**
Additions and acquired in business combination	**831**	**6,774**	**1,645**	**1,441**	**4,274**	**-**	**184**	**15,149**
Transfer of completed projects in progress	**23**	**2,752**	**380**	**398**	**(3,553)**	**-**	**-**	**-**
Transfer to/(from) assets classified as held for sale	**125**	**114**	**-**	**-**	**-**	**(42)**	**-**	**197**
Disposals	**(57)**	**(2,235)**	**(572)**	**(694)**	**-**	**(109)**	**(114)**	**(3,781)**
Effects of changes in foreign exchange rates	**183**	**1,879**	**481**	**110**	**108**	**20**	**44**	**2,825**
Changes in value on the recognition of inflation effects	**113**	**1,939**	**301**	**31**	**83**	**-**	**11**	**2,478**
Capitalization of comprehensive financing result	**-**	**-**	**-**	**-**	**(14)**	**-**	**-**	**(14)**
Cost as of December 31, 2011	**Ps. 6,444**	**Ps. 62,379**	**Ps. 11,775**	**Ps. 4,134**	**Ps. 3,913**	**Ps. 101**	**Ps. 586**	**Ps. 89,332**
Accumulated Depreciation								
Accumulated Depreciation as of January 1, 2010	Ps. -	Ps. (25,531)	Ps. (6,016)	Ps. (166)	Ps. -	Ps. -	Ps. (195)	Ps. (31,908)
Depreciation for the year	-	(3,029)	(754)	(700)	-	-	(44)	(4,527)
Transfer (to)/from assets classified as held for sale	-	64	-	-	-	-	-	64
Disposals	-	1,983	528	215	-	-	1	2,727
Effects of changes in foreign exchange rates	-	3,236	642	56	-	-	85	4,019
Changes in value on the recognition of inflation effects	-	(750)	(177)	-	-	-	(16)	(943)
Accumulated Depreciation as of December 31, 2010	Ps. -	Ps. (24,027)	Ps. (5,777)	Ps. (595)	Ps -	Ps. -	Ps. (169)	Ps. (30,568)
Accumulated Depreciation as of January 1, 2011	**Ps. -**	**Ps. (24,027)**	**Ps. (5,777)**	**Ps. (595)**	**Ps. -**	**Ps. -**	**Ps. (169)**	**Ps. (30,568)**
Depreciation for the year	**-**	**(3,558)**	**(1,000)**	**(894)**	**-**	**-**	**(46)**	**(5,498)**
Transfer (to)/from assets classified as held for sale	**-**	**(39)**	**-**	**-**	**-**	**-**	**-**	**(39)**
Disposals	**-**	**2,132**	**206**	**201**	**-**	**-**	**64**	**2,603**
Effects of changes in foreign exchange rates	**-**	**(959)**	**(339)**	**22**	**-**	**-**	**(18)**	**(1,294)**
Changes in value on the recognition of inflation effects	**-**	**(951)**	**(166)**	**-**	**-**	**-**	**(17)**	**(1,134)**
Accumulated Depreciation as of December 31, 2011	**Ps. -**	**Ps. (27,402)**	**Ps. (7,076)**	**Ps. (1,266)**	**Ps. -**	**Ps. -**	**Ps. (186)**	**Ps. (35,930)**
Carrying Amount								
As of January 1, 2010	Ps. 5,412	Ps. 26,127	Ps. 3,011	Ps. 1,858	Ps. 2,825	Ps. 330	Ps. 332	Ps. 39,895
As of December 31, 2010	5,226	27,129	3,763	2,253	3,015	232	292	41,910
As of January 1, 2011	**5,226**	**27,129**	**3,763**	**2,253**	**3,015**	**232**	**292**	**41,910**
As of December 31, 2011	**6,444**	**34,977**	**4,699**	**2,868**	**3,913**	**101**	**400**	**53,402**

In 2011, 2010 and 2009 the Company capitalized Ps. 156, Ps. 12 and Ps. 55, respectively in comprehensive financing costs in relation to Ps. 3,748, Ps. 1,929 and Ps. 845 in qualifying assets. Amounts were capitalized assuming an annual capitalization rate of 5.8%, 5.3% and 7.2%, respectively and an estimated life of the qualifying assets of seven years. For the years ended December 31, 2011, 2010 and 2009 the comprehensive financing result is analyzed as follows:

		2011		2010		2009
Comprehensive financing result	**Ps.**	**939**	Ps.	2,165	Ps.	2,682
Amount capitalized		**156**		12		55
Net amount in income statements	**Ps.**	**783**	Ps.	2,153	Ps.	2,627

The Company has identified certain long-lived assets that are not strategic to the current and future operations of the business and are not being used, comprised of land, buildings and equipment, in accordance with an approved program for the disposal of certain investments. Such long-lived assets have been recorded at the lower of cost or net realizable value, as follows:

		2011		2010
Coca-Cola FEMSA	**Ps.**	**79**	Ps.	189
Other subsidiaries		**22**		43
	Ps.	**101**	Ps.	232
Buildings	**Ps.**	**39**	Ps.	64
Land		**56**		139
Equipment		**6**		29
	Ps.	**101**	Ps.	232

As a result of selling certain not strategic long-lived assets, the Company recognized gain of Ps. 85, loss of Ps. 41, and a gain of Ps. 6 for the years ended December 31, 2011, 2010 and 2009, respectively.

Long-lived assets that are available for sale have been reclassified from property, plant and equipment to other current assets. As of December 31, 2011 and 2010, long-lived assets available for sale amounted to Ps. 26 and Ps. 125 (see Note 8).

11 Intangible Assets

		2011		2010
Unamortized intangible assets:				
Coca-Cola FEMSA:				
Rights to produce and distribute Coca-Cola trademark products	**Ps.**	**62,822**	Ps.	49,169
Goodwill from Grupo Tampico acquisition - Mexico (see Note 5 A)		**3,278**		-
Goodwill from Grupo CIMSA acquisition - Mexico (see Note 5 A)		**1,936**		-
Other subsidiaries:				
Other unamortized intangible assets		**343**		462
	Ps.	**68,379**	Ps.	49,631
Amortized intangible assets:				
Systems in development costs, net	**Ps.**	**1,743**	Ps.	1,788
Technology costs and management systems		**990**		396
Alcohol licenses, net (see Note 4 J)		**438**		410
Other		**58**		115
	Ps.	**3,229**	Ps.	2,709
Total intangible assets	**Ps.**	**71,608**	Ps.	52,340

The changes in the carrying amount of unamortized intangible assets are as follows:

		2011		2010
Beginning balance	**Ps.**	**49,631**	Ps.	50,143
Acquisitions		**16,478** [1]		833
Cancellations		**(119)**		(151)
Impairment		**-**		(10)
Translation and restatement of foreign currency effect		**2,389**		(1,184)
Ending balance	**Ps.**	**68,379**	Ps.	49,631

[1] Includes Ps. 8,078 and Ps. 8,164 for acquisitions of Grupo Tampico and Grupo CIMSA, respectively (see Note 5 A).

The changes in the carrying amount of amortized intangible assets are as follows:

	Investments						Amortization					
		Accumulated at the Beginning of the Year		Additions [1]		Transfer of Completed Project		Accumulated at the Beginning of the Year		For the Year		Total
2011												
Systems in development costs	**Ps.**	**1,788**	**Ps.**	**419**	**Ps.**	**(464)**	**Ps.**	**-**	**Ps.**	**-**	**Ps.**	**1,743**
Technology costs and management systems		**1,465**		**337**		**464**		**(1,069)**		**(207)**		**990**
Alcohol licenses [1]		**495**		**60**		**-**		**(85)**		**(32)**		**438**
2010												
Systems in development costs	Ps.	1,188	Ps.	751	Ps.	(151)	Ps.	-	Ps.	-	Ps.	1,788
Technology costs and management systems		1,197		117		151		(887)		(182)		396
Alcohol licenses [1]		271		224		-		(48)		(37)		410
2009												
Systems in development costs	Ps.	333	Ps.	855	Ps.	-	Ps.	-	Ps.	-	Ps.	1,188
Technology costs and management systems		963		234		-		(675)		(212)		310
Alcohol licenses [1]		169		102		-		(31)		(17)		223

[1] See Note 4 J.

The estimated amortization for intangible assets of definite life is as follows:

		2012		2013		2014		2015		2016
Systems amortization	Ps.	481	Ps.	409	Ps.	362	Ps.	347	Ps.	337
Alcohol licenses		33		38		43		49		56
Others		17		15		13		13		13

12 Other Assets

		2011		2010
Leasehold improvements, net	**Ps.**	**6,135**	Ps.	5,261
Agreements with customers (see Note 4 I)		**256**		186
Derivative financial instruments		**850**		708
Guarantee deposits		**948**		897
Long-term accounts receivable		**1,856**		681
Advertising and promotional expenses		**112**		125
Property, plant and equipment paid in advance		**296**		226
Other		**841**		645
	Ps.	**11,294**	Ps.	8,729

Long-term accounts receivable are comprised of Ps. 1,829 and Ps. 27 of principal and interest, respectively, and are expected to be collected as follows:

2012	Ps.	10
2013		126
2014		63
2015		1,657
	Ps.	1,856

13 Balances and Transactions with Related Parties and Affiliated Companies

Balances and transactions with related parties and affiliated companies include consideration of: a) the overall business in which the reporting entity participates; b) close family members of key officers; and c) any fund created in connection with a labor related compensation plan.

On April 30, 2010, the Company lost control over FEMSA Cerveza, which became a subsidiary of Heineken Group. As a result, balances and transactions with Heineken Group and subsidiaries are presented since that date as balances and transactions with related parties. Balances and transactions prior to that date are not disclosed because they were not transactions between related parties of the Company.

The consolidated balance sheets and income statements include the following balances and transactions with related parties and affiliated companies:

Balances		2011		2010
Due from The Coca-Cola Company (see Note 4 L) [1]	Ps.	**1,157**	Ps.	1,030
Balance with BBVA Bancomer, S.A. de C.V. [2]		**2,791**		2,944
Balance with Grupo Financiero Banamex, S.A. de C.V. [2]		**-**		2,103
Due from Heineken Group [1]		**857**		425
Due from Grupo Estrella Azul [3]		**785**		-
Other receivables [1]		**494**		295
Due to BBVA Bancomer, S.A. de C.V. [4]	Ps.	**1,106**	Ps.	999
Due to The Coca-Cola Company [5]		**2,853**		1,911
Due to Grupo Financiero Banamex, S.A. de C.V. [4]		**-**		500
Due to British American Tobacco Mexico [5]		**316**		287
Due to Heineken Group [5]		**2,148**		1,463
Other payables [5]		**508**		210

(1) Recorded as part of total of receivable accounts.
(2) Recorded as part of cash and cash equivalents.
(3) Recorded as part of total other assets.
(4) Recorded as part of total bank loans.
(5) Recorded as part of total accounts payable.

Transactions		2011		2010		2009
Income:						
Services and others to Heineken Group	Ps.	**2,169**	Ps.	1,048	Ps.	-
Logistic services to Grupo Industrial Saltillo, S.A. de C.V.		**241**		241		234
Sales of Grupo Inmobiliario San Agustín, S.A. shares to Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C.		**-**		62		64
Other revenues from related parties		**383**		42		22
Expenses:						
Purchase of concentrate from The Coca-Cola Company [1]		**21,183**		19,371		16,863
Purchase of beer from Heineken Group [1] [2]		**9,397**		7,063		-
Purchase of baked goods and snacks from Grupo Bimbo, S.A.B. de C.V. [2]		**2,270**		2,018		1,733
Purchase of cigarettes from British American Tobacco Mexico [2]		**1,964**		1,883		1,413
Advertisement expense paid to The Coca-Cola Company [1]		**874**		1,117		780
Purchase of juices from Jugos del Valle, S.A.P.I. de C.V. [1] [2]		**1,564**		1,332		1,044
Interest expense and fees paid to BBVA Bancomer, S.A. de C.V.		**128**		108		260
Purchase of sugar from Beta San Miguel [1]		**1,398**		1,307		713
Purchase of sugar, cans and aluminum lids from Promotora Mexicana de Embotelladores, S.A. de C.V. [1]		**701**		684		783
Purchase of canned products from IEQSA [1]		**262**		196		208
Purchases from affiliated companies of Grupo Tampico [1]		**175**		-		-
Advertising paid to Grupo Televisa, S.A.B.		**86**		37		13
Interest expense paid to Grupo Financiero Banamex, S.A. de C.V.		**28**		56		61
Insurance premiums for policies with Grupo Nacional Provincial, S.A.B.		**59**		69		78
Donations to Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C.		**81**		63		72
Purchase of plastic bottles from Embotelladora del Atlántico, S.A. (formerly Complejo Industrial Pet, S.A.) [1]		**61**		52		54
Donations to Difusión y Fomento Cultural, A.C.		**21**		29		18
Interest expense paid to The Coca-Cola Company [1]		**7**		5		25
Other expenses with related parties		**103**		31		42

(1) These companies are related parties of our subsidiary Coca-Cola FEMSA.
(2) These companies are related parties of our subsidiary FEMSA Comercio.

The benefits and aggregate compensation paid to executive officers and senior management of FEMSA and its subsidiaries were as follows:

		2011		2010		2009
Short- and long-term benefits paid	Ps.	**1,279**	Ps.	1,307	Ps.	1,206
Severance indemnities		**10**		34		47
Postretirement benefits (labor cost)		**117**		83		23

14 Balances and Transactions in Foreign Currencies

According to NIF B-15, assets, liabilities and transactions denominated in foreign currencies are those realized in a currency different than the recording, functional or reporting currency of each reporting unit. As of the end of and for the years ended December 31, 2011 and 2010, assets, liabilities and transactions denominated in foreign currencies, expressed in Mexican pesos are as follows:

	2011			2010		
	U.S. dollars	Other Currencies	Total	U.S. dollars	Other Currencies	Total
Assets:						
Short-term	**Ps. 13,733**	**Ps. 18**	**Ps. 13,751**	Ps. 11,761	Ps. 480	Ps. 12,241
Long-term	**1,049**	**-**	**1,049**	321	-	321
Liabilities:						
Short-term	**2,325**	**205**	**2,530**	1,501	247	1,748
Long-term	**7,199**	**445**	**7,644**	6,962	-	6,962

Transactions	U.S. dollars	Other Currencies	Total	U.S. dollars	Other Currencies	Total
Total revenues	**Ps. 1,564**	**Ps. 2**	**Ps. 1,566**	Ps. 1,111	Ps. -	Ps. 1,111
Expenses and investments:						
Purchases of raw materials	**9,424**	**-**	**9,424**	5,648	-	5,648
Interest expense	**319**	**5**	**324**	294	-	294
Consulting fees	**11**	**-**	**11**	452	24	476
Assets acquisitions	**306**	**-**	**306**	311	-	311
Other	**1,075**	**90**	**1,165**	804	3	807

As of March 12, 2012, approval date of these consolidated financial statements, the exchange rate published by "Banco de México" was Ps. 12.7840 Mexican pesos per one U.S. Dollar, and the foreign currency position was similar to that as of December 31, 2011.

15 Employee Benefits

The Company has various labor liabilities for employee benefits in connection with pension, seniority, post retirement medical and severance benefits. Benefits vary depending upon country.

a) Assumptions:

The Company annually evaluates the reasonableness of the assumptions used in its labor liabilities for employee benefits computations. Actuarial calculations for pension and retirement plans, seniority premiums, postretirement medical services and severance indemnity liabilities, as well as the cost for the period, were determined using the following long-term assumptions:

	Nominal Rates [1]			Real Rates [2]		
	2011	2010	2009	**2011**	2010	2009
Annual discount rate	**7.6%**	7.6%	8.2%	**4.0%**	4.0%	4.5%
Salary increase	**4.8%**	4.8%	5.1%	**1.2%**	1.2%	1.5%
Return on assets	**9.0%**	8.2%	8.2%	**5.0%**	3.6%	4.5%
Measurement date: December 2011						

[1] For non-inflationary economies.
[2] For inflationary economies.

The basis for the determination of the long-term rate of return is supported by a historical analysis of average returns in real terms for the last 30 years of the Certificados de Tesorería del Gobierno Federal (Mexican Federal Government Treasury Certificates) for Mexican investments, treasury bonds of each country for other investments and the expected rates of long-term returns of the actual investments of the Company.

The annual growth rate for health care expenses is 5.1% in nominal terms, consistent with the historical average health care expense rate for the past 30 years. Such rate is expected to remain consistent for the foreseeable future.

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

	Pension and Retirement Plans	Seniority Premiums	Postretirement Medical Services	Severance Indemnities
2012	Ps. 409	Ps. 16	Ps. 6	Ps. 148
2013	238	15	6	125
2014	234	16	6	119
2015	206	17	6	115
2016	203	19	6	110
2017 to 2021	1,078	124	25	512

b) Balances of the Liabilities for Employee Benefits:

	2011	2010
Pension and Retirement Plans:		
Vested benefit obligation	**Ps. 1,639**	Ps. 1,461
Non-vested benefit obligation	**1,184**	1,080
Accumulated benefit obligation	**2,823**	2,541
Excess of projected benefit obligation over accumulated benefit obligation	**1,103**	757
Defined benefit obligation	**3,926**	3,298
Pension plan funds at fair value	**(1,927)**	(1,501)
Unfunded defined benefit obligation	**1,999**	1,797
Labor cost of past services [(1)]	**(319)**	(349)
Unrecognized actuarial loss, net	**(446)**	(272)
Total	**Ps. 1,234**	Ps. 1,176
Seniority Premiums:		
Vested benefit obligation	**Ps. 13**	Ps. 12
Non-vested benefit obligation	**126**	93
Accumulated benefit obligation	**139**	105
Excess of projected benefit obligation over accumulated benefit obligation	**102**	49
Defined benefit obligation	**241**	154
Seniority premium plan funds at fair value	**(19)**	-
Unfunded defined benefit obligation	**222**	154
Unrecognized actuarial gain, net	**22**	17
Total	**Ps. 244**	Ps. 171
Postretirement Medical Services:		
Vested benefit obligation	**Ps. 134**	Ps. 119
Non-vested benefit obligation	**102**	112
Defined benefit obligation	**236**	231
Medical services funds at fair value	**(45)**	(43)
Unfunded defined benefit obligation	**191**	188
Labor cost of past services [(1)]	**(2)**	(4)
Unrecognized actuarial loss, net	**(95)**	(102)
Total	**Ps. 94**	Ps. 82
Severance Indemnities:		
Accumulated benefit obligation	**Ps. 614**	Ps. 462
Excess of projected benefit obligation over accumulated benefit obligation	**122**	91
Defined benefit obligation	**736**	553
Labor cost of past services [(1)]	**(50)**	(99)
Total	**Ps. 686**	Ps. 454
Total labor liabilities for employee benefits	**Ps. 2,258**	Ps. 1,883

(1) Unrecognized net transition obligation and unrecognized prior service costs.

The accumulated actuarial gains and losses were generated by the differences in the assumptions used for the actuarial calculations at the beginning of the year versus the actual behavior of those variables at the end of the year.

c) Trust Assets:

Trust assets consist of fixed and variable return financial instruments recorded at market value. The trust assets are invested as follows:

	2011	2010
Fixed return:		
Publicly traded securities	**9%**	10%
Bank instruments	**3%**	8%
Federal government instruments	**69%**	60%
Variable return:		
Publicly traded shares	**19%**	22%
	100%	100%

The Company has a policy of maintaining at least 30% of the trust assets in Mexican Federal Government instruments. Objective portfolio guidelines have been established for the remaining percentage, and investment decisions are made to comply with those guidelines to the extent that market conditions and available funds allow.

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

		2011		2010
Debt:				
CEMEX, S.A.B. de C.V.	Ps.	-	Ps.	20
BBVA Bancomer, S.A. de C.V.		30		11
Coca-Cola FEMSA		2		2
Grupo Industrial Bimbo, S.A. de C.V.		2		2
Grupo Televisa, S.A.B.		3		-
Grupo Financiero Banorte, S.A.B. de C.V.		7		-
Equity:				
FEMSA		58		97
Coca-Cola FEMSA		5		-
Grupo Televisa, S.A.B.		-		8

The Company does not expect to make material contributions to plan assets during the following fiscal year.

d) Cost for the Year:

		2011		2010		2009
Pension and Retirement Plans:						
Labor cost	Ps.	164	Ps.	136	Ps.	136
Interest cost		262		219		216
Expected return on trust assets		(149)		(94)		(80)
Labor cost of past services [1]		31		30		29
Amortization of net actuarial loss		23		4		17
Curtailment		(18)		-		-
		313		295		318
Seniority Premiums:						
Labor cost		30		27		25
Interest cost		13		13		12
Labor cost of past services [1]		1		1		-
Amortization of net actuarial loss		7		-		-
		51		41		37
Postretirement Medical Services:						
Labor cost		9		8		7
Interest cost		17		16		15
Expected return on trust assets		(4)		(3)		(3)
Labor cost of past services [1]		2		2		2
Amortization of net actuarial loss		5		4		5
Curtailment		(3)		-		-
		26		27		26
Severance Indemnities:						
Labor cost		78		65		61
Interest cost		35		31		32
Labor cost of past services [1]		50		48		50
Amortization of net actuarial loss		81		93		45
		244		237		188
	Ps.	634	Ps.	600	Ps.	569

[1] Amortization of unrecognized net transition obligation and amortization of unrecognized prior service costs.

e) Changes in the Balance of the Obligations for Employee Benefits:

		2011		2010
Pension and Retirement Plans:				
Initial balance	Ps.	3,298	Ps.	2,612
Labor cost		164		136
Interest cost		262		219
Curtailment		6		129
Actuarial loss		88		358
Benefits paid		(142)		(156)
Acquisitions		250		-
Ending balance		3,926		3,298
Seniority Premiums:				
Initial balance		154		166
Labor cost		30		27
Interest cost		13		13
Curtailment		(1)		-
Actuarial loss (gain)		2		(33)
Benefits paid		(19)		(19)
Acquisitions		62		-
Ending balance		241		154
Postretirement Medical Services:				
Initial balance		231		191
Labor cost		9		8
Interest cost		17		16
Curtailment		(6)		8
Actuarial loss		-		21
Benefits paid		(15)		(13)
Ending balance		236		231
Severance Indemnities:				
Initial balance		553		535
Labor cost		78		65
Interest cost		35		31
Curtailment		-		1
Actuarial loss		112		74
Benefits paid		(155)		(153)
Acquisitions		113		-
Ending balance	Ps.	736	Ps.	553

f) Changes in the Balance of the Trust Assets:

		2011		2010
Initial balance	Ps.	1,544	Ps.	1,183
Actual return on trust assets		59		114
Life annuities [1]		152		264
Benefits paid		(12)		(17)
Acquisitions		248		-
Ending balance	Ps.	1,991	Ps.	1,544

[1] Life annuities acquired from Allianz Mexico.

g) Variation in Health Care Assumptions:

The following table presents the impact to the postretirement medical service obligations and the expenses recorded in the income statement with a variation of 1% in the assumed health care cost trend rates.

	Impact of Changes:			
		+1%		-1%
Postretirement medical services obligation	Ps.	38	Ps.	(24)
Cost for the year		5		(2)

16 Bonus Program

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 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.

In addition, the Company provides a defined contribution plan of share compensation to certain key executives, consisting of an annual cash bonus to purchase FEMSA shares or options, based on the executive's responsibility in the organization, their business' EVA result achieved, and their individual performance. The acquired shares or options are deposited in a trust, and the executives may access them one year after they are vested at 20% per year. The 50% of Coca-Cola FEMSA's annual executive bonus is to be used to purchase FEMSA shares or options and the remaining 50% to purchase Coca-Cola FEMSA shares or options. As of December 31, 2011, 2010 and 2009, no options have been granted to employees under the plan.

As of April 30, 2010, the trust linked to FEMSA Cerveza executives was liquidated; as a result 230,642 of FEMSA UBD shares and 27,339 of KOF L shares granted to FEMSA Cerveza executives were vested as part of the share exchange of FEMSA Cerveza.

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. The bonuses are recorded in income from operations and are paid in cash the following year. During the years ended December 31, 2011, 2010 and 2009, the bonus expense recorded amounted to Ps. 1,241 Ps. 1,016 and Ps. 1,210, respectively.

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

As of December 31, 2011 and 2010, the number of shares held by the trust is as follows:

	Number of Shares			
	FEMSA UBD		KOF L	
	2011	2010	**2011**	2010
Beginning balance	**10,197,507**	10,514,672	**3,049,376**	3,035,008
Shares granted to executives	**2,438,590**	3,700,050	**651,870**	989,500
Shares released from trust to executives upon vesting	**(3,236,014)**	(3,863,904)	**(986,694)**	(975,132)
Forfeitures	**-**	(153,311)	**-**	-
Ending balance	**9,400,083**	10,197,507	**2,714,552**	3,049,376

The fair value of the shares held by the trust as of the end of December 31, 2011 and 2010 was Ps. 1,297 and Ps. 857, respectively, based on quoted market prices of those dates.

17 Bank Loans and Notes Payable

	At December 31, [1]								
(in millions of Mexican pesos)	2012	2013	2014	2015	2016	2017 and Thereafter	**2011**	Fair Value	2010 [1]
Short-term debt:									
Fixed rate debt:									
Argentine pesos									
Bank loans	Ps. 325	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	**Ps. 325**	Ps. 317	Ps. 506
Interest rate	14.9%						**14.9%**		15.3%
Mexican pesos									
Capital leases	18	-	-	-	-	-	**18**	18	-
Interest rate	6.9%						**6.9%**		0.0%
Variable rate debt:									
Colombian pesos									
Bank loans	295	-	-	-	-	-	**295**	295	1,072
Interest rate	6.8%						**6.8%**		4.4%
Total short-term debt	Ps. 638	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	**Ps. 638**	Ps. 630	Ps. 1,578
Long-term debt:									
Fixed rate debt:									
Argentine pesos									
Bank loans	514	81	-	-	-	-	**595**	570	684
Interest rate	16.4%	15.7%					**16.3%**		16.5%
Brazilian reais									
Bank loans	5	10	10	10	10	36	**81**	87	81
Interest rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	**4.5%**		4.5%
Capital leases	4	5	5	4	-	-	**18**		21
Interest rate	4.5%	4.5%	4.5%	4.5%			**4.5%**		4.5%
U.S. dollars									
Yankee Bond	-	-	-	-	-	6,990	**6,990**	7,737	6,179
Interest rate						4.6%	**4.6%**		4.6%
Capital leases	-	-	-	-	-	-	**-**	-	4
Interest rate									3.8%
Mexican pesos									
Units of investment (UDIs)	-	-	-	-	-	3,337	**3,337**	3,337	3,193
Interest rate						4.2%	**4.2%**		4.2%
Domestic senior notes	-	-	-	-	-	2,500	**2,500**	2,631	-
Interest rate						8.3%	**8.3%**		0.0%
Subtotal	Ps. 523	Ps. 96	Ps. 15	Ps. 14	Ps. 10	Ps. 12,863	**Ps. 13,521**	Ps. 14,362	Ps. 10,162
Variable rate debt:									
U.S. dollars									
Bank loans	42	209	-	-	-	-	**251**	251	222
Interest rate	0.7%	0.7%					**0.7%**		0.6%
Mexican pesos									
Domestic senior notes	3,000	3,500	-	-	2,500	-	**9,000**	8,981	8,000
Interest rate	4.7%	4.8%			4.9%		**4.8%**		4.8%
Bank loans	67	266	1,392	2,825	-	-	**4,550**	4,456	4,550
Interest rate	5.0%	5.0%	5.0%	5.0%			**5.0%**		5.1%
Argentine pesos									
Bank loans	130	-	-	-	-	-	**130**	116	-
Interest rate	27.3%						**27.3%**		
Brazilian reais									
Capital leases	33	39	43	48	30	-	**193**	193	-
Interest rate	11.0%	11.0%	11.0%	11.0%	11.0%		**11.0%**		
Colombian pesos									
Bank loans	935	-	-	-	-	-	**935**	929	994
Interest rate	6.1%						**6.1%**		4.7%
Capital leases	205	181	-	-	-	-	**386**	384	-
Interest rate	7.1%	6.6%					**6.9%**		
Subtotal	4,412	4,195	1,435	2,873	2,530	-	**15,445**	15,310	13,766
Total long-term debt	Ps. 4,935	Ps. 4,291	Ps. 1,450	Ps. 2,887	Ps. 2,540	Ps. 12,863	**Ps. 28,966**	Ps. 29,672	Ps. 23,928
							(4,935)		(1,725)
							Ps. 24,031		Ps. 22,203

(1) All interest rates are weighted average annual rates.

Derivative Financial Instruments [1]	2012	2013	2014	2015	2016	2017 and Thereafter	**2011**	2010
	(notional amounts in millions of Mexican pesos)							
Cross currency swaps:								
Units of investments to Mexican								
pesos and variable rate:	-	-	-	-	-	2,500	**2,500**	2,500
Interest pay rate						4.6%	**4.6%**	4.7%
Interest receive rate						4.2%	**4.2%**	4.2%
Interest rate swap:								
Mexican pesos								
Variable to fixed rate:	1,600	2,500	500	2,038			**6,638**	5,260
Interest pay rate	8.1%	8.1%	8.4%	8.6%			**8.3%**	8.1%
Interest receive rate	4.7%	4.7%	5.1%	5.0%			**4.9%**	4.9%

[1] All interest rates are weighted average annual rates.

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, 2011, 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; 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.

Additionally, Coca-Cola FEMSA has the following domestic senior notes: a) issued in the Mexican stock exchange: i) Ps. 3,000 (nominal amount) with a maturity date in 2012 and a variable interest rate, ii) Ps. 2,500 (nominal amount) with a maturity date in 2016 and a variable interest rate and iii) Ps. 2,500 (nominal amount) with a maturity date in 2021 and fixed interest rate of 8.3%; b) issued in the NYSE a Yankee Bond of $500 with interest at a fixed rate of 4.6% and maturity date on February 15, 2020.

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.

18 Other Expenses, Net

		2011		2010		2009
Employee profit sharing (see Note 4 R)	**Ps.**	**1,237**	Ps.	785	Ps.	1,020
Gain on sale of shares (see Note 5 B)		**(1)**		(1,554)		(35)
Brazil tax amnesty (see Note 23 A)		**-**		(179)		(311)
Vacation provision		**-**		-		333
Disposal of long-lived assets [1]		**703**		9		129
Severance payments associated with an ongoing benefit		**226**		583		127
(Gain) loss on sale of long-lived assets		**(9)**		215		177
Donations		**200**		195		116
Contingencies		**146**		104		152
Security taxes from Colombia		**197**		29		25
Other		**218**		95		144
Total	**Ps.**	**2,917**	Ps.	282	Ps.	1,877

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

19 Fair Value of Financial Instruments

The Company uses a three level fair value hierarchy to prioritize the inputs used to measure fair value. The three levels of inputs are described as follows:

- **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.

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 financial assets and liabilities measured at fair value, as of December 31, 2011 and 2010:

	2011		2010	
	Level 1	Level 2	Level 1	Level 2
Cash equivalents	**Ps. 17,908**		Ps. 19,770	
Available-for-sale investments	**330**		66	
Pension plan trust assets	**1,991**		1,544	
Derivative financial instruments (asset)		**Ps. 1,361**		Ps. 732
Derivative financial instruments (liability)		**634**		694

The Company does not use inputs classified as level 3 for fair value measurement.

a) Total Debt:
The fair value of long-term debt is determined based on the discounted value of contractual cash flows, in which the discount rate is estimated using rates currently offered for debt of similar amounts and maturities. The fair value of notes is based on quoted market prices.

	2011	2010
Carrying value	**Ps. 29,604**	Ps. 25,506
Fair value	**30,302**	25,451

b) 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 are recognized in the consolidated balance sheet at their estimated fair value and have been designated as a cash flows hedge. The estimated fair value is based on formal technical models. Changes in fair value were recorded in cumulative other comprehensive income until such time as the hedged amount is recorded in earnings.

At December 31, 2011, the Company has the following outstanding interest rate swap agreements:

Maturity Date	Notional Amount	Fair Value Asset (Liability)
2012	Ps. 1,600	Ps. (12)
2013	3,812	(181)
2014	575	(43)
2015	1,963	(184)

A portion of certain interest rate swaps do not meet the hedging criteria for accounting purposes; consequently, changes in the estimated fair value of the ineffective portion were recorded in the consolidated results as part of the comprehensive financing result.

The net effect of expired contracts that met hedging criteria is recognized as interest expense as part of the comprehensive financing result.

c) Forward Agreements to Purchase Foreign Currency:
The Company enters into forward agreements to reduce its exposure to the risk of exchange rate fluctuations between the Mexican peso and other currencies. These instruments are recognized in the consolidated balance sheet at their estimated fair value which is determined based on prevailing market exchange rates to end the contracts at the end of the period. For contracts that meet hedging criteria, the changes in the fair value are recorded in cumulative other comprehensive income prior to expiration. Net gain/loss on expired contracts is recognized as part of foreign exchange.

Net changes in the fair value of forward agreements that do not meet hedging criteria for accounting purposes are recorded in the consolidated results as part of the comprehensive financing result. The net effect of expired contracts that do not meet hedging criteria for accounting purposes is recognized as a market value gain (loss) on ineffective portion of derivative financial instruments.

d) 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 are recognized in the consolidated balance sheet at their estimated fair value which is determined based on prevailing market exchange rates to terminate the contracts at the end of the period. Changes in the fair value of these options, corresponding to the intrinsic value are initially recorded as part of cumulative other comprehensive income. Changes in the fair value, corresponding to the intrinsic value are recorded in the income statement under the capture "market value gain/loss on the ineffective portion of derivative financial instruments," as part of the consolidated results. Net gain/loss on expired contracts is recognized as part of cost of goods sold.

e) Cross Currency Swaps:
The Company enters into 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. These instruments are recognized in the consolidated balance sheet at their estimated fair value which is estimated based on formal technical models. These contracts are designated as fair value hedges. The fair value changes related to those cross currency swaps are recorded as part of the ineffective portion of derivative financial instruments, net of changes related to the long-term liability.

Net changes in the fair value of current and expired cross currency swaps contracts that did not meet the hedging criteria for accounting purposes are recorded as a gain/loss in the market value on the ineffective portion of derivative financial instruments in the consolidated results as part of the comprehensive financing result.

f) Commodity Price Contracts:

The Company enters into 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 the end of the contracts at the date of closing of the period. Changes in the fair value are recorded in cumulative other comprehensive income.

The fair value of expired commodity price contracts were recorded in cost of sales where the hedged item was recorded.

g) Embedded Derivative Financial Instruments:

The Company has determined that its leasing contracts denominated in U.S. dollars host embedded derivative financial instruments. The fair value is estimated based on formal technical models. Changes in the fair value were recorded in current earnings in the comprehensive financing result as market value on derivative financial instruments.

h) Notional Amounts and Fair Value of Derivative Instruments that Met Hedging Criteria:

		2011 Notional Amounts		Fair Value 2011		Fair Value 2010
CASH FLOWS HEDGE:						
Assets (Liabilities):						
Forward agreements	Ps.	2,933	**Ps.**	**183** (1)	Ps.	(16)
Options to purchase foreign currency		1,901		**300** (1)		-
Interest rate swaps		7,950		**(420)** (3)		(418)
Commodity price contracts		754		**(19)** (2)		445
FAIR VALUE HEDGE:						
Assets (Liabilities):						
Cross currency swaps	Ps.	2,500	**Ps.**	**860** (4)	Ps.	717

(1) Expires in 2012.
(2) Maturity dates in 2012 and 2013.
(3) Maturity dates in 2012 and 2015.
(4) Expires in 2017.

i) Net Effects of Expired Contracts that Met Hedging Criteria:

Types of Derivatives	Impact in Income Statement Gain (Loss)		2011		2010		2009
Interest rate swaps	Interest expense	**Ps.**	**(120)**	Ps.	(181)	Ps.	(67)
Forward agreements	Foreign exchange		**-**		27		-
Cross currency swaps	Foreign exchange/ interest expense		**8**		2		(32)
Commodity price contract	Cost of sales		**257**		393		247
Forward agreements	Cost of sales		**21**		-		-

j) Net Effect of Changes in Fair Value of Derivative Financial Instruments that Did Not Meet the Hedging Criteria for Accounting Purposes:

Types of Derivatives	Impact in Income Statement		2011		2010		2009
Interest rate swaps	Market value gain (loss)	**Ps.**	**-**	Ps.	(7)	Ps.	-
Forwards for purchase of foreign currency	on ineffective portion of derivative financial		**-**		-		(63)
Cross currency swaps	instruments		**(146)**		205		168

k) Net Effect of Changes in Fair Value of Other Derivative Financial Instruments that Did Not Meet the Hedging Criteria for Accounting Purposes:

Types of Derivatives	Impact in Income Statement		2011		2010		2009
Embedded derivative financial instruments	Market value gain (loss) on ineffective portion of	**Ps.**	**(50)**	Ps.	15	Ps.	19
Others	derivative financial instruments		**37**		(1)		-

20 Non-controlling Interest in Consolidated Subsidiaries

An analysis of FEMSA's non-controlling interest in its consolidated subsidiaries for the years ended December 31, 2011 and 2010 is as follows:

		2011		2010
Coca-Cola FEMSA	**Ps.**	**57,450** (1)	Ps.	35,585
Other		**84**		80
	Ps.	**57,534**	Ps.	35,665

(1) Includes Ps. 7,828 and Ps. 9,017 for acquisitions through issuance of shares of Grupo Tampico and Grupo CIMSA, respectively (see Note 5 A).

21 Stockholders' Equity

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, 2011 and 2010, the capital stock of FEMSA was comprised of 17,891,131,350 common shares, without par value and with no foreign ownership restrictions. Fixed capital stock amounts to Ps. 300 (nominal value) and the variable capital may not exceed 10 times the minimum fixed capital stock amount.

The characteristics of the common shares are as follows:

- Series "B" shares, with unlimited voting rights, which at all times must represent a minimum of 51% of total capital stock;
- Series "L" shares, with limited voting rights, which may represent up to 25% of total capital stock; and
- Series "D" shares, with limited voting rights, which individually or jointly with series "L" shares may represent up to 49% of total capital stock.

The Series "D" shares are comprised as follows:

- Subseries "D-L" shares may represent up to 25% of the series "D" shares;
- Subseries "D-B" shares may comprise the remainder of outstanding series "D" shares; and
- The non-cumulative premium dividend to be paid to series "D" stockholders will be 125% of any dividend paid to series "B" stockholders.

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

As of December 31, 2011 and 2010, 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 stockholders during the existence of the Company, except as a stock dividend. As of December 31, 2011 and 2010, this reserve in FEMSA amounted to Ps. 596 (nominal value).

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 for restated stockholder contributions and distributions made from consolidated 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. As of December 31, 2011, FEMSA's balances of CUFIN amounted to Ps. 62,925.

At the ordinary stockholders' meeting of FEMSA held on March 25, 2011, stockholders approved dividends of Ps. 0.22940 Mexican pesos (nominal value) per series "B" share and Ps. 0.28675 Mexican pesos (nominal value) per series "D" share that were paid in May and November, 2011. Additionally, the stockholders approved a reserve for share repurchase of a maximum of Ps. 3,000. As of December 31, 2011, the Company has not repurchased shares.

At an ordinary stockholders' meeting of Coca-Cola FEMSA held on March 23, 2011, the stockholders approved a dividend of Ps. 4,358 that was paid on April 27, 2011. The corresponding payment to the non-controlling interest was Ps. 2,017.

As of December 31, 2011, 2010 and 2009 the dividends declared and paid by the Company and Coca-Cola FEMSA were as follows:

		2011		2010		2009
FEMSA	**Ps.**	**4,600**	Ps.	2,600	Ps.	1,620
Coca-Cola FEMSA (100% of dividend)		**4,358**		2,604		1,344

22 Net Controlling Interest Income per Share

This represents the net controlling interest income corresponding to each share of the Company's capital stock, computed on the basis of the weighted average number of shares outstanding during the period. Additionally, the net income distribution is presented according to the dividend rights of each share series.

The following presents the computed weighted average number of shares and the distribution of income per share series as of December 31, 2011, 2010 and 2009:

	Millions of Shares			
	Series "B"		Series "D"	
	Number	Weighted Average	Number	Weighted Average
Shares outstanding as of December 31, 2011, 2010 and 2009	9,246.42	9,246.42	8,644.71	8,644.71
Dividend rights	1.00		1.25	
Allocation of earnings	46.11 %		53.89 %	

23 Taxes

a) Income Tax:

Income tax is computed on taxable income, which differs from net income for accounting purposes principally due to the treatment of the inflationary effects, the cost of labor liabilities for employee benefits, depreciation and other accounting provisions. A tax loss may be carried forward and applied against future taxable income.

	Domestic						Foreign					
		2011		2010		2009		**2011**		2010		2009
Income before income tax from continuing operations	**Ps.**	**12,275**	Ps.	11,276	Ps.	9,209	**Ps.**	**16,096**	Ps.	12,356	Ps.	7,549
Income tax:												
Current income tax		**3,744**		2,643		2,839		**3,817**		2,211		2,238
Deferred income tax		**(173)**		264		(401)		**299**		553		283

Domestic income before income tax from continuing operations is presented net of dividends received from foreign entities. The income tax paid in foreign countries is compensated with the consolidated income tax paid in Mexico for the period.

	Domestic						Foreign					
		2011		2010		2009		**2011**		2010		2009
Income before income tax from discontinued operations	**Ps.**	**-**	Ps.	306	Ps.	2,688	**Ps.**	**-**	Ps.	442	Ps.	(456)
Income tax:												
Current income tax		**-**		210		1,568		**-**		92		(45)
Deferred income tax		**-**		(260)		(508)		**-**		-		(2,066)[1]

[1] Application of tax loss carryforwards due to Brazil amnesty adoption.

The statutory income tax rates applicable in the countries where the Company operates, the years in which tax loss carryforwards may be applied and the open periods that remain subject to examination as of December 31, 2011 are as follows:

	Statutory Tax Rate	Expiration (Years)	Open Period (Years)
Mexico	30%	10	5
Guatemala	31%	N/A	4
Nicaragua	30%	3	4
Costa Rica	30%	3	4
Panama	25%	5	3
Colombia	33%	Indefinite	2-5
Venezuela	34%	3	4
Brazil	34%	Indefinite	6
Argentina	35%	5	5

The statutory income tax rate in Mexico was 30% for 2011 and 2010, and 28% for 2009.

In Panama, the statutory income tax rate for 2011, 2010 and 2009 was 25%, 27.5% and 30%, respectively.

On January 1, 2010, the Mexican Tax Reform was effective. The most important changes related to Mexican Tax Reform 2010 are described as follows: the value added tax rate (IVA) increases from 15% to 16%, an increase in special tax on productions and services from 25% to 26.5%; and the statutory income tax rate changes from 28% in 2009 to 30% for 2010, 2011 and 2012, and then in 2013 and 2014 will decrease to 29% and 28%, respectively. Additionally, the Mexican tax reform requires that income tax payments related to consolidation tax benefits obtained since 1999, have to be paid during the next five years beginning on the sixth year when tax benefits were used (see Note 23 C).

In Colombia, tax losses may be carried forward for an indefinite period and they are limited to 25% of the taxable income of each year.

In Brazil, tax losses may be carried forward for an indefinite period but cannot be restated and are limited to 30% of the taxable income of each year.

During 2009 and 2010, Brazil adopted new laws providing for certain tax amnesties. The tax amnesty programs offers Brazilian legal entities and individuals an opportunity to pay off their income tax and indirect tax debts under less stringent conditions than would normally apply. The amnesty programs also include a favorable option under which taxpayers may utilize income tax loss carry-forwards ("NOLs") when settling certain outstanding income tax and indirect tax debts. The Brazilian subsidiary of Coca-Cola FEMSA decided to participate in the amnesty programs allowing it to settle certain previously accrued indirect tax contingencies. During the years ended, December 31, 2010 and 2009 the Company de-recognized indirect tax contingency accruals of Ps. 333 and Ps. 433 respectively (see Note 24 C), making payments of Ps. 118 and Ps. 243, recording a credit to other expenses of Ps. 179 and Ps. 311 (see Note 18), reversing previously recorded Brazil valuation allowances against NOL's in 2009, and recording certain taxes recoverable. During 2011, there were no tax amnesty programs applied by the Company.

Tax on Assets:
The operations in Guatemala, Nicaragua, Colombia and Argentina are subject to a minumum tax, which is based primary on a percentage of assets. Any payments are recoverable in future years, under certain conditions. In Mexico, the Company has recoverable tax on assets generated in years earlier than 2008, which is recognized as recoverable taxes and can be recovered through tax returns (see Note 23 E).

b) Business Flat Tax ("IETU"):
Effective in 2008, the IETU came into effect in Mexico and replaced the Tax on Assets. IETU functions are similar to an alternative minimum corporate income tax, except that amounts paid cannot be creditable against future income tax payments. The payable tax will be the higher between the IETU or the income tax liability computed under the Mexican income tax law. The IETU applies to corporations, including permanent establishments of foreign entities in Mexico, at a rate of 17.5% beginning in 2010. The rate for 2009 was 17.0%. The IETU is calculated under a cash-flows basis, whereby the tax base is determined by reducing cash proceeds with certain deductions and credits. In the case of income derived from export sales, where cash on the receivable has not been collected within 12 months, income is deemed received at the end of this 12-month period. In addition, as opposed to Mexican income tax which allows for fiscal consolidation, companies that incur IETU are required to file their returns on an individual basis.

The Company has paid corporate income tax since IETU came into effect, and based on its financial projections for purposes of its Mexican tax returns, the Company expects to continue to pay corporate income tax in the future and does not expect to pay IETU. As such, the enactment of IETU has not affected the Company's consolidated financial position or results of operations.

c) Deferred Income Tax:
Effective January 2008, in accordance with NIF B-10, "Effects of Inflation," in Mexico the application of inflationary accounting is suspended. However, for taxes purposes, the balance of non monetary assets is restated through the application of National Consumer Price Index (NCPI) of each country. For this reason, the difference between accounting and taxable values will increase, generating a deferred tax.

The impact to deferred income tax generated by liabilities (assets) temporary differences are as follows:

Deferred Income Taxes		2011		2010
Allowance for doubtful accounts	Ps.	**(107)**	Ps.	(71)
Inventories		**(52)**		37
Prepaid expenses		**46**		75
Property, plant and equipment		**1,676**		1,418
Investments in shares		**1,830**		161
Other assets		**(701)**		(458)
Amortized intangible assets		**295**		197
Unamortized intangible assets		**2,409**		1,769
Labor liabilities for employee benefits		**(552)**		(448)
Derivative financial instruments		**23**		8
Loss contingencies		**(721)**		(703)
Temporary non-deductible provision		**(935)**		(999)
Employee profit sharing payable		**(200)**		(125)
Tax loss carryforwards		**(633)**		(988)
Deferred tax from exchange of shares of FEMSA Cerveza (see Note 5 B)		**10,099**		10,099
Other reserves		**973**		249
Deferred income taxes, net		**13,450**		10,221
Deferred income taxes asset		**461**		346
Deferred income taxes liability	Ps.	**13,911**	Ps.	10,567

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

		2011		2010		2009
Initial balance	Ps.	**10,221**	Ps.	(660)	Ps.	670
Deferred tax provision for the year		**225**		875		(31)
Change in the statutory rate		**(99)**		(58)		(87)
Deferred tax from the exchange of shares of FEMSA (see Note 5 B)		**-**		10,099		-
Usage of tax losses related to exchange of FEMSA Cerveza (see Note 5 B)		**-**		280		-
Effect of tax loss carryforwards [1]		**-**		-		(1,874)
Acquisition of subsidiaries		**186**		-		-
Disposal of subsidiaries		**-**		(34)		-
Effects in stockholders' equity:						
Derivative financial instruments		**75**		75		80
Cumulative translation adjustment		**2,779**		(352)		609
Retained earnings		**23**		(38)		-
Deferred tax cancellation due to change in accounting principle		**-**		-		(71)
Restatement effect of beginning balances		**40**		34		44
Ending balance	Ps.	**13,450**	Ps.	10,221	Ps.	(660)

[1] Effect due to 2010 Mexican tax reform, which deferred taxes were reclassified to other current liabilities and other liabilities according to its maturity.

d) Provision for the Year:

		2011		2010		2009
Current income taxes	Ps.	**7,561**	Ps.	4,854	Ps.	5,077
Deferred income tax		**225**		875		(31)
Change in the statutory rate		**(99)**		(58)		(87)
Income taxes	Ps.	**7,687**	Ps.	5,671	Ps.	4,959

e) Tax Loss Carryforwards and Recoverable Tax on Assets:

The subsidiaries in Mexico and Brazil have tax loss carryforwards and/or recoverable tax on assets. The taxes effect net of consolidation benefits and their years of expiration are as follows:

Year		Tax Loss Carryforwards		Current Recoverable Tax on Assets
2012	Ps.	-	Ps.	-
2013		-		12
2014		-		50
2015		-		4
2016		13		50
2017		-		63
2018		629		-
2019 and thereafter		1,147		-
No expiration (Brazil, see Note 23 A)		342		-
		2,131		179
Tax losses used in consolidation		(1,443)		(135)
	Ps.	688	Ps.	44

The changes in the balance of tax loss carryforwards and recoverable tax on assets, excluding discontinued operations are as follows:

		2011		2010
Initial balance	**Ps.**	**803**	Ps.	1,425
Additions		**60**		18
Usage of tax losses		**(140)**		(600)
Translation effect of beginning balances		**9**		(40)
Ending balance	**Ps.**	**732**	Ps.	803

As of December 31, 2011 and 2010, there is no valuation allowance recorded due to the uncertainty related to the realization of certain tax loss carryforwards and tax on assets.

f) Reconciliation of Mexican Statutory Income Tax Rate to Consolidated Effective Income Tax Rate:

	2011	2010	2009
Mexican statutory income tax rate	**30.0%**	30.0%	28.0%
Difference between book and tax inflationary effects	**(3.6)%**	(3.9)%	(1.8)%
Difference between statutory income tax rates	**1.2%**	1.2%	2.4%
Non-taxable income	**(0.3)%**	(2.4)%	(0.2)%
Others	**(0.2)%**	(0.9)%	1.2%
	27.1%	24.0%	29.6%

24 Other Liabilities, Contingencies and Commitments

a) Other Current Liabilities:

		2011		2010
Derivative financial instruments	**Ps.**	**69**	Ps.	41
Sundry creditors		**2,116**		1,681
Current portion of other long-term liabilities		**197**		276
Others		**15**		37
Total	**Ps.**	**2,397**	Ps.	2,035

b) Contingencies and Other Liabilities:

		2011		2010
Contingencies [1]	**Ps.**	**2,764**	Ps.	2,712
Taxes payable		**480**		872
Derivative financial instruments		**565**		653
Current portion of other long-term liabilities		**(197)**		(276)
Others		**1,148**		1,435
Total	**Ps.**	**4,760**	Ps.	5,396

[1] As of December 31, 2010 included Ps. 560 of tax loss contingencies regarding indemnification accorded with Heineken over FEMSA Cerveza, prior tax contingencies, of which Ps. 113 were recognized as other current liabilities and Ps. 2 were cancelled as of December 31, 2011.

c) Contingencies Recorded in the Balance Sheet:

The Company has various loss contingencies, and reserves have been recorded in those cases where the Company believes an unfavorable resolution is probable. Most of these loss contingencies were recorded as a result of recent business acquisitions. The following table presents the nature and amount of the loss contingencies recorded as of December 31, 2011:

		Total
Indirect tax	Ps.	1,405
Labor		1,128
Legal		231
Total	Ps.	2,764

Changes in the Balance of Contingencies Recorded:		**2011**		2010
Initial balance	**Ps.**	**2,712**	Ps.	2,467
Provision		**356**		716
Penalties and other charges		**277**		376
Cancellation and expiration		**(359)**		(205)
Payments [1]		**(288)**		(211)
Amnesty adoption		**-**		(333)
Translation of foreign currency of beginning balance		**66**		(98)
Ending balance	**Ps.**	**2,764**	Ps.	2,712

[1] Include Ps. 113 reclassified to other current liabilities.

d) Unsettled Lawsuits:

The Company has entered into legal 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, 2011 is Ps. 6,781. 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 legal proceedings will not have a material effect on its consolidated financial position or result of operations.

In recent years in its Mexican, Costa Rican 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 significant liability to arise from these contingencies.

e) Collateralized Contingencies:

As is customary in Brazil, the Company has been requested by the tax authorities to collateralize tax contingencies currently in litigation amounting to Ps. 2,418 by pledging fixed assets and entering into available lines of credit which cover such contingencies.

f) Commitments:

As of December 31, 2011, the Company has contractual commitments for finance leases for machinery and transport equipment (see Note 17) and operating lease for the rental of production machinery and equipment, distribution equipment, 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, 2011, are as follows:

		Mexican pesos		U.S. dollars		Other
2012	Ps.	2,370	Ps.	113	Ps.	203
2013		2,246		110		107
2014		2,134		100		80
2015		2,018		161		10
2016		1,896		712		8
2017 and thereafter		11,324		-		-
Total	Ps.	21,988	Ps.	1,196	Ps.	408

Rental expense charged to operations amounted to approximately Ps. 3,249 Ps. 2,602 and Ps. 2,255 for the years ended December 31, 2011, 2010 and 2009, respectively.

25 Information by Segment

The Company restructured the segment information disclosed to its main authority of the entity to focus on income from operations and cash flow from operations before changes in working capital and provisions (see Note 4 Z). Therefore segment disclosures for prior periods have been reclassified for comparison purposes.

a) By Business Unit:

2011	Coca-Cola FEMSA	FEMSA Comercio	CB Equity	Other [1]	Consolidation Adjustments	Consolidated
Total revenues	Ps. 124,715	Ps. 74,112	Ps. -	Ps. 13,373	Ps. (9,156)	Ps. 203,044
Intercompany revenue	2,099	2	-	7,055	(9,156)	-
Income from operations	20,152	6,276	(7)	483	-	26,904
Other expenses, net						(2,917)
Interest expense	(1,736)	(1,026)	-	(535)	363	(2,934)
Interest income	601	12	7	742	(363)	999
Other net finance expenses [2]						1,152
Equity method from associates	86	-	5,080	1	-	5,167
Income taxes	(5,599)	(556)	(267)	(1,265)	-	(7,687)
Consolidated net income before discontinued operations						20,684
Depreciation [3]	4,163	1,175	-	160	-	5,498
Amortization and non-cash operating expenses	683	707	-	166	-	1,556
Cash flows from operations before changes in working capital and provisions [4]	24,998	8,158	(7)	809	-	33,958
Investment in associates and joint ventures	3,656	-	75,075	241	-	78,972
Long-term assets	119,534	16,593	75,075	9,641	(5,106)	215,737
Total assets	151,608	26,998	76,791	28,220	(8,913)	274,704
Disposals of long-lived assets	484	211	-	8	-	703
Capital expenditures	7,826	4,096	-	593	-	12,515
Net cash flows provided by (used in) operating activities	15,307	7,403	(93)	(373)	-	22,244
Net cash flows (used in) provided by investment activities	(14,140)	(4,083)	1,668	(1,535)	-	(18,090)
Net cash flows (used in) provided by financing activities	(2,206)	313	-	(5,029)	-	(6,922)

(1) Includes other companies (see Note 1) and corporate.
(2) Includes foreign exchange loss, net; gain on monetary position, net; and market value loss on ineffective portion of derivative financial instruments.
(3) Includes bottle breakage.
(4) Income from operations plus depreciation and amortization.

2010	Coca-Cola FEMSA	FEMSA Comercio	CB Equity	Other [1]	Consolidation Adjustments	Consolidated
Total revenues	Ps. 103,456	Ps. 62,259	Ps. -	Ps. 12,010	Ps. (8,023)	Ps. 169,702
Intercompany revenue	1,642	2	-	6,379	(8,023)	-
Income from operations	17,079	5,200	(3)	253	-	22,529
Other expenses, net						(282)
Interest expense	(1,748)	(917)	-	(951)	351	(3,265)
Interest income	285	25	2	1,143	(351)	1,104
Other net finance expenses [2]						8
Equity method from associates	217	-	3,319	2	-	3,538
Income taxes	(4,260)	(499)	(208)	(704)	-	(5,671)
Consolidated net income before discontinued operations						17,961
Depreciation [3]	3,333	990	-	204	-	4,527
Amortization and non-cash operating expenses	610	607	-	144	-	1,361
Cash flows from operations before changes in working capital and provisions [4]	21,022	6,797	(3)	601	-	28,417
Investment in associates and joint ventures	2,108	-	66,478	207	-	68,793
Long-term assets	87,625	14,655	66,478	4,785	(1,425)	172,118
Total assets	114,061	23,677	67,010	27,705	(8,875)	223,578
Disposals of long-lived assets	7	-	-	2	-	9
Capital expenditures	7,478	3,324	-	369	-	11,171
Net cash flows provided by (used in) operating activities	14,350	6,704	-	(3,252)	-	17,802
Net cash flows (used in) provided by investment activities	(6,845)	(3,288)	553	15,758	-	6,178
Net cash flows used in financing activities	(2,011)	(819)	(504)	(7,162)	-	(10,496)

(1) Includes other companies (see Note 1) and corporate.
(2) Includes foreign exchange loss, net; gain on monetary position, net; and market value gain on ineffective portion of derivative financial instruments.
(3) Includes bottle breakage.
(4) Income from operations plus depreciation and amortization.

2009	Coca-Cola FEMSA	FEMSA Comercio	Other [1]	Consolidation Adjustments	Consolidated
Total revenues	Ps. 102,767	Ps. 53,549	Ps. 10,991	Ps. (7,056)	Ps. 160,251
Intercompany revenue	1,277	2	5,777	(7,056)	-
Income from operations	15,835	4,457	838	-	21,130
Other expenses, net					(1,877)
Interest expense	(1,895)	(954)	(1,594)	432	(4,011)
Interest income	286	27	1,324	(432)	1,205
Other net finance expenses [2]					179
Equity method from associates	142	-	(10)	-	132
Income taxes	(4,043)	(544)	(372)	-	(4,959)
Consolidated net income before discontinued operations					11,799
Depreciation [3]	3,472	819	100	-	4,391
Amortization and non-cash operating expenses	438	511	162	-	1,111
Cash flows from operations before changes in working capital and provisions [4]	19,745	5,787	1,100	-	26,632
Disposals of long-lived assets	124	-	5	-	129
Capital expenditures	6,282	2,668	153	-	9,103
Net cash flows provided by operating activities	16,663	4,339	1,742	-	22,744
Net cash flows (used in) provided by investment activities	(8,900)	(2,634)	158	-	(11,376)
Net cash flows used in financing activities	(6,029)	(346)	(1,514)	-	(7,889)

(1) Includes other companies (see Note 1) and corporate.
(2) Includes foreign exchange loss,net, gain on monetary position, net and market value gain on ineffective portion of derivative financial instruments.
(3) Includes bottle breakage.
(4) Income from operations plus depreciation and amortization.

b) By Geographic Area:

Geographic disclosures begin with the country level, with the exception of Central America which had been considered a geography by itself. Prior to 2011, the Company aggregated countries into the following geographies for the purposes of its consolidated financial statements: (i) Mexico, (ii) Latincentro, which aggregated Colombia and Central America, (iii) Venezuela (iv) Mercosur, which aggregated Brazil and Argentina, and (v) Europe.

During August 2011, Coca-Cola FEMSA changed certain aspects of its business structure and organization. In order to align the Company's geographic reporting with Coca-Cola FEMSA's new internal structure, the Company has decided to change the aggregation of its countries into the following geographies for consolidated financial statement purposes: (i) Mexico and Central America division (comprising the following countries: Mexico, Guatemala, Nicaraga, Costa Rica and Panama), (ii) the South America division (comprising the following countries: Colombia, Brazil, Venezuela and Argentina) and (iii) Europe division. Venezuela operates in an economy with exchange controls and hyper-inflation; and as a result, NIF B-5 "Information by Segments" does not allow its aggregation into the South America segment. The Company is of the view that the quantitative and qualitative aspects of the aggregated operating segments are similar in nature for all periods presented.

Geographic disclosures for prior periods have been reclassified for comparison purposes.

2011	Total Revenue	Capital Expenditures	Investments in Associates and Joint Ventures	Long-Lived Assets	Total Assets
Mexico and Central America [1]	**Ps. 130,256**	**Ps. 8,409**	**Ps. 2,458**	**Ps. 101,380**	**Ps. 139,741**
South America [2]	**53,113**	**3,461**	**1,438**	**31,430**	**47,182**
Venezuela	**20,173**	**645**	**1**	**7,852**	**12,717**
Europe	**-**	**-**	**75,075**	**75,075**	**76,791**
Consolidation adjustments	**(498)**	**-**	**-**	**-**	**(1,727)**
Consolidated	**Ps. 203,044**	**Ps. 12,515**	**Ps. 78,972**	**Ps. 215,737**	**Ps. 274,704**
2010					
Mexico and Central America [1]	Ps. 111,769	Ps. 6,796	Ps. 1,019	Ps. 72,116	Ps. 109,508
South America [2]	44,468	3,870	1,295	28,055	40,584
Venezuela	14,048	505	1	5,469	7,882
Europe	-	-	66,478	66,478	67,010
Consolidation adjustments	(583)	-	-	-	(1,406)
Consolidated	Ps. 169,702	Ps. 11,171	Ps. 68,793	Ps. 172,118	Ps. 223,578
2009					
Mexico and Central America [1]	Ps. 101,023	Ps. 5,870			
South America [2]	37,507	1,980			
Venezuela	22,448	1,253			
Consolidation adjustments	(727)	-			
Consolidated	Ps. 160,251	Ps. 9,103			

(1) Central America includes Guatemala, Nicaragua, Costa Rica and Panama. Domestic (Mexico only) revenues were Ps. 122,690, Ps. 105,448 and Ps. 94,819 during the years ended December 31, 2011, 2010 and 2009, respectively. Domestic (Mexico only) long-term assets were Ps. 94,076 and Ps. 64,310 as of December 31, 2011 and 2010, respectively.

(2) South America includes Brazil, Argentina, Colombia and Venezuela, although Venezuela is shown separately above. South America revenues include Brazilian revenues of Ps. 31,405, Ps. 27,070 and Ps. 21,465 during the years ended December 31, 2011, 2010 and 2009, respectively. Brazilian long-term assets were Ps. 15,618 and Ps. 14,410 as of December 31, 2011 and 2010, respectively. South America revenues also include Colombian revenues of Ps. 12,320, Ps. 11,057 and Ps. 9,904 during the years ended December 31, 2011, 2010 and 2009, respectively. Colombian long-term assets were Ps. 12,855 and Ps. 11,176 as of December 31, 2011 and 2010, respectively.

26 Implementation of International Financial Reporting Standards

The consolidated financial statements to be issued by the Company for the year ending December 31, 2012 will be its first annual financial statements that comply with IFRS as issued by the International Accounting Standards Board. The transition date is January 1, 2011 and, therefore, the year ended December 31, 2011 will be the comparative period to be covered. IFRS 1, "First-Time Adoption of International Financial Reporting Standards" (IFRS 1), sets mandatory exceptions and allows certain optional exemptions to the complete retrospective application of IFRS.

The Company applied the following mandatory exceptions to retrospective application of IFRS, effective as of the transition date:

- Accounting Estimates:
  Estimates prepared under IFRS as of January 1, 2011 are consistent with the estimates recognized under Mexican FRS as of the same date, unless the Company is required to adjust such estimates to agree with IFRS.

- Derecognition of Financial Assets and Liabilities:
  The Company applied the derecognition rules of IAS 39, "Financial Instruments: Recognition and Measurement" (IAS 39), prospectively for transactions occurring on or after the date of transition.

- Hedge Accounting:
  As of the transition date, the Company measured at fair value all derivative financial instruments and hedging relationships designated and documented effectively as accounting hedges as required by IAS 39, which is consistent with the treatment under Mexican FRS.

  As a result, there was no impact in the Company's consolidated financial statements due to the application of this exception.

- Non-controlling Interest:
  The Company applied the requirements in IAS 27, "Consolidated and Separate Financial Statements" (IAS 27) related to non-controlling interests prospectively beginning on the transition date.

The Company has elected the following optional exemptions to retrospective application of IFRS, effective as of the transition date:

- Business Combinations and Acquisitions of Associates and Joint Ventures:
  According to IFRS 1, an entity may elect not to apply IFRS 3 "Business Combinations" (IFRS 3) retrospectively to acquisitions made prior of the transition date to IFRS.

  The exemption for past business combinations also applies to past acquisitions of investments in associates and of interests in joint ventures.

  The Company adopted this exemption and did not amend its business acquisitions or investments in associates and joint ventures prior to the transition date and it did not remeasure the values determined at acquisition dates, including the amount of previously recognized goodwill in past acquisitions.

- Share-based Payments:
  The Company has share-based plans, which it pays to its qualifying employees based on its own shares and those of its subsidiary Coca-Cola FEMSA. Management decided to apply the optional exemptions established in IFRS 1, where it did not apply IFRS 2 "Share-based Payment" (IFRS 2), (i) to the equity instruments granted before November 7, 2002, (ii) to equity instruments granted after November 7, 2002 and that were earned before the latter of (a) the IFRS transition date and (b) January 1, 2005, and (iii) to liabilities related to share-based payment transactions that were settled before the transition date.

- Deemed Cost:
  An entity may individually elect to measure an item of its property, plant and equipment at the transition date to IFRS at its fair value and use that fair value as its deemed cost at that date. In addition, a first-time adopter may elect to use a previous GAAP revaluation of an item of property, plant and equipment at, or before, of the transition date to IFRS as deemed cost at the date of the revaluation, if the revaluation was, at the date of the revaluation, broadly comparable to: (i) fair value; or (ii) cost or depreciated cost in accordance with IFRS, adjusted to reflect changes in a general or specific price index.

  The Company has presented both its property, plant, and equipment and its intangible assets at IFRS historical cost in all countries. In Venezuela this IFRS historical cost represents actual historical cost in the year of acquisition, indexed for inflation in a hyper-inflationary economy based on the provisions of IAS 29.

- Cumulative Translation Effect:

  A first-time adopter is neither required to recognize translation differences and accumulate these in a separate component of equity nor on a subsequent disposal of a foreign operation, to reclassify the cumulative translation difference for that foreign operation from equity to profit or loss as part of the gain or loss on disposal that would have existed at transition date.

  The Company applied this exemption and consequently it reclassified the accumulated translation effect recorded under Mexican FRS to retained earnings and beginning January 1, 2011, it calculates the translation effect of its foreign operations prospectively according to IAS 21, "The Effects of Changes in Foreign Exchange Rates."

- Borrowing Costs:

  The Company applied the IFRS 1 exemption related to borrowing costs incurred for qualifying assets existing at the transition date based on the similar Company´s Mexican FRS accounting policy, and beginning January 1, 2011 it capitalizes eligible borrowing costs in accordance with IAS 23, "Borrowing Costs" (IAS 23).

Recording Effects of the Transition from Mexican FRS to IFRS:

The following disclosures provide a qualitative description of the most significant preliminary effects from the transition of IFRS determined as of the date of the issuance of the consolidated financial statements:

a) Inflation Effects:

According to Mexican FRS, the Mexican peso ceased to be the currency of an inflationary economy in December 2007, as the three year cumulative inflation as of such date did not exceed 26%.

According to IAS 29 "Hyperinflationary Economies" (IAS 29), the last hyperinflationary period for the Mexican peso was in 1998. As a result, the Company eliminated the cumulative inflation recognized within long-lived assets and contributed capital for the Company´s Mexican operations, based on Mexican FRS during the years 1999 through 2007, which were not deemed hyperinflationary for IFRS purposes.

For the foreign operations, the cumulative inflation from the acquisition date was eliminated (except in the case of Venezuela, which was deemed a hyperinflationary economy) from the date the Company began to consolidate them.

b) Employee Benefits:

According to NIF D-3 "Employee Benefits" (NIF D-3), a severance provision and the corresponding expenditure, must be recognized based on the experience of the entity in terminating the employment relationship before the retirement date, or if the entity deems to pay benefits as a result of an offer made to employees to encourage a voluntary termination. For IFRS purposes, this provision is only recorded pursuant to IAS 19 (Revised 2011), at the moment the entity has a demonstrable commitment to end the relationship with the employee or to make a bid to encourage voluntary retirement. This is evidenced by a formal plan that describes the characteristics of the termination of employment. Accordingly, at the transition date, the Company derecognized its severance indemnity recorded under Mexican FRS against retained earnings given that no such formal plan exists. A formal plan was not required for recording under Mexican FRS.

IAS 19 (Revised 2011), early adopted by the Company, eliminates the use of the corridor method, which defers the actuarial gains/losses, and requires that they 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 comprehensive income in each reporting period. These requirements increased its liability for employee benefits with a corresponding reduction in retained earnings at the transition date.

c) Embedded Derivatives:

For Mexican FRS purposes, the Company recorded embedded derivatives for agreements denominated in foreign currency. Pursuant to the principles set forth in IAS 39, there is an exception for embedded derivatives on those contracts that are denominated in certain foreign currencies, if for example the foreign currency is commonly used in the economic environment in which the transaction takes place. The Company concluded that all of its embedded derivatives fell within the scope of this exception.

Therefore, at the transition date, the Company derecognized all embedded derivatives recognized under Mexican FRS.

d) Stock Bonus Program:
Under Mexican FRS NIF D-3, the Company recognizes its stock bonus program plan offered to certain key executives as a defined contribution plan. IFRS requires that such share-based payment plans be recorded under the principles set forth in IFRS 2, "Share-based Payments." The most significant difference for changing the accounting treatment is related to the period during which compensation expense is recognized, which under NIF D-3 the total amount of the bonus is recorded in the period in which it was granted, while in IFRS 2 it shall be recognized over the vesting period of such awards.

Additionally, the trust that holds the equity shares allocated to executives, is considered to hold plan assets and is not consolidated under Mexican FRS. However, for IFRS SIC 12, "Consolidation - Special Purpose Entities," the Company will consolidate the trust and reflect its own shares in treasury stock and reduce the non-controlling interest for the Coca-Cola FEMSA's shares held by the trust.

e) Deferred Income Taxes:
The IFRS adjustments recognized by the Company had an impact on the calculation of deferred income taxes according to the requirements established by IAS 12, "Income Taxes" (IAS 12).

Furthermore, the Company derecognized a deferred liability recorded in the exchange of shares of FEMSA Cerveza with the Heineken Group, because IFRS prohibits the recognition of effects of current and deferred taxes that are generated on a hypothetical declaration of dividends to shareholders of the reporting Company. IFRS has an exception for recognition of a deferred tax liability for an investment in a subsidiary if the parent is able to control the timing of the reversal and it is probably that it will not reverse in the foreseeable future.

f) Retained Earnings:
All the adjustments arising from the Company's conversion to IFRS as of the transition date were recorded against retained earnings.

g) Other Differences in Presentation and Disclosures in the Financial Statements:
Generally, IFRS disclosure requirements are more extensive than those of NIF, which will result in increased disclosures about accounting policies, significant judgments and estimates, financial instruments and management risks, among others. The Company will restructure its Income Statement under IFRS to comply with IAS 1, "Presentation of Financial Statements" (IAS 1). In addition, there may be some other differences in presentation.

There are other differences between Mexican FRS and IFRS, however. The Company considers differences mentioned above describe the significant effects.

As a result of the transition to IFRS, the effects as of January 1, 2011 on the principal items of a condensed statement of financial position are described as follow:

	Mexican FRS	IFRS Transition Effects	Preliminary IFRS
Current assets	Ps. 51,460	Ps. (47)	Ps. 51,413
Non-current assets	172,118	(10,078)	162,040
Total assets	223,578	(10,125)	213,453
Current liabilities	30,516	(254)	30,262
Non-current liabilities	40,049	(10,012)	30,037
Total liabilities	70,565	(10,266)	60,299
Total stockholders' equity	153,013	141	153,154

The information presented above has been prepared in accordance with the standards and interpretations issued and in effect or issued and early adopted by the Company (as a discussed in Note 26 B) at the date of preparation of these consolidated financial statements. The standards and interpretations that are applicable at December 31, 2012, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing the Mexican FRS consolidated financial statements at December 31, 2011. Additionally, the IFRS accounting policies selected by the Company may change as a result of changes in the economic environment or industry trends that are observable after the issuance of this Mexican FRS consolidated financial statements. The information presented herein, does not intend to comply with IFRS, and it should be noted that under IFRS, only one set of financial statements comprising the statements of financial position, comprehensive income, changes in stockholders' equity and cash flows, together with comparative information and explanatory notes can provide a fair presentation of the financial position of the Company, the results of its operations and cash flows.

27 Subsequent Events

On February 27, 2012, the Company's Board of Directors agreed to propose an ordinary dividend of Ps. 6,200 million which represents an increase of 35% as compared to the dividend was paid in 2011. This dividend is scheduled to be approved at the Annual Shareholders meeting on March 23, 2012.

On December 15, 2011, Coca-Cola FEMSA and Grupo Fomento Queretano agreed to merge their beverage divisions. Grupo Fomento Queretano's beverage division operates mainly in the state of Queretaro, as well as in parts of the states of Mexico, Hidalgo and Guanajuato. The merger agreement has been approved by both Coca-Cola FEMSA's and Grupo Fomento Queretano's Boards of Directors and is subject to the completion of confirmatory legal, financial, and operating due diligence and to customary regulatory and corporate approvals, including the approval of The Coca-Cola Company and the Comisión Federal de Competencia, the Mexican antitrust authority. The transaction will involve the issuance of approximately 45.1 million of our Coca-Cola FEMSA's newly issued series L shares, and in addition Coca-Cola FEMSA will assume Ps. 1,221 million in net debt. Coca-Cola FEMSA expects to close this transaction during 2012.

On February 20, 2012, the Coca-Cola FEMSA entered into a 12-month exclusivity agreement with The Coca-Cola Company to evaluate the potential acquisition of a controlling ownership stake in the bottling operations owned by The Coca-Cola Company in the Philippines. This agreement does not require either party to enter into a transaction, and there can be no assurances that a definitive agreement will be executed.

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 on the parent companies of Energía Alterna Istmeña, S. de R.L. de C.V., which we refer to as EAI, and Energía Eólica Mareña, S.A. de C.V., which we refer to as EEM. EAI and EEM are the owners of a 396 megawatt late-stage wind energy project in the south-eastern region of the State of Oaxaca. Certain subsidiaries of FEMSA, FEMSA Comercio and Coca-Cola FEMSA have entered into 20-years wind power supply agreements with ENAI and EEM to purchase energy output produced by such companies.

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Stock Exchange and Symbol

Fomento Económico Mexicano, S.A.B. de C.V. stock trades on the Bolsa Mexicana de Valores (BMV) in the form of units under the symbols FEMSA UBD and FEMSA UB. The FEMSA UBD units also trade on The New York Stock Exchange, Inc. (NYSE) in the form of ADRs under the symbol FMX.

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The FEMSA 2011 Annual Report may contain certain forward-looking statements concerning FEMSA and its subsidiaries' future performance and should be considered as good faith estimates of FEMSA and its subsidiaries. These forward-looking statements reflect management's expectations and are based upon
currently available data. Actual results are subject to further events and uncertainties which could materially impact the Company's subsidiaries' actual performance.

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