Coca-Cola FEMSA

2010 Annual Report

Ahead

“Every step and action we undertake focuses on the disciplined execution of our strategic framework. We have improved our position in the global beverage industry by constantly transforming complex challenges into opportunities.”

of the
curve

Our industry constantly provides us with opportunities to continue building on the extraordinary business that we have the privilege to lead.

Our clear focus on our strategic framework will guide our actions now and into the future.

Ahead through our results

Millions of Mexican pesos and U.S. dollars as of December 31, 2010 (except volume and per share data)

	(U.S.$) 2010[1]	(Ps.) 2010	(Ps.) 2009	% change
Sales Volume (millions of unit cases)		2,499.5	2,428.6	2.9%
Total Revenues	**8,355**	103,456	102,767	0.7%
Income from Operations	**1,379**	17,079	15,835	7.9%
Controlling Interest Net Income	**791**	9,800	8,523	15.0%
Total Assets	**9,211**	114,061	110,661	3.1%
Long-Term Bank Loans and Notes Payable	**1,253**	15,511	10,498	47.8%
Controlling Interest	**5,756**	71,279	66,176	7.7%
Capital Expenditures	**604**	7,478	6,282	19.0%
Book Value per Share[2]	**3.12**	38.60	35.84	7.7%
Controlling Interest Net Income per Share (EPS)[2]	**0.43**	5.31	4.62	15.0%

[1] U.S. dollar figures are converted from Mexican pesos using the exchange rate for Mexican pesos published by the U.S. Federal Reserve Board on December 30, 2010, which exchange rate was Ps. 12.3825 to U.S.$1.00.
[2] Based on 1,846.5 oustanding ordinary shares, or the equivalent of 184.7 million ADSs.

In the face of a tough global commodity and consumer environment, we improved our business' results for the year.

+2.9%

Sales Volume

millions of unit cases

Year	Value
10	**2,500**
09	2,429
08	2,243
07	2,121
06	1,998

+0.7%

Total Revenues

millions of pesos

Year	Value
10	**103,456**
09	102,767
08	82,976
07	69,251
06	64,046

+7.9%

Income from Operations

millions of pesos

Year	Value
10	**17,079**
09	15,835
08	13,695
07	11,486
06	10,293

+93.7%

Dividend per Share

pesos per share

Year	Value
10	**1.41**
09	0.73
08	0.51
07	0.45
06	0.40

Strategic Framework

...to achieve our full operating potential

we advanced from a volume-driven to a value-driven commercial model.

...to drive innovation

we are committed to stimulate and satisfy our consumers' individual beverage needs.

...of value-creating acquisitions

our fragmented industry offers more room for continued growth.

...of sustainability

we improve our position by proactively managing our environment.

to consolidate our company as a global multi-category leader

Ahead of the curve

15.0%

Consolidated controlling interest net income growth

Dear Shareholders:
We believe that every step and action we undertake focuses on the disciplined execution of our strategic framework. We have improved our position in the global beverage industry by constantly transforming complex challenges into opportunities.

In 2010, our company delivered solid double-digit top-line growth on a currency neutral basis in the face of a tough global commodity and consumer environment. We improved our business' results for the year, supported by our consumers' strong preference for our broad portfolio of beverages and our commitment to continuously develop our ability to manage the diverse dynamics of our markets. For the year, our total sales volume grew 3% to 2.5 billion unit cases. Our consolidated revenues rose 1% to Ps. 103 billion, despite the effect of the devaluation of the Venezuelan bolivar. Our consolidated operating income improved 8% to Ps. 17 billion, and our consolidated controlling interest net income grew 15% to close to Ps. 10 billion, resulting in earnings per share of Ps. 5.31.

Achieving our business' full operating potential
Given our role in the global Coca-Cola bottling system, we embrace the responsibility of managing a growing business enterprise with maximum operating efficiency—focused on increasing our contribution to the system's growth and consolidating our position within it. To this end, in 2010, we evolved from a volume-driven to a value-driven commercial model to capture the full potential of the beverage industry. During the year, we converted the equivalent of more than 60% of our consolidated volumes to our new *Gestión de Valor del Cliente* (GVC or Client Value Management) commercial model. This new model enables us to capture additional industry revenues and improve the performance of our customers in the traditional sales channel. In 2011, we will continue to roll out this large-scale commercial initiative, which will allow us to allocate our marketing resources more efficiently and lay the cornerstone for our company's future organic growth.

Additionally, to foster a transformational process of this scope, in 2010, we launched our HVKOF (Homologation Version KOF) project. This project—supported by our new SAP platform—is designed to align our business' processes, improve our operations' flexibility, and facilitate our numerous daily transactions. We understand that technology, when used correctly, is a powerful tool that provides maximum operating efficiency and enhances our commercial platform, while increasing our capacity for continued learning.

In September, 2010, we opened a new distribution center in Buenos Aires, Argentina, that represents a benchmark

within the Coca-Cola bottling system in terms of technology and productivity. With an investment of approximately US$30 million, this highly automated center will consolidate the operation of two existing distribution facilities, serving more than 25 thousand clients and delivering 150 thousand unit cases of beverages daily.

We remain focused on improving the efficiency of our value chain and developing our organization's capabilities to implement large-scale initiatives, creating value for our customers, our company, and our shareholders.

Driving growth through innovation

Through our constant dedication to innovation, we reinforce our commitment to serve the continuously evolving tastes of our more than 200 million consumers across Latin America every day. In 2010, together with our partner, The Coca-Cola Company, we initiated the rollout of a very promising new venture in our Mexican operations. In less than one year, we installed 5,000 *Blak* brand coffee dispensing machines in the traditional sales channel, effectively doubling the number of coffee machines installed in small, modern retail outlets in the Valley of Mexico and serving on average the equivalent of more than 27 million cups a year. Consequently, we are providing our traditional channel clients with an additional tool to match the beverage offering of the modern trade format, satisfy a relevant consumption occasion, and create a new source of income for this important distribution channel. In 2011, we expect to significantly expand this platform in Mexico and extend this model to other countries, underscoring the dynamic potential of this category.

On the packaging front, we provided our consumers with a growing array of alternatives. Our introduction of single-serve, entry-level packs for such flagship brands as *Coca-Cola* and *Fanta* in the Brazilian market bolstered our single-serve offering and played an important complementary role to our multi-serve returnable packaging strategy. In 2010 alone, our affordably priced single-serve entry-level 250 milliliter (ml) cans and PET packages, combined with the successful reintroduction of our 2 liter returnable presentation, accounted for close to 50% of our Brazilian operations' incremental volumes. To support our returnable strategy in Brazil, in November 2010, through an investment of US$17 million, we completed the installation of the largest returnable bottle production line in the Coca-Cola bottling system with an annual production capacity of more than 50 million unit cases. Moreover, in Mexico, we introduced an affordable 200 ml PET contour bottle to replicate the success of our Brazilian entry-level pack launches.

Our ability to design innovative, profitable portfolio alternatives and commercial tools that satisfy our customers' and consumers' particular needs plays a key role in positioning our business ahead of the curve—relying on the powerful engine of innovation to enhance our company's organic growth.

Growing through value-creating acquisitions

Our position as a leading multi-category beverage player in our industry is the result of a long journey that we undertook several years ago. We

José Antonio Fernández Carbajal
Chairman of the Board

Carlos Salazar Lomelín
Chief Executive Officer

The preliminary agreement to acquire Grupo Industrias Lácteas in Panama will expand our product portfolio with approximately 600 SKUs in the milk, value-added dairy, and juice categories.

resolved to learn from both our successes and our mistakes, while always maintaining a clear focus: to build a larger, better company designed to satisfy more consumers and deliver more value for our shareholders.

Three years ago, we started to participate significantly in Latin America's underdeveloped, high growth potential non-carbonated beverage segment—positioning our company ahead of the curve. Through our joint acquisition of Jugos Del Valle with our partner, The Coca-Cola Company, and the rest of the Mexican and Brazilian Coca-Cola bottling system, we have considerably increased our position in these beverage categories in a very short period of time, evolving into a major player in the non-carbonated segment across our franchise territories. In the process of learning and applying this new business model, we acquired the flexibility necessary to develop new products faster, preparing our company for the future.

Consistent with this strategy, in October, 2010, we signed a preliminary agreement to acquire Grupo Industrias Lácteas in Panama. This acquisition represents the first incursion into this sector of the Latin American beverage industry for a Coca-Cola bottler. It positions our company ahead of the curve on a national scale in the milk and value-added dairy products category, one of the most dynamic segments in terms of growth, scale, and value in the global non-alcoholic beverage industry. Specifically, we will expand our product portfolio by approximately 600 SKUs, while substantially reinforcing our presence in Panama's juice beverage category.

This transformational step is also an ideal opportunity to learn, build, and sharpen our capabilities to manage a cold distribution system, complementing our company's supply chain. This acquisition will allow us to identify prospective synergies, leverage our large cooler coverage at the point of sale, and maximize the full potential of this new portfolio of strong brands—with its more than 60-year tradition of quality in Panama.

In October, 2010, together with the Brazilian Coca-Cola bottling system, we completed a transaction with a Brazilian subsidiary of The Coca-Cola Company to produce, sell, and distribute *Matte Leão* brand tea products. This transaction will reinforce our company's non-carbonated product offering through this widely recognized line of tea products—with its more than 100-year history. Capitalizing on the strength of our large distribution system, we will expand our avenues of growth in the Brazilian market. Indeed, this line of more than 40 ready-to-drink SKUs has supported this category's important growth since its full incorporation into our portfolio.

These transactions are further links in the extensive chain of valuable acquisitions that we have made over the past several years. They are now part of the journey that transformed a Mexican sparkling beverage player into a Latin American multi-category beverage industry leader, clearly positioning us ahead of the curve. Our fragmented industry offers more room for continued growth through acquisitions. More importantly, such acquisitions offer significant opportunities to incorporate valuable talent into our organization and to create value for our shareholders.

Furthering our company's sustainable development

Our position in the beverage industry is supported by our sustainable development—one of the most important pillars of our strategic framework. As we extend our track record of growth, we will continue expanding our commitment to social responsibility across Latin America. To that end, we develop programs that are ahead of the curve, designed to build on our future generations' ability to live responsibly. Our initiatives foster the quality of life of our employees, promote a culture of health and well-being, support our surrounding communities, and minimize our operations' environmental impact.

During 2010, more than 170,000 children from more than 1,100 schools in Mexico participated in our *Juntos por tu Bienestar* (Together for your Benefit) program. This program uses a variety of activities such as theatre shows, sport clinics, and school brigades that enable students to learn the benefits of physical activity, nutrition, and hydration. By leveraging our ability to reach numerous schools across our Mexican territories, we provide our children

with the tools necessary to value and begin building a healthy lifestyle, now and into the future.

Through the *Centros Comunitarios de Aprendizaje* (Learning Community Centers), our company, local community representatives, government authorities, and the Mexican University Tecnologico de Monterrey (ITESM) in Colombia combined efforts, time, and resources to help our Colombian communities improve their educational profile in a social campaign to reverse the effects of poverty and war. In 2010, more than 1,800 people received an average of seven individual classes a month. As a result, 30% of them were successfully reintegrated into society. Moreover, in August, 2010, in recognition of our *Banco de Tiempo* (Time Bank) program, our company was presented with the Best Social Responsibility Practice of 2010 award in the area of community engagement by the *Centro Mexicano para la Filantropía* (CEMEFI), a Mexican philanthropic organization. This program, recognized by the Presidency of Colombia, provides education to former members of guerrilla groups, enabling them to assume productive and entrepreneurial roles in society.

Our environmental strategy is exemplified by our ability to mitigate our operations' impact on the environment and to protect our natural resources. Specifically, we are focused on three main areas: water management, climate change mitigation, and sustainable packaging.

Over the past three years, together with our partner, The Coca-Cola Company, we have planted more than 12 million trees covering an area of 13 thousand hectares in our Mexican territories. This initiative—one of the largest in Mexico—will replenish more than 4.5 million cubic meters of water annually to the aquifers. Additionally, in 2010, we established an international program in collaboration with The Nature Conservancy to identify five water basins under stress in our territories, to implement plans for the proper management of these natural resources, and to share these assessments with local government authorities.

In the area of sustainable packaging, we achieved significant progress across a variety of programs. Among our recycling initiatives, our company is the largest contributor of resources to the *Ecologia y Compromiso Empresarial* (ECOCE or Ecology and Enterprise Commitment) program in Mexico. This program collects over 100,000 tons of post-consumer PET bottles annually and works closely with local schools to raise awareness of the benefits of recycling. Additionally, in 2010, together with The Coca-Cola Company, we introduced the "Plant Bottle," an innovative packaging alternative comprised of 30% renewable materials—which carbon footprint is 15% less than a conventional PET bottle. Furthermore, to diminish the environmental impact of our packaging, we have developed PET bottles that are 25% lighter than those we used in 2004.

With respect to climate change mitigation, over the past six years, our manufacturing facilities—which are among the most energy-efficient in the Coca-Cola bottling system—avoided the emission of over 200,000 tons of carbon dioxide (CO_2). These savings are equivalent to the CO_2 emissions produced by the average energy consumption of 100,000 five-member families in one year. By 2015, the objective of our manufacturing facilities is to achieve CO_2 emissions equal to those produced by our facilities in 2004.

The use of green energy is a pillar of our sustainability strategy. By 2013, more than 70% of the energy used in Coca-Cola FEMSA's operations across Latin America will come from renewable sources. With the start-up in April, 2010 of the Bii Nee Stipa wind farm in southeastern Mexico—which will supply our company with 100 million KWh of power per year—we are on track to meet this target, allowing us to stay ahead of the curve in our business growth, but not in the growth of our carbon footprint.

Over the past six years, our manufacturing facilities have avoided CO_2 emissions equivalent to the average energy consumption of 100,000 five-member families per year.

Our sustainable development is integral to our strategic framework for business growth. Our position at the forefront of the beverage industry compels our company to continually develop programs that ensure the creation of social and economic value for our employees, our communities, and our environment and lay the path for future responsible generations.

As we express our deep appreciation for the continued trust and confidence that you place in our teams' capabilities, we welcome the opportunities that our industry constantly provides us to continue building on the extraordinary business that we have the privilege to lead. Our clear focus on our strategic framework will guide our actions now and into the future, enabling us to stay ahead of the curve and to create value for you.

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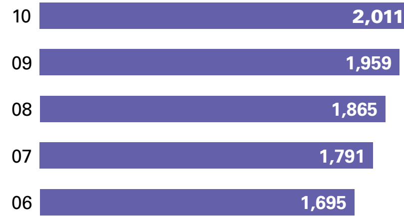
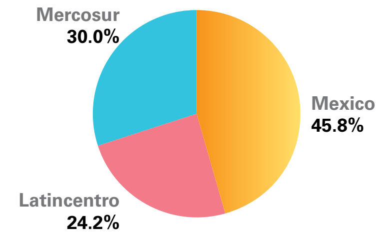
Chief Executive Officer





We embrace the responsibility of managing a large, growing business enterprise and recognize the importance of operating with maximum efficiency.

Ahead

We embrace the responsibility of managing a large, growing business enterprise and recognize the importance of operating with maximum efficiency. To this end, in 2010, we evolved from a volume-driven to a value-driven commercial model. In the process, we adapted our business to serve our highly fragmented customer base across our franchise territories and to satisfy our consumers' increasingly demanding preferences and practices. Ultimately, our aim is to capture the full potential of the beverage industry in the nine countries in which we operate throughout Latin America. During the year, we converted the equivalent of more than 60% of our consolidated volumes to our new *Gestión de Valor del Cliente* (GVC or Client Value Management) commercial model. This new value-driven client ranking enables us to improve not only the performance of our custom-

through the
full operating

potential

We embrace the responsibility of managing a large, growing business enterprise and recognize the importance of operating with maximum efficiency.

ers in the traditional sales channel, but also the revenues of our company and the industry. In 2011, we will continue to execute this large-scale commercial initiative, which will allow us to allocate our marketing resources more efficiently and lay the cornerstone for our company's future organic growth.

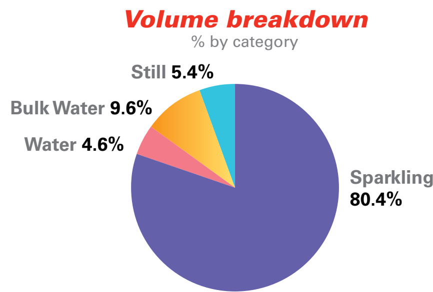
We continue to invest in relevant information technology systems to achieve our business' full operating potential. Our information technology platform—a distinctive competitive advantage—provides our company with the technological capabilities to capitalize on the benefits of the multidimensional segmentation process involved with the implementation of our new commercial model. Consequently, in 2010, we started the rollout of our HVKOF (Homologation Version KOF) project. This project is designed to align our business' processes, improve our operations' flexibility, and facilitate our numerous daily transactions. Already, we have aligned a substantial part of our Mexican production and distribution facilities, while we continue integrating the rest of our operations under HVKOF's new SAP platform. To successfully implement this project, we have trained more than 3,600 employees in Mexico through 385 different courses.

In September, 2010, we opened a new distribution center in the Buenos Aires area of Argentina. With an investment of approximately US$30 million, this facility utilizes automated logistics equipment, including laser guided electric vehicles and voice activated systems, which enable its operators to set up orders without any written input. This center will consolidate the operation of two existing distribution facilities. It will be able to serve more than 25 thousand clients, deliver 150 thousand unit cases of beverages, and receive more than 100 trucks from our production facilities on a daily basis—becoming a benchmark within the Coca-Cola bottling system.

While we continue to grow our business, we remain focused on improving efficiency across our value chain. Over the past six years, we have strengthened

our efforts to maximize the potential of our portfolio of assets: we have improved our manufacturing productivity, measured in unit cases per production facility, by over 140%; and our distribution productivity, measured in unit cases per distribution facility, by over 95%.

We further develop our organization's capabilities to reinvent and improve relevant business models, systems, and partnerships that we can successfully implement on a large scale, creating value for our customers, our business, and our shareholders.



11%

Volume growth in still beverages in 2010

Together with our partner, The Coca-Cola Company, we installed Blak brand coffee dispensing machines in the traditional channel, selling on average the equivalent of more than 27 million cups, annually.

Ahead

As our consumers evolve and their tastes, habits, and preferences become ever more demanding, we are committed to stimulate and satisfy their individual beverage needs, capitalizing on the knowledge derived from our daily exposure to more than 200 million consumers across Latin America.

Innovation is an integral driver of our company's strategic growth and development. Therefore, in 2010, together with our partner, The Coca-Cola Company, we initiated the rollout of a very promising new venture in our Mexican operations. We started to install *Blak* brand coffee dispensing machines in the traditional sales channel. Consequently, we are providing our traditional store owners with an additional tool to satisfy this consumption occasion, helping them to broaden their beverage platform and, thereby, enabling

through

innovation

Together with our partner, The Coca-Cola Company, we installed Blak brand coffee dispensing machines in the traditional channel, selling on average the equivalent of more than 27 million cups, annually.

them to compete better against the customary coffee offering normally found in the modern trade channel. Through this large-scale initiative, in less than a year, we more than matched the number of coffee machines installed in small, modern retail outlets across our Mexican territories. On average, the 5,000 coffee dispensers installed in 2010 register 75,000 transactions daily or the equivalent of more than 27 million cups annually. In 2011, we are on the way to consolidate this venture throughout our territories in Mexico, and extend it to Colombia, Costa Rica, and Brazil, underscoring the dynamic potential that we envision in this category. Through such important learning experiences, we sharpen our company's and our employees' capabilities to identify and capture new consumption occasions, secure an expanding share of our consumers' beverage preferences, and continue to consolidate our position as a multi-category benchmark in the non-alcoholic beverage industry.

12.1%

Single-serve volume growth in Brazil in 2010

5,000

Coolers installed in Brazil in 1 day

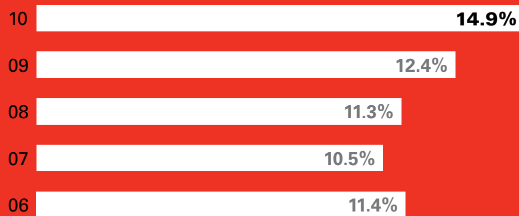
On the packaging front, we furthered our efforts to provide our consumers with a growing array of alternatives. Our introduction of single-serve, entry-level packs for our flagship brands, *Coca-Cola* and *Fanta*, in the Brazilian market represented an innovative way to address an important consumption occasion. Designed to satisfy our consumers' thirst on-the-go, these packaging alternatives offer our consumers a compelling opportunity to taste these beverages during their busy day, and play an important complementary role to our multi-serve returnable packaging strategy.

In conjunction with our strategic launch of single-serve, entry-level packs, at the end of 2009, we began to reinforce our Brazilian operations' returnable base. With the reintroduction of the 2 liter returnable presentation for brand *Coca-Cola*, we provided consumers with a very attractive purchasing opportunity, leveraging Brazil's strong economic environment—which upward social mobility ultimately draws more consumers to the category—and presenting a valuable alternative in the face of low-price brands. In support of our returnable initiative in Brazil, in November, 2010, we completed the installation of the largest returnable bottle production line in the Coca-Cola bottling system with an investment of US$17 million. This new line is capable of producing more than 50 million unit cases annually.

In 2010 alone, our affordably priced, single-serve, entry-level 250 milliliter (ml) cans and PET packages, combined with our 2 liter returnable presentation, comprised close to 50% of

Returnable packaging mix in Brazil

% of sparkling beverages



+250

Basis points gain in returnable mix

our Brazilian operations' incremental volumes. Moreover, in Mexico, we introduced an affordable 200 ml PET contour bottle, designed to replicate the success of our Brazilian entry-level pack launches.

Consistent with our commitment to provide our consumers with the right beverage at the right temperature, as a part of our new commercial model, we have made important improvements to our cooler coverage in the Brazilian market. This initiative, called "Cool Invasion," set a record for cooler placement in the Coca-Cola bottling system—installing 5,000 highly energy-efficient coolers at selected outlets in only one day. Furthermore, in Mexico, in August, we introduced the first "Multi-Category Cooler." Designed to connect better with our consumers at the point of sale, this innovative development helps them to visually identify our products by assigning a different color to each beverage category. These efficient cooler initiatives enhance our execution at the point of sale and reinforce our employees' capabilities to implement large-scale strategies precisely.

Our refined capabilities to develop new products faster, combined with our capacity to design innovative, profitable portfolio alternatives and commercial tools that serve and satisfy our customers and consumers on relevant consumption occasions, play a key role in positioning our company ahead of the curve—relying on the powerful engine of innovation to enhance our company's organic growth.

In 2010, our 2 liter returnable and affordable 250 ml entry-level packages contributed close to 50% of our incremental volumes in Brazil.

Always, we maintained a clear focus: to build a larger, better company designed to satisfy more consumers and deliver more value for our shareholders.

Ahead

Our position as a leading multi-category beverage player in our industry is the result of our navigation of a long journey that we started several years ago. As we undertook this journey, we resolved to learn from everything that we encountered along the way—both our successes and our mistakes. Always, we maintained a clear focus: to build a larger, better company designed to satisfy more consumers and deliver more value for our shareholders.

As part of this journey, three years ago, we started to participate significantly in Latin America's underdeveloped, high growth potential non-carbonated beverage segment—thus, positioning our company ahead of the curve. Through our joint acquisition of the *Jugos Del Valle* line of beverages with our partner, The Coca-Cola Company, and the rest of the Mexican and Brazilian Coca-Cola bottling system, we have evolved into a major player in this segment. In the process of learning and apply-

through

acquisitions

Always, we maintained a clear focus: to build a larger, better company designed to satisfy more consumers and deliver more value for our shareholders.

ing this new business model, we have acquired the flexibility necessary to develop new products faster, preparing our business for the future.

Consistent with this strategy, in October, we signed a preliminary agreement to acquire Grupo Industrias Lácteas in Panama. This acquisition marks the first incursion into this sector of the Latin American beverage industry for a Coca-Cola bottler. It positions our company ahead of the curve on a national scale in the milk and value-added dairy products category—one of the most dynamic segments in terms of growth, scale, and value in the global non-alcoholic beverage industry. By closing this transaction, we will also significantly reinforce our offering in Panama's juice beverage category. Specifically, we will expand our product portfolio by approximately 600 SKUs, placing us in a more favorable position to match our primary local competitor's offering in terms of category integration.

This transformational step is also an ideal opportunity to learn, build, and sharpen our capabilities to manage a cold distribution system and complement our company's supply chain. This acquisition will allow us to identify prospective synergies, leverage our large cooler coverage at the point of sale, and maximize the full potential of this new portfolio of strong brands—with its more than 60-year tradition of quality in Panama.

In October, 2010, together with the Brazilian Coca-Cola bottling system, we completed a transaction with a Brazilian subsidiary of The Coca-Cola Company to produce, sell, and distribute *Matte Leão* brand tea products. This transaction will reinforce our company's non-carbonated product offering under the joint venture platform we share with our partner, The Coca-Cola Company, and the rest of their Brazilian bottling system. With a more than 100-year history, this widely recognized line of tea products not only complements our existing beverage portfolio, but also enables us to participate significantly in a very important beverage category. Through the strength of our large distribution system, we reach and satisfy a broader range of consumers, multiplying the effect of this Brazilian flagship brand and, ultimately, extending our avenues of growth in this market. This line of more than 40 ready-to-drink SKUs has supported this category's important growth since its full incorporation into our portfolio.

These transactions are further links in the exten-

sive chain of acquisitions that we have made over the past several years. They are now part of the journey that transformed a Mexican sparkling beverage player into a Latin American multi-category beverage industry leader, clearly positioning us ahead of the curve. Our fragmented industry offers more room for continued growth through acquisitions. More importantly, such acquisitions offer significant opportunities to incorporate valuable talent into our organization and to create value for our shareholders.

+170,000

Children participated in healthy lifestyle programs

Sustainable development is one of the most important pillars of our strategic framework.

Ahead

Our position in the beverage industry is supported by our sustainable development—one of the most important pillars of our strategic framework. Sustainability is not a destination; it is a comprehensive journey that we are dedicated to take with our employees, our communities, and our shareholders. As we extend our track record of growth, we will continue expanding our commitment to social responsibility across Latin America. To that end, we develop programs and initiatives that are ahead of the curve, designed to build on our future generations' ability to live responsibly. Ultimately, our initiatives foster the quality of life of our employees, promote a culture of health and well-being, support our surrounding communities, and minimize our operations' environmental impact.

During 2010, more than 170,000 children from more than 1,100 schools in Mexico participated in our *Juntos por*

through

sustainability

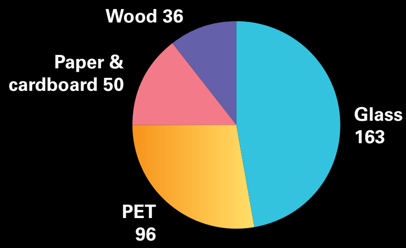
Sustainable development is one of the most important pillars of our strategic framework.

tu Bienestar (Together for your Benefit) program. Designed to promote a healthy lifestyle among our youth, this program uses a variety of activities such as theatre shows, sport clinics, and school brigades that enable students to learn the benefits of physical activity, nutrition, and hydration. By leveraging our ability to reach numerous schools across our Mexican territories, we provide our children with the necessary tools to build a healthy lifestyle, now and into the future.

Beyond Mexico, we extended the advantages of this program to Central America, Colombia, and Venezuela through *Apuntate a Jugar, y Vamo a juga* (Sign up to Play, and Come to Play). In alliance with government and civil authorities, we trained physical education teachers to multiply the positive impact of this program and successfully secured the exponential transmission of future healthy lifestyles. Altogether, more than 130,000 children benefited from this program.

Through our *Centros Comunitarios de Aprendizaje* (Learning Community Centers), our company, local community representatives, government authorities, and the Mexican University Tecnológico de Monterrey (ITESM) in Colombia joined efforts, time, and resources to help our Colombian communities improve their educational profile in a social campaign to reverse the effects of poverty and war. In 2010, more than 1,800 people received an average of seven individual classes a month. As a result, 30% of them were successfully reintegrated into society.

In September, 2010, for the fifth consecutive year, more than 700 of our employees and their families in Venezuela combined their efforts for the *Dia Mundial de Limpieza de Costas* (World Day of Beach Cleaning). Promoted by the international Ocean Conservancy, this event is designed to raise people's consciousness about the appropriate disposal of solid waste at beaches, rivers, and lakes. This year, our Caracas, Valencia, Maracaibo, and Barcelona employees collected more than 25 tons of solid waste material—surpassing the amount gathered in 2009. Participation in this international initiative has proved an important educational vehicle for

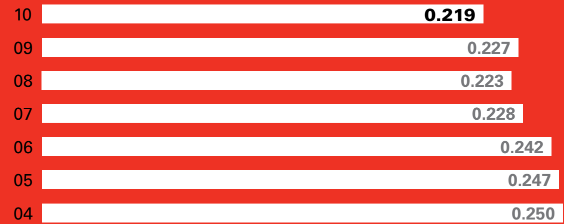


345

Thousand tons recycled in our plants since 2004

Energy efficiency in manufacturing facilities

mega joules per liter produced



12.4%

Improvement in energy consumption

our entire society, establishing an extensive alliance among communities, government authorities, and private and public companies.

Our environmental strategy is driven by our ability to mitigate our operations' impact on the environment and to protect our natural resources. Specifically, we are focused on three main areas: water management, climate change mitigation, and sustainable packaging.

Over the past three years, together with our partner, The Coca-Cola Company, we have planted more than 12 million trees covering an area of 13 thousand hectares in our Mexican territories. This initiative—one of the largest in Mexico—is part of our strategy to support the availability of water in our communities. Ultimately, it will replenish more than 4.5 million cubic meters of water annually to the aquifers. Additionally, in 2010, we established an international program in collaboration with The Nature Conservancy to identify five water basins under stress in Mexico, Colombia, Brazil, and Central America, to implement plans for the proper management of these natural resources, and to share these assessments with local government authorities.

In the area of sustainable packaging, we achieved significant progress across a variety of programs. On average, our current PET bottles are 25% lighter than those we used in 2004, helping us to diminish the environmental impact of these bottles. Among our recycling initiatives, our company is the largest contributor of resources to the *Ecología y Compromiso Empresarial* (ECOCE or Ecology and Enterprise Commitment) program in Mexico. This program collects over 100,000 tons of post-consumer PET bottles annually and works closely with local schools to raise awareness of the benefits of recycling. Additionally, in 2010, as part of our further efforts to provide our consumers with sustainable packaging alternatives, we introduced the "Plant Bottle," an innovative pack-

By 2013, more than 70% of the energy used in Coca-Cola FEMSA's operations across Latin America will come from renewable sources.

25.0%

Lighter PET bottles

aging alternative comprised of 30% renewable materials—which carbon footprint is 15% less than a conventional PET bottle.

With respect to climate change mitigation, our manufacturing facilities are among the most energy efficient in the Coca-Cola bottling system. Over the past six years, these energy-efficient facilities avoided the emission of over 200,000 tons of carbon dioxide (CO_2). These savings are equivalent to the CO_2 emissions produced by the average energy consumption of 100,000 five-member families in one year.

We want to stay ahead of the curve in our business growth, but not in the growth of our carbon footprint. By 2015, the objective of our manufacturing facilities is to achieve CO_2 emissions equivalent to those produced by our facilities in 2004. With the start-up in April, 2010, of the Bii Nee Stipa wind farm in southeastern Mexico—which will supply our company with 100 million KWh of power per year—we are on track to meet this target.

The use of green energy is a pillar of our sustainability strategy. By 2013, more than 70% of the energy used in Coca Cola FEMSA's operations across Latin America will come from renewable sources.

Our sustainable development is integral to our strategic framework for business growth. Our position at the forefront of the beverage industry compels our company to continually develop programs that ensure the creation of social and economic value for our employees, our communities, and our environment and lay the path for future responsible generations.

Operating Highlights

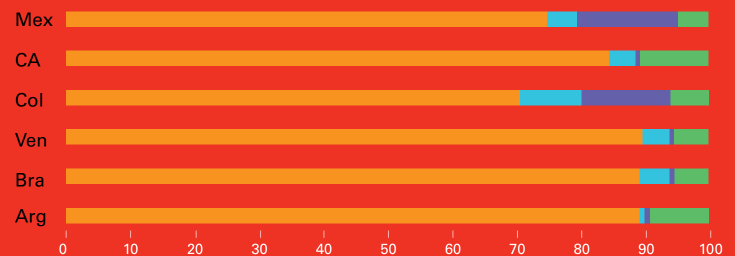
	Population Served (millions)	Sparkling per capita consumption	Points of sale	Plants	Distribution centers
Mexico	49.9	443	621,053	9	83
Central America	19.2	148	104,275	5	25
Colombia	46.3	91	370,112	6	32
Venezuela	29.0	159	211,568	4	32
Brazil	44.1	235	191,847	4	27
Argentina	12.2	339	77,502	2	5
Total	200.7	240	1,576,357	30	204

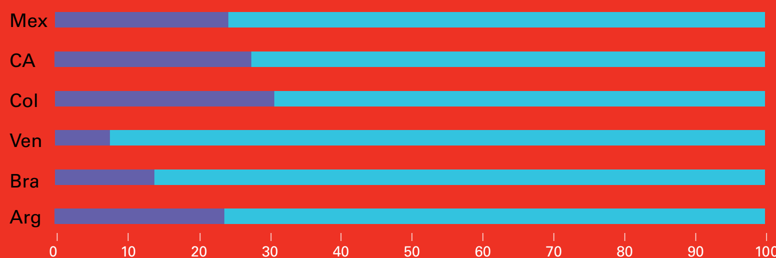
sparkling beverages	water & bulk water	still beverages
2,010.5 mm unit cases	**353.4** mm unit cases	**135.6** mm unit cases
2.6% growth vs. 2009	**1.6%** growth vs. 2009	**11.1%** growth vs. 2009

Total volume (mm unit cases)	
Mexico	1,242.3
Central America	137.0
Colombia	244.3
Venezuela	211.0
Brazil	475.6
Argentina	189.3
Total	**2,499.5**

Product Mix by Category[1]

	Sparkling	Water[4]	Bulk Water[5]	Still[6]
Mexico	74.1%	4.1%	16.4%	5.3%
Central America	86.5%	4.4%	0.3%	8.9%
Colombia	71.5%	9.5%	11.9%	7.1%
Venezuela	91.3%	4.2%	1.2%	3.4%
Brazil	90.8%	4.9%	0.5%	3.8%
Argentina	90.8%	0.6%	0.5%	8.0%





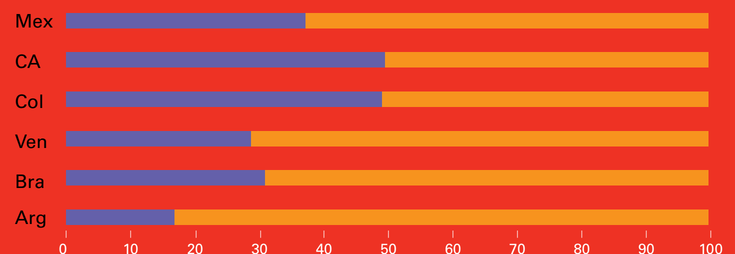
Product Mix by Package[1]

Returnable Non-Returnable[2]

(1) Excludes water presentations of 5.0 Lt. or larger
(2) Includes fountain volumes
(3) Includes presentations of 1.0 Lt. or larger
(4) Excludes still bottled water in presentations of 5.0 Lt. or larger
(5) Bulk water-still water in presentations of 5.0 Lt. or larger
(6) Still beverages include flavored water

Product Mix by Size[1]

Single-serve[2]
Multi-serve[3]



Balanced Geographic Footprint

› MEXICO
Largest Bottler

› LATINCENTRO
Growing Presence

› MERCOSUR
Solid Growth

7.9%
Operating income growth

In 2010, the strength of our defensive business profile and our operators' disciplined ability to adapt our business to a complex market environment enabled us to deliver solid profits, resulting in double-digit growth in earnings per share for the year. Our company continued to extend its track record of profitable growth, despite the challenging conditions presented by unusually bad weather conditions in our Mexico and Latincentro divisions during an important part of the year and the effect of the devaluation of the bolivar in Venezuela. The main drivers of our positive performance for the year were the strong brand equity of our broad portfolio of beverages, our ability to selectively increase prices across our territories, the growing scale of our still beverage platform, and our balanced, geographically diversified sources of free cash flow generation. In 2010, we produced the following results:

- Consolidated revenues grew 1% to Ps. 103 billion.
- Consolidated operating income increased 8% to Ps. 17 billion.
- Consolidated controlling interest net income rose 15% to close to Ps. 10 billion, resulting in earnings per share of Ps. 5.31 or Ps. 53.07 per ADS.
- Total net debt at year end was close to Ps. 5 billion.

During the year, our company's increased operating income, combined with the strong cash position that we have built over the past several years, provided us with the flexibility to execute our strategy based on the pillars of our strategic framework for growth.

As we aim to grow our business both organically and through value-creating acquisitions, we continue to look for efficiencies across the value chain to achieve our full operating potential. The successful implementation of our strategic framework enabled us to consolidate our position in the beverage industry, financially deleverage our business, and increase our ability to provide our shareholders with a higher dividend. In April, 2010, we almost doubled the dividend we pay to our shareholders, as compared to the previous year, reaching more Ps. 2.6 billion. Additionally, we continue to invest for the long term, preparing our company not only to participate actively in the consolidation of our industry, but also to reinforce our business' position ahead of the curve with respect to future trends in the non-alcoholic beverage industry.

Our strong balance sheet underscores our financial flexibility and investment-grade credit rating. As of December 31, 2010, we had a cash balance of Ps. 12.5 billion—including close to US$600 million denominated in U.S. dollars—an increase of Ps. 2.6 billion compared with December 31, 2009. Our total short-term debt was Ps. 1.8 billion, and our long-term debt

Dear shareholders

was Ps. 15.5 billion. Year over year, we increased our EBITDA by close to 7% to Ps. 21.0 billion. Consequently, in 2010, we reduced our net-debt-to-EBITDA coverage ratio to 0.2 times and expanded our EBITDA-to-net interest coverage ratio to more than 14 times.

In 2010, we advanced our strategy to grow our business through value-creating acquisitions. In October, we announced an agreement to negotiate the acquisition of Grupo Industrias Lácteas in Panama. This transaction would enable us to enter the milk and value-added dairy products category, one of the most dynamic segments in terms of growth, scale, and value in the global non-alcoholic beverage industry. Indeed, we recently received local antitrust approval to proceed with this acquisition. Assuming this transaction is completed successfully, this business will become part of the non-carbonated beverage platform that we share with our partner, The Coca-Cola Company.

During the third quarter of 2010, we completed a transaction with a Brazilian subsidiary of The Coca-Cola Company to produce, sell, and distribute *Matte Leão* brand products. This transaction reinforces our company's non-carbonated product portfolio through the platform operated by The Coca-Cola Company and its bottling partners in Brazil. The integration of this extensive line of ready-to-drink tea products not only bolsters our non-carbonated beverage offering in Brazil, but also capitalizes on the strong brand equity, consumer preference, and high growth potential of this more than 100 year old brand in the tea category. As part of the agreement, we have actively sold and distributed the complete *Matte Leão* brand portfolio of ready-to-drink tea products since the third quarter of 2010.

For the year, our total sales volume grew 3% year over year to 2.5 billion unit cases. The sparkling beverage category—driven by the 4% growth of brand *Coca-Cola*—contributed more than 70% of our consolidated incremental volumes. The still beverage category—mainly driven by the positive performance of the *Jugos del Valle* line of beverages across our territories—represented close to 20% of our consolidated incremental volumes. Our bottled water portfolio, mainly driven by the consolidation of the *Brisa* water brand in Colombia, accounted for the remainder of our volume growth. Excluding the non-comparable effect of Brisa, our total sales volume rose more than 2% to almost 2.5 billion unit cases.

In 2010, our Mexico division underscored the strength of our defensive business portfolio, despite the higher cost of sugar and the unusually bad weather conditions that affected our distribution network during an important part of the year. The strong

We continue to invest for the long term, preparing our company not only to participate actively in the consolidation of our industry, but also to reinforce our business' position ahead of the curve with respect to future trends in the non-alcoholic beverage industry.

Our increased profitability underscores the benefits of our balanced, geographically diversified portfolio of franchise territories.

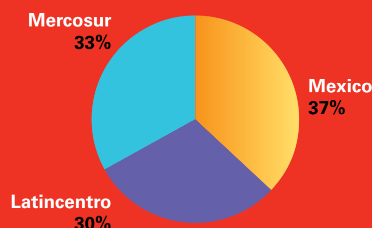
preference among consumers for our portfolio of sparkling beverages, combined with our growing still beverage platform, enables us to offer one of the broadest portfolio of products in the beverage industry. Additionally, our refined revenue management strategies—including the implementation of selective price increases over the year—our cost discipline, the appreciation of the Mexican peso as applied to our U.S. dollar-denominated raw material costs, and our operations' ability to balance our sweetener needs with high-fructose corn syrup helped us to mitigate the effect of the higher cost of sugar.

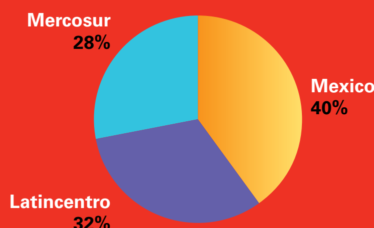
Our Mexico division delivered 1.2% volume growth for the year. Brand *Coca-Cola* in both multi- and single-serve presentations drove the growth of the sparkling beverage category, which accounted for the majority of the division's incremental volumes in 2010. Our still beverage category, supported by the *Jugos del Valle* line of products, posted close to 5% volume growth. However, our water portfolio reported a 3% decline in volume, as growth in our single-serve water segment was offset by a 4% volume decline in our bulk water business.

Our Mexico division's total revenues grew 5% to almost Ps. 39 billion. This increase was mainly driven by selective price increases implemented over the past 12 months, higher volumes of brand *Coca-Cola*, which carries a higher average price per unit case, and lower volumes of our bulk water portfolio. Our operating expenses rose primarily as a result of the resources deployed across our Mexico division to support our growing still beverage platform, enhance our execution at the point of sale, bolster our returnable base, and improve our cooler coverage. As a result, our Mexico division's operating income declined close to 4% to Ps. 6.6 billion. In Mexico, we have continued to invest in the marketplace to provide our consumers with one of the largest offerings of beverage alternatives available in the world. We believe that the initiatives—which we have successfully developed and deployed in our Mexico division to serve our growing base of consumers—improve our business' position to capture the benefits of future consumer trends.

In 2010, our Latincentro division faced an increasingly challenging and complex operating environment. The devaluation of the bolivar in Venezuela and the unusually bad weather conditions in Colombia and Central America during an important part of the year were adeptly addressed by our operators. In local currency terms, our operations posted solid top- and bottom-line growth, mainly driven by selective price increases implemented over the past 12 months designed to compensate for local inflation and higher sweetener costs. Moreover, through the expansion of our still beverage category across the division and the integration of the Brisa bottled water business in Colombia, we reinforced our position in the non-carbonated beverage segment—which represented more than 12% of our volume mix, excluding bulk water, at year-end 2010. Ultimately, our efforts position our company ahead of the curve of health and wellness trends in Latin America.

Our Latincentro division's volume remained flat for 2010, despite the unusually bad weather conditions we encountered during the year. Excluding the non-comparable effect of Brisa, the division's volume declined 3.5%. Our Latincentro division's total revenues declined 19% to Ps. 31 billion. This decline resulted mainly from the effect of the devaluation of the bolivar in Venezuela. On a currency-neutral basis, our Latincentro division's total revenues grew more than 20%, driven by higher average prices per unit case across our operations.





20.3%

Consolidated EBITDA margin

Our Latincentro division's operating income increased 15% to more than Ps. 5 billion. Operating leverage, achieved through higher revenues in local currencies, combined with the appreciation of the Colombian peso as applied to our U.S. dollar-denominated raw material costs and lower marketing investments, compensated for higher sweetener costs across the division and higher labor costs in Venezuela, resulting in a 510 basis point expansion of our division's operating margin to reach 17.5%.

In 2010, our Mercosur division delivered strong results. In Brazil, the growing preference among consumers for our products, especially brand *Coca-Cola*, drove higher demand across our beverage portfolio. Our strategy of building a wide array of products and presentations to stimulate and satisfy our consumers' tastes continued to prove successful. In particular, the reintroduction of our 2 liter PET presentation, combined with our innovative 250 ml entry-level packs for brand *Coca-Cola*, contributed significantly to our incremental volumes, together generating more than 24 million unit cases. These two presentations alone accounted for close to 50% of our incremental volumes in Brazil. The still beverage category—supported by the integration of the *Jugos del Valle* line of beverages—built high double-digit momentum. Moreover, the recent incorporation of *Matte Leão* brand products further reinforced our offering of non-carbonated beverages in Brazil.

Our Mercosur division generated 9% volume growth for the year. Our Brazilian operations recorded more than 12% volume growth, mainly driven by brand *Coca-Cola* and the strong performance of the *Jugos del Valle* line of beverages. In Argentina, our volume grew 3%, primarily resulting from the positive performance of our still beverage category—supported by *Aquarius*, our flavored water brand—and the favorable performance of brand *Coca-Cola*.

Our Mercosur division's total revenues increased 21% to more than Ps. 33 billion. Higher average prices per unit case and increased volumes accounted for the majority of our incremental revenues. The effect of a positive currency translation resulting from the depreciation of the Mexican peso against the Brazilian real provided the balance.

Our Mercosur division's operating income grew 18% to Ps. 5.0 billion. Higher labor and freight costs in Argentina were partially offset by operating leverage, resulting from higher revenues in Brazil. Our operating margin declined 40 basis points to 15% in 2010.

Overall, our operations delivered positive results for the year. Our increased profitability underscores the benefits of our balanced, geographically diversified portfolio of franchise territories. Despite tough weather conditions in our Mexico and Latincentro divisions, the strong performance of our Brazilian operations, coupled with pricing initiatives across our markets, supported our increased profitability for the year. We believe that our clear focus on the precise execution of our strategic framework for growth, combined with our growing capability to successfully operate our business under challenging environments, are core competencies that prepare our company for the future. As we continue to analyze the opportunities that the beverage industry presents, we will maintain our disciplined, efficient efforts to grow our business both organically and through acquisitions that create value for our shareholders.

Thank you for your continued trust and support. We are confident that the compelling brand equity of our products, the operating capabilities of our talented team of professionals, and the financial strength that we have achieved will enable us to remain ahead of the curve—at the forefront of our industry.

Héctor Treviño Gutiérrez
Chief Financial Officer

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Five year summary

Millions of Mexican Pesos, except data per share.
Figures of 2007 and previous years are expressed with purchasing power as of December 31, 2007

INCOME STATEMENT	2010	2009	2008(1)	2007	2006
Total revenues	103,456	102,767	82,976	69,251	64,046
Cost of goods sold	55,534	54,952	43,895	35,876	33,740
Gross profit	47,922	47,815	39,081	33,375	30,306
Operating expenses	30,843	31,980	25,386	21,889	20,013
Income from operations	17,079	15,835	13,695	11,486	10,293
Comprehensive financing result	1,228	1,373	3,552	345	1,195
Other expenses, net	1,292	1,449	1,831	702	1,046
Income taxes	4,260	4,043	2,486	3,336	2,555
Net income for the year	10,299	8,970	5,826	7,103	5,497
Controlling interest net income	9,800	8,523	5,598	6,908	5,292
Non-controlling interest net income	499	447	228	195	205
RATIOS TO REVENUES (%)					
Gross margin (gross profit/total revenues)	46.3	46.5	47.1	48.2	47.3
Operating margin	16.5	15.4	16.5	16.6	16.1
Net income	10.0	8.7	7.0	10.3	8.6
CASH FLOW					
Gross cash flow (EBITDA)(2)	21,022	19,746	17,116	14,434	13,278
Capital expenditures(3)	7,478	6,282	4,802	3,682	2,863
Cash and cash equivalents	12,534	7,841	6,583	7,780	5,380
Marketable securities	-	2,113	-	-	-
Total cash, cash equivalents and marketable securities	12,534	9,954	6,583	7,780	5,380
BALANCE SHEET					
Current assets	26,436	23,639	17,992	17,461	12,504
Investment in shares	2,108	2,170	1,797	1,476	448
Property, plant and equipment, net	32,100	31,242	28,236	23,709	23,362
Intangible assets, net	51,213	50,898	47,453	42,458	41,064
Deferred charges and other assets, net	2,204	2,712	2,480	2,074	3,049
Total Assets	114,061	110,661	97,958	87,178	80,427
Liabilities					
Short-term bank loans and notes payable	1,840	5,427	6,119	4,814	3,419
Interest payable	151	61	267	274	281
Other current liabilities	15,655	17,960	14,947	11,222	9,623
Long-term bank loans and notes payable	15,511	10,498	12,455	14,102	16,799
Other long-term liabilities	7,023	8,243	6,554	5,985	5,850
Total Liabilities	40,180	42,189	40,342	36,397	35,972
Shareholders' Equity	73,881	68,472	57,616	50,781	44,454
Non-controlling interest in consolidated subsidiaries	2,602	2,296	1,703	1,641	1,475
Controlling interest	71,279	66,176	55,913	49,140	42,979
FINANCIAL RATIOS (%)					
Current	1.50	1.01	0.84	1.07	0.94
Leverage	0.54	0.62	0.70	0.72	0.81
Capitalization	0.19	0.20	0.27	0.29	0.33
Coverage	14.37	12.27	9.65	9.46	7.10
DATA PER SHARE(4)					
Book Value	38.602	35.838	30.280	26.612	23.276
Majority net income	5.307	4.616	3.032	3.741	2.866
Dividends paid(5)	1.410	0.728	0.512	0.450	0.402
Headcount(6)	68,449	67,502	65,021	58,126	56,682

(1) Information considers full-year of KOF's territories and seven months of Remil.
(2) Income from operations plus non-cash operating expenses.
(3) Includes investments in property, plant and equipment, refrigeration equipment and returnable bottles and cases, net of retirements of property, plant and equipment.
(4) Based on 1,846.5 million oustanding ordinary shares.
(5) Dividends paid during the year based on the prior year's net income.
(6) Includes third-party.

Management's discussion and analysis

Results of Operations for the Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

Consolidated Results of Operations

Total Revenues

Consolidated total revenues increased 0.7% to Ps. 103,456 million in 2010, as compared to 2009, as a result of revenue growth in our Mercosur and Mexico divisions and despite the devaluation of the Venezuelan bolivar. On a currency neutral basis and excluding the acquisition of Brisa in Colombia, our consolidated revenues for 2010 increased by approximately 15%.

Total sales volume increased 2.9% to 2,499.5 million unit cases in 2010, as compared to 2009. The sparkling beverage category, driven by a 4% growth of the *Coca-Cola* brand, contributed more than 70% of incremental volumes. The still beverage category, mainly driven by the performance of the *Jugos del Valle* line of business across our territories, grew 11% and accounted for approximately 20% of incremental volumes. The consolidation of the *Brisa* water brand in Colombia drove an 8% growth in our bottled water portfolio and represented the balance. Excluding the non-comparable effect of Brisa, total sales volume increased 2.1% to reach 2,479.6 million unit cases.

Consolidated average price per unit case declined 2.6%, reaching Ps. 39.89 in 2010, as compared to Ps. 40.95 in 2009 as a consequence of the devaluation of the Venezuelan bolivar. In local currency, average price per unit case increased in all of our territories mainly driven by price increases implemented during the year and higher volumes of sparkling beverages, which carry higher average price per unit case.

Gross Profit

Gross profit increased 0.2% to Ps. 47,922 million in 2010, as compared to 2009, despite the devaluation of the Venezuelan bolivar. Cost of goods sold increased 1.1% as a result of increases in the cost of sweetener across our operations, which was partially offset by the appreciation of the Brazilian real, the Colombian peso and the Mexican peso as applied to our U.S. dollar-denominated raw material costs. Gross margin reached 46.3% for 2010, a decrease of 20 basis points as compared to 2009.

The components of cost of goods sold include raw materials (principally soft drink concentrate and sweeteners), packaging materials, depreciation expenses attributable to our production facilities, wages and other employment expenses associated with the labor force employed at our production facilities and certain overhead expenses. Concentrate prices are determined as a percentage of the retail price of our products in local currency net of applicable taxes. Packaging materials, mainly PET and aluminum, and high fructose corn syrup, used as a sweetener in some countries, are denominated in U.S. dollars.

Operating Expenses

Consolidated operating expenses as a percentage of total revenues decreased to 29.8% in 2010 from 31.1% in 2009. Operating expenses in absolute terms decreased 3.6%, mainly as a result of the devaluation of the Venezuelan bolivar. In local currency, operating expenses increased mainly as a result of (i) continued marketing investment in our Mexico division to support our execution in the marketplace, widen our cooler coverage and broaden our returnable base availability, (ii) higher labor and freight costs in Argentina, and (iii) higher labor costs in Venezuela.

Income from Operations

Our consolidated operating income increased 7.9% to Ps. 17,079 million in 2010, as compared to 2009. Our Mercosur division and Venezuela accounted for more than 90% of incremental operating income in 2010, while Colombia and Central America represented the balance. These increases compensated for an operating income decline in our Mexico division. Our operating margin was 16.5% in 2010, an expansion of 110 basis points as compared to 2009.

Other Expenses, Net
During 2010, we recorded Ps. 1,292 million in other expenses, net. These expenses were mainly composed of employee profit sharing and the loss on sale of certain fixed assets.

Comprehensive Financing Result
Comprehensive financing result in 2010 recorded an expense of Ps. 1,228 million, as compared to an expense of Ps. 1,373 million in 2009, mainly due to lower net interest expenses.

Income Taxes
Income taxes increased to Ps. 4,260 million in 2010 from Ps. 4,043 million in 2009. During 2010, taxes as a percentage of income before taxes were 29.3% as compared to 31.1% in the previous year.

Controlling Interest Net Income
Consolidated controlling interest net income increased 15.0% to Ps. 9,800 million in 2010 as compared to 2009, mainly as a result of higher operating income. Earnings per share (EPS) in 2010 were Ps. 5.31 (Ps. 53.07 per ADS) computed on the basis of 1,846.5 million shares outstanding (each ADS represents 10 local shares).

Balance Sheet
As of December 31, 2010, we had a cash balance of Ps. 12,534 million, including US$ 593 million denominated in U.S. dollars, an increase of Ps. 2,580 million compared to December 31, 2009, mainly as a result of cash generated by our operations, net of debt and dividend payments made during the year.

As of December 31, 2010, total short-term debt was Ps. 1,840 million and long-term debt was Ps. 15,511 million. Total debt increased by Ps. 1,426 million, compared to year-end 2009. In February, 2010 we issued a Senior Notes in the amount of US$ 500 million. We used the proceeds to pay the maturity of our Ps. 2,000 million and Ps. 1,000 million Certificados Bursátiles in February and April of 2010, respectively, and to prepay US$ 202 million of bilateral loans. During the year, we increased our debt denominated in Colombian pesos by a net amount equivalent to US$ 127 million. KOF's total debt balance includes U.S. dollar-denominated debt in the amount of US$ 673 million.(1)

The weighted average cost of debt for the year was 5.7%. The following charts set forth the Company's debt profile by currency and interest rate type as of December 31, 2010:

Currency	% Total Debt(1)	% Interest Rate Floating(1)(2)
Mexican pesos	33.5%	38.1%
U.S. dollars	47.4%	4.6%
Colombian pesos	11.8%	100.0%
Brazilian reais	0.6%	0.0%
Argentine pesos	6.8%	6.9%

(1) After giving effect to cross-currency swaps and interest rate swaps.
(2) Calculated by weighting each year's outstanding debt balance mix.

Consolidated Results of Operations by Geographic Segment

Mexico

Total Revenues

Total revenues from our Mexico division increased 5.4% to Ps. 38,782 million in 2010, as compared to 2009. Higher average price per unit case accounted for close to 80% of incremental revenues during this period. Average price per unit case increased to Ps. 31.12, a 4.2% increase, as compared to 2009, mainly reflecting selective price increases implemented during the year, higher volumes from the *Coca-Cola* brand, which carries higher average prices per unit case and, to a lesser extent, higher average prices per unit case from our growing still beverage portfolio. Excluding bulk water under the *Ciel* brand, our average price per unit case was Ps. 36.06, a 3.4% increase, as compared to 2009.

Total sales volume increased 1.2% to 1,242.3 million unit cases in 2010, as compared to 1,227.2 million unit cases in 2009, resulting from incremental volumes of the *Coca-Cola* brand, that grew by close to 3%, and an increase of close to 5% in the still beverage category, mainly driven by the *Jugos del Valle* product line and *Nestea*, our ready-to-drink tea line. These increases more than compensated for a 4% decline in the bulk water category.

Operating Income

Gross profit increased 3.6% to Ps. 19,049 million in 2010, as compared to 2009. Cost of goods sold increased 7.3% mainly as a result of higher sweetener and PET costs, which were partially compensated by the appreciation of the Mexican peso as applied to our U.S. dollar-denominated raw material costs. Gross margin decreased from 50.0% in 2009 to 49.1% in 2010.

Operating income decreased 3.6% to Ps. 6,605 million in 2010, compared to Ps. 6,849 million in 2009. Operating expenses grew 7.8% mainly due to continued marketing investment to support our execution in the marketplace, widen our cooler coverage and broaden our returnable base availability. Our operating margin was 17.0% in 2010, a decrease of 160 basis points as compared to 2009, mainly due to gross margin pressures.

Latincentro (Colombia and Central America)

Total Revenues

Total revenues for Colombia and Central America were Ps. 17,281 million in 2010, an increase of 8.1% as compared to 2009. Higher average price per unit case contributed almost 55% of incremental revenues during this period. Consolidated average price per unit case for Colombia and Central America was Ps. 45.30 in 2010, representing a 4.2% increase as compared to 2009. On a currency neutral basis and excluding the acquisition of Brisa, our Colombian and Central American revenues increased by approximately 6%.

Total sales volume for Colombia and Central America increased 3.6% to 381.3 million unit cases in 2010 resulting from (i) a 23% increase in our bottled water business, mainly due to the integration of Brisa in Colombia, accounting for approximately 80% of incremental volumes, (ii) incremental volumes in sparkling beverages, driven by the *Coca-Cola* brand, which grew 1%, representing approximately 10% of the growth of our total sales volume and (iii) an increase of 4% in the still beverage category, mainly driven by the *Jugos del Valle* product line, contributing the balance. These increases more than compensated for a decline in flavored sparkling beverages volumes.

Operating Income

Gross profit was Ps. 8,126 million, an increase of 5.7% in 2010, as compared to 2009. Cost of goods sold increased 10.3%, mainly as a result of higher sweetener costs in the region, which were partially compensated by the appreciation of certain local currencies as applied to our U.S. dollar-denominated raw material costs. Gross margin decreased from 48.1% in 2009 to 47.0% in 2010, a decrease of 110 basis points.

Our operating income increased 2.9% to Ps. 3,022 million in 2010, compared to the previous year. Operating expenses grew 7.4% mainly due to the integration of the *Brisa* portfolio in Colombia and the continued expansion of the Jugos del Valle line of business in Colombia and Central America during the first half of 2010. Our operating margin reached 17.5% in 2010, resulting in a 90 basis points decline as compared to 2009.

Venezuela

Total Revenues

Total revenues in Venezuela reached Ps. 14,033 million in 2010, a decline of 37.4% as compared to 2009, due principally to the devaluation of the Venezuelan bolivar. Average price per unit case was Ps. 66.41 in 2010, representing a decrease of 33.2% as compared to 2009. In local currency, higher average price per unit case accounted for incremental revenues during the year. On a currency neutral basis, our revenues in Venezuela increased by approximately 32%.

Total sales volume decreased 6.3% to 211.0 million unit cases in 2010, as compared to 225.2 million unit cases in 2009. The sparkling beverage category declined approximately 7%, volumes in the still beverage category decreased 3% and volumes in the bottled water category, including bulk water, remained flat.

Operating Income

Gross profit was Ps. 6,472 million in 2010, a decrease of 35.0% compared to 2009, principally due to the devaluation of the Venezuelan bolivar. Cost of goods sold decreased 39.4%. In local currency, cost of goods sold increased mainly due to higher sweetener costs. Gross margin increased from 44.4% in 2009 to 46.1% in 2010, an expansion of 170 basis points.

Operating income increased 34.7% to Ps. 2,444 million in 2010 compared to the previous year. Operating expenses declined 50.5%, principally due to the devaluation of the Venezuelan bolivar. In local currency, higher labor costs were partially compensated by lower marketing and administrative expenses. Operating margin was 17.4% in 2010, as compared to 8.1% in 2009.

Mercosur

Total Revenues

Total revenues increased 21.0% to Ps. 33,360 million in 2010, as compared to 2009. Excluding beer, which accounted for Ps. 3,313 million during 2010, total revenues increased 21.3% to Ps. 30,047 million compared to 2009. Higher average prices per unit case accounted for approximately 55% of incremental revenues, excluding beer. On a currency neutral basis, revenues for 2010 increased by approximately 19%.

Sales volume, excluding beer, increased 9.3% to 664.9 million unit cases in 2010, as compared to 2009. The sparkling beverage category grew 8%, mainly driven by a 9% increase in the *Coca-Cola* brand, accounting for close to 80% of incremental volumes. The still beverage category grew 41%, mainly driven by the *Jugos del Valle* line of products in Brazil and volumes of *Aquarius* our flavored water brand in Argentina, contributing more than 15% of incremental volumes. The bottled water category grew 13%, representing the balance.

Operating Income

In 2010, gross profit increased 21.1% to Ps. 14,275 million, as compared to the previous year. Cost of goods sold increased 21.0%, mainly due to higher cost of sweetener in the division and higher cost of PET in Argentina, which were partially compensated for by the appreciation of the Brazilian real as applied to our U.S. dollar-denominated raw material cost. Gross margin remained flat at 42.8% in 2010.

Operating income increased 18.3% to Ps. 5,008 million in 2010, as compared to Ps. 4,234 million in 2009. Operating expenses grew 22.7% mainly due to higher labor and freight costs in Argentina. Operating margin was 15.0% in 2010, a decrease of 40 basis points as compared to 2009.

Corporate governance

Coca-Cola FEMSA prides itself on its standards of corporate governance and the accuracy of its disclosures. Our corporate governance practices are governed by our bylaws, the Mexican Securities Market Law and the regulations issued by the CNBV. We also disclose the extent to which we comply with the Código de Mejores Prácticas Corporativas (Mexican Code of Best Corporate Practices), which was created by a group of Mexican business leaders and was endorsed by the BMV. We apply the same strict standards accross our operations, including our new operations, and will continue to do so. We believe that the independence of our directors provides an invaluable contribution to the decision-making process in our corporation and to shareholder value protection.

Environmental statement

Coca-Cola FEMSA is dedicated to the principles of sustainable development. While the Company's environmental impact is small, Coca-Cola FEMSA is committed to managing that impact in a positive manner. Compliance, waste minimization, pollution prevention and continuous improvement are hallmarks of the Company's environmental management system. The Company has achieved significant progress in areas such as recovery and recycling, water and energy conservation and wastewater quality. These efforts simultaneously help Coca-Cola FEMSA to protect the environment and to develop its business.

Management's responsibility for internal control

The management of Coca-Cola FEMSA is responsible for the preparation and integrity of the accompanying consolidated financial statements and for maintaining a system of internal control. These checks and balances serve to provide reasonable assurance to shareholders, to the financial community, and to other interested parties that transactions are executed in accordance with management authorization, that accounting records are reliable as a basis for the preparation of the consolidated financial statements, and that assets are safeguarded against loss from unauthorized use or disposition.

In fulfilling its responsibilities for the integrity of financial information, management maintains and relies on the Company's system of internal control. This system is based on an organizational structure that efficiently delegates responsibilities and ensures the selection and training of qualified personnel. In addition, it includes policies, which are communicated to all personnel through appropriate channels. This system of internal control is supported by an ongoing internal audit function that reports its findings to management throughout the year. Management believes that to date, the internal control system of the Company has provided reasonable assurance that material errors or irregularities have been prevented or detected and corrected promptly.

Audit Committee Annual Report

To the Board of Directors Coca-Cola FEMSA, S.A.B. de C.V.:

In compliance with the provisions of Articles 42 and 43 of the Stock Exchange Market Law (Ley del Mercado de Valores) and the Charter of the Audit Committee, we do hereby inform you about the activities we performed during the year ending on December 31, 2010. In performing our work, we kept in mind the recommendations established in the Code of Corporate Best Practices and the provisions set forth in the Sarbanes–Oxley Act, considering our Company is listed in the U.S. Stock Exchange Market. We met at least quarterly and, based on a work program, we carried out the activities described below:

INTERNAL CONTROL

We made sure that Management, in compliance with its responsibilities regarding internal control, established the general guidelines and the processes necessary for their application and compliance. Additionally, we followed up 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 year 2010. Throughout this process, we followed up on the preventive and corrective measures implemented for any internal control aspects requiring improvement.

RISK ASSESSMENT

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

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

EXTERNAL AUDITING

We recommended the Board of Directors to hire external auditors for the Company and its subsidiaries for the fiscal year 2010. For this purpose, we verified their independence and their compliance with the requirements established in the Law. Jointly, we analyzed their approach and work program as well as their coordination with the Internal Audit area.

We remained in constant and direct communication in order to keep abreast of their progress and their remarks, and also to note the comments arising 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 paid to external auditors for their audit and other allowed services, and made sure such services would not compromise their independence from the Company.

Taking into account Management views, we carried out an assessment of their services for the previous year and initiated the evaluation process corresponding to the fiscal year 2010.

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 activity program and budget. In order to elaborate them, the Internal Audit area took part in the process of identifying risks, establishing controls and testing them, so as to comply with the requirements of Sarbanes – Oxley Law.

We received periodical reports regarding the progress of the approved work program, the departures from it they may have had 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 done by the business units' responsibles and the Audit Committee.

FINANCIAL INFORMATION, ACCOUNTING POLICIES AND REPORTS TO THIRD PARTIES

We went over corporate quarterly and annual financial statements with the individuals responsible for their preparation and recommended the Board of Directors to approve them and authorize their publication. As a part of this process, we took into account the opinions and remarks from external auditors and made sure the criteria, accounting policies and information used by Management to prepare financial information were all adequate and sufficient and that they were applied consistently with the previous year. As a consequence, the information submitted by Management does reasonably reflect the Company's financial situation, its operating results and the changes in its financial situation for the year ending on December 31, 2010.

We also reviewed the quarterly reports prepared by Management to be submitted to shareholders and broad public, verifying that such information was prepared through use of the same accounting criteria used to prepare annual information. For our own satisfaction, we reviewed the existence of an integral process that provides a reasonable assurance of fairness in the information content. As a conclusion, we recommend the Board to authorize the publication thereof.

We reviewed the adequate accounting treatment of the significant transactions that took place during the year.

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 2010, into corporate accounting policies.

We periodically received advance reports about the process is taking place in the Company for the adoption of International Financial Reporting Standards based on the terms established in the Circular issued by the Mexican National Banking and Securities Commission. At the appropriate time, we will submit you our recommendations for its implementation until 2012, year in which the adoption is mandatory according to the rules issued by the aforementioned Commission.

COMPLIANCE WITH STANDARDS, LEGAL ISSUES AND CONTINGENCIES

We do hereby 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 in financial information.

We made a periodical review of the various fiscal, legal and labor contingencies occurring in 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 personnel's compliance of the Business Code of Ethics that is currently in force within the Company, the existence of adequate processes for update it and its diffusion to the employees, as well as the application of sanctions in those cases where violations were detected.

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

ADMINISTRATIVE ACTIVITIES

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

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

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

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

We reviewed the Audit Committee Charter and made the amendments that we deemed pertinent in order to maintaining it updated, subjecting them to the Board of Directors for their 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 related regulations established.

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,

Chairman of the Audit Committee
February 18, 2011

Independent Auditors' Report

The Board of Directors and Stockholders of Coca-Cola FEMSA, S.A.B. de C.V.

We have audited the accompanying consolidated balance sheets of Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries as of December 31, 2010 and 2009, 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, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations, changes in shareholders' equity and consolidated cash flows, for each of the three years in the period ended December 31, 2010, in conformity with Mexican Financial Reporting Standards, which differ in certain respects from accounting principles generally accepted in the United States (See Notes 26 and 27 to the consolidated financial statements).

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

Oscar Aguirre Hernández

Mexico City, Mexico
February 25, 2011

Consolidated Balance Sheets

At December 31, 2010 and 2009. Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.).

		2010				2009
Assets						
Current Assets:						
Cash and cash equivalents	$	1,012	Ps.	12,534	Ps.	7,841
Marketable securities (Note 4c)		-		-		2,113
Accounts receivable, net (Note 6)		514		6,363		5,931
Inventories, net (Note 7)		414		5,130		5,002
Recoverable taxes		134		1,658		1,776
Other current assets (Note 8)		61		751		976
Total current assets		2,135		26,436		23,639
Investment in shares (Note 9)		170		2,108		2,170
Property, plant and equipment, net (Note 10)		2,592		32,100		31,242
Intangible assets, net (Note 11)		4,136		51,213		50,898
Deferred tax asset (Note 23d)		28		345		1,019
Other assets, net (Note 12)		150		1,859		1,693
TOTAL ASSETS	**$**	**9,211**	**Ps.**	**114,061**	**Ps.**	**110,661**

Carlos Salazar Lomelín
Chief Executive Officer

Héctor Treviño Gutiérrez
Chief Financial Officer

The accompanying notes are an integral part of these consolidated balance sheets.
Mexico City

		2010				2009
Liabilities and shareholders' equity						
Current Liabilities:						
Bank loans and notes payable (Note 17)	$	130	Ps.	1,615	Ps.	2,416
Current portion of long-term debt (Note 17)		18		225		3,011
Interest payable		12		151		61
Suppliers		726		8,988		9,368
Accounts payable		302		3,743		4,733
Taxes payable		156		1,931		2,974
Other current liabilities (Note 24a)		81		993		885
Total current liabilities		1,425		17,646		23,448
Long-Term Liabilities:						
Bank loans and notes payable (Note 17)		1,253		15,511		10,498
Labor liabilities (Note 15b)		98		1,210		1,089
Deferred tax liability (Note 23d)		154		1,901		2,659
Contingencies and other liabilities (Note 24b)		315		3,912		4,495
Total long-term liabilities		1,820		22,534		18,741
Total liabilities		3,245		40,180		42,189
Shareholders' Equity:						
Noncontrolling interest in consolidated subsidiaries (Note 20)		210		2,602		2,296
Controlling interest:						
Capital stock (Note 21)		252		3,116		3,116
Additional paid-in capital		1,069		13,239		13,220
Retained earnings from prior years (Note 21)		3,562		44,108		38,189
Net income (Note 21)		791		9,800		8,523
Cumulative other comprehensive income		82		1,016		3,128
Total controlling interest		5,756		71,279		66,176
Total shareholders' equity		5,966		73,881		68,472
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**9,211**	**Ps.**	**114,061**	**Ps.**	**110,661**

Consolidated Income Statements

For the years ended December 31, 2010, 2009 and 2008.
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.), except for data per share.

	2010				2009		2008	
Net sales	$	8,317	Ps.	102,988	Ps.	102,229	Ps.	82,468
Other operating revenues		38		468		538		508
Total revenues		8,355		103,456		102,767		82,976
Cost of goods sold		4,485		55,534		54,952		43,895
Gross profit		3,870		47,922		47,815		39,081
Operating expenses:								
Administrative		359		4,449		5,308		4,095
Selling		2,132		26,394		26,672		21,291
		2,491		30,843		31,980		25,386
Income from operations		1,379		17,079		15,835		13,695
Other expenses, net (Note 18)		104		1,292		1,449		1,831
Comprehensive financing result:								
Interest expense		141		1,748		1,895		2,207
Interest income		(23)		(285)		(286)		(433)
Foreign exchange loss, net		34		423		370		1,477
Gain on monetary position in inflationary subsidiaries		(33)		(414)		(488)		(658)
Market value (gain) loss on ineffective portion of derivative financial instruments		(20)		(244)		(118)		959
		99		1,228		1,373		3,552
Income before income taxes		1,176		14,559		13,013		8,312
Income taxes (Note 23)		344		4,260		4,043		2,486
Consolidated net income	**$**	**832**	**Ps.**	**10,299**	**Ps.**	**8,970**	**Ps.**	**5,826**
Controlling interest net income	$	791	Ps.	9,800	Ps.	8,523	Ps.	5,598
Noncontrolling interest net income		41		499		447		228
Consolidated net income	**$**	**832**	**Ps.**	**10,299**	**Ps.**	**8,970**	**Ps.**	**5,826**
Net controlling income (U.S. dollars and Mexican pesos): Data per share	**$**	**0.43**	**Ps.**	**5.31**	**Ps.**	**4.62**	**Ps.**	**3.03**

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2010, 2009 and 2008.
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.).

	2010				2009		2008
Operating Activities:							
Income before income taxes	$	1,176	Ps.	14,559	Ps. 13,013	Ps.	8,312
Non-cash operating expenses		17		208	170		159
Equity in earnings affiliated companies		(18)		(217)	(142)		(104)
Unrealized gain on marketable securities		-		-	(112)		-
Other adjustments regarding operating activities		-		-	-		641
Adjustments regarding investing activities:							
Depreciation		269		3,333	3,472		3,022
Amortization		56		694	307		240
Loss on sale of long-lived assets		19		231	186		170
Disposal of long-lived assets		4		47	124		372
Interest income		(23)		(285)	(286)		(433)
Adjustments regarding financing activities:							
Interest expenses		128		1,579	1,850		2,080
Foreign exchange loss, net		34		424	370		1,477
Monetary position gain, net		(33)		(413)	(488)		(658)
Derivative financial instruments (gain) loss		(38)		(468)	(318)		961
		1,591		19,692	18,146		16,239
Increase in accounts receivable		(88)		(1,092)	(394)		(179)
Decrease (increase) in inventories		-		5	33		(486)
(Increase) decrease in other assets		(45)		(557)	(276)		304
Increase in suppliers and other accounts payable		47		585	2,808		71
Decrease in other liabilities		(17)		(209)	(424)		(263)
Decrease in labor liabilities		(15)		(192)	(169)		(167)
Income tax paid		(314)		(3,882)	(3,061)		(3,618)
Net cash flows from operating activities		1,159		14,350	16,663		11,901
Investing Activities:							
Acquisition of Minas Gerais Ltda. "REMIL," net of cash acquired (Note 5)		-		-	-		(3,633)
Acquisition of Brisa business (Note 5)		-		-	(717)		-
Acquisition of Agua de los Angeles business (Note 5)		-		-	-		(206)
Purchases of investment available-for-sale		-		-	(2,001)		-
Proceeds from investment available-for-sale		89		1,108	-		-
Proceeds from sales of shares of Jugos del Valle		-		-	-		741
Interest received		23		285	286		433
Acquisition of long-lived assets		(554)		(6,863)	(5,752)		(4,608)
Proceeds from the sale of long-lived assets		39		477	638		532
Other assets		(43)		(527)	1		521
Intangible assets		(107)		(1,325)	(1,355)		(1,079)
Net cash flows from investing activities		(553)		(6,845)	(8,900)		(7,299)
Net cash flows available for financing activities		606		7,505	7,763		4,602
Financing Activities:							
Bank loans obtained		747		9,251	6,641		4,319
Bank loans repaid		(551)		(6,824)	(9,376)		(6,161)
Interest paid		(116)		(1,436)	(2,047)		(2,087)
Dividends declared and paid		(211)		(2,612)	(1,344)		(945)
Acquisition of noncontrolling interests		(23)		(282)	-		(223)
Other liabilities		(9)		(108)	97		(164)
Net cash flows from financing activities		(163)		(2,011)	(6,029)		(5,261)
Increase (decrease) in cash and cash equivalents		443		5,494	1,734		(659)
Translation and restatement effects		(64)		(801)	(476)		(538)
Initial balance of cash and cash equivalents		633		7,841	6,583		7,780
Ending balance of cash and cash equivalents	**$**	**1,012**	**Ps.**	**12,534**	**Ps. 7,841**	**Ps.**	**6,583**

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

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2010, 2009 and 2008.
Amounts expressed in millions of Mexican pesos (Ps.).

		Capital Stock		Additional Paid-in Capital		Retained Earnings from Prior Years
Balances at December 31, 2007	Ps.	3,116	Ps.	13,333	Ps.	27,930
Transfer of prior year net income		-		-		6,908
Effect of changes in NIF B-10 (Note 2h)		-		-		42
Effect of changes in NIF D-3 (Note 2k)		-		-		-
Dividends declared and paid (Note 21)		-		-		(945)
Acquisitions of noncontrolling interest (Note 5)		-		(113)		-
Comprehensive income		-		-		-
Balances at December 31, 2008		3,116		13,220		33,935
Transfer of prior year net income		-		-		5,598
Dividends declared and paid (Note 21)		-		-		(1,344)
Comprehensive income		-		-		-
Balances at December 31, 2009		3,116		13,220		38,189
Transfer of prior year net income		-		-		8,523
Dividends declared and paid (Note 21)		-		-		(2,604)
Acquisitions of noncontrolling interest		-		19		-
Comprehensive income		-		-		-
Balances at December 31, 2010	**Ps.**	**3,116**	**Ps.**	**13,239**	**Ps.**	**44,108**

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

	Net Income		Cumulative Other Comprehensive Income (Loss)		Total Controlling Interest		Noncontrolling Interest in Consolidated Subsidiaries		Total Shareholders' Equity
Ps.	6,908	Ps.	(2,147)	Ps.	49,140	Ps.	1,641	Ps.	50,781
	(6,908)		-		-		-		-
	-		(42)		-		-		-
	-		98		98		-		98
	-		-		(945)		-		(945)
	-		-		(113)		(110)		(223)
	5,598		2,135		7,733		172		7,905
	5,598		44		55,913		1,703		57,616
	(5,598)		-		-		-		-
	-		-		(1,344)		-		(1,344)
	8,523		3,084		11,607		593		12,200
	8,523		3,128		66,176		2,296		68,472
	(8,523)		-		-		-		-
	-		-		(2,604)		-		(2,604)
	-		-		19		(301)		(282)
	9,800		(2,112)		7,688		607		8,295
Ps.	**9,800**	**Ps.**	**1,016**	**Ps.**	**71,279**	**Ps.**	**2,602**	**Ps.**	**73,881**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2010, 2009 and 2008.
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.).

Note 1. Activities of the Company.

Coca-Cola FEMSA, S.A.B. de C.V. ("Coca-Cola FEMSA" or "the Company") is a Mexican corporation, mainly engaged in acquiring, holding and transferring all types of bonds, capital stock, shares and marketable securities.

Coca-Cola FEMSA is indirectly owned by Fomento Economico Mexicano, S.A.B. de C.V. ("FEMSA"), which holds 53.7% of its capital stock and 63% of its voting shares and The Coca-Cola Company ("TCCC"), which indirectly owns 31.6% of its capital stock and 37% of the voting shares. The remaining 14.7% of Coca-Cola FEMSA's shares trade on the Bolsa Mexicana de Valores, S.A.B. de C.V. (BMV:KOFL) and the New York Stock Exchange, Inc. (NYSE: KOF).

In February 2010, the Company's main shareholders, FEMSA and The Coca-Cola Company, amended the shareholders agreement, and the Company's bylaws were amended accordingly. The amendment related to changes in the voting requirements for decisions on: (1) ordinary operations within an annual business plan and (2) appointment of the chief executive officer and all officers reporting to him, all of which now may be taken by the board of directors by simple majority voting.

Coca-Cola FEMSA and its subsidiaries (the "Company"), as an economic unit, are engaged in the production, distribution and marketing of certain Coca-Cola trademark beverages in Mexico, Central America (Guatemala, Nicaragua, Costa Rica and Panama), Colombia, Venezuela, Brazil and Argentina.

As of December 31, 2010 and 2009, the most significant Companies over which the Company exercises control are:

Company	Activity	Country	Ownership Percentage 2010	2009
Propimex, S.A. de C.V.	Manufacturing and distribution	Mexico	100.00%	100.00%
Controladora Interamericana de Bebidas, S.A. de C.V.	Holding	Mexico	100.00%	100.00%
Refrescos Latinoamericanos, S.A. de C.V.	Holding	Mexico	100.00%	100.00%
Spal Industria Brasileira de Bebidas, S.A.	Manufacturing and distribution	Brazil	97.71%	97.71%
Coca-Cola Femsa de Venezuela, S.A.	Manufacturing and distribution	Venezuela	100.00%	100.00%
Industria Nacional de Gaseosas, S.A.	Manufacturing and distribution	Colombia	100.00%	100.00%

Note 2. Basis of Presentation.

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

The accompanying consolidated financial statements were prepared in accordance with Mexican Financial Reporting Standards ("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 in New York City for cable transfers in foreign currencies as certified for customs purposes by the U.S. Federal Reserve Board of 12.3825 pesos per U.S. dollar as of December 31, 2010.

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

The accompanying consolidated financial statements and its notes were approved for issuance by the Company's Chief Executive Officer and Chief Financial Officer on February 25, 2011 and subsequent events have been considered through that date (see Note 29). These consolidated financial statements and their accompanying notes will be presented at the Company's shareholders meeting in March 2011. The Company's shareholders have the faculty to approve or modify the Company's consolidated financial statements.

On January 1, 2010, 2009 and 2008 several new NIF's came into effect. Such changes and their application are described as follows:

New NIF's adopted in 2010:

a) 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 functional and reporting currency applying the closing exchange rate. 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 an amount of Ps. 394 and Ps. 214, for the years ended December 31, 2010 and 2009, respectively.

b) INIF 19, "Accounting change as a result of IFRS adoption":

On September 30, 2010, the CINIF issued the INIF 19 "Accounting change as a result of International Financial Reporting Standards (IFRS) adoption." This INIF states disclosure requirements for: (a) financial statements based on Mexican FRS that were issued before IFRS adoption and (b) financial statement based on Mexican FRS that are issued within the IFRS period adoption. Either A) or B) will result in additional disclosures regarding IFRS adoption, such as date of adoption, significant financial impact, significant changes in accounting policies, among others. See Note 29.

New NIF's adopted in 2009:

c) NIF B-7, "Business Acquisitions":

In 2009, the Company adopted NIF B-7 "Business Acquisitions", 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 ways: 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 is on or after January 1, 2009.

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

In 2009, the Company adopted NIF B-8 "Consolidated or combined financial statements", which was issued in 2008, and amends Bulletin B-8 "Consolidated and combined financial statements and valuation of permanent share investments". NIF B-8 is similar to previous Bulletin B-8; however, this statement differs from the previous Bulletin B-8 in the following ways: 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 whether 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, such as "controlling interest" instead of "majority interest" and "non-controlling interest" instead "minority interest", and e) confirms that non-controlling interest must be assessed at fair value at the subsidiary acquisition date. NIF B-8 has been applied prospectively beginning on January 1, 2009.

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

In 2009, the Company adopted NIF C-7 "Investment in Associates and Other Permanent Investments". NIF C-7 establishes general rules of accounting recognition for the investment in associates and other permanent investments not joint or fully controlled or 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 valuation of permanent share investments", defined that permanent share investments were accounted for using 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 by equity method if: a) an entity holds 10% or more of a public entity, b) an entity holds 25% or more of a private company, and c) an entity exercise significant influence over the investments of a company, as described in NIF C-7. As disclosed in Note 9, the Company owns certain privately held investments for which it owns less than 25% but still applies the equity method of accounting as it has determined that it exercises significant influence over those entities. Accordingly, the adoption of NIF C-7 did not have an impact on the Company's consolidated financial statements.

f) 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 disclosure for the initial and subsequent recognition of intangible assets that are acquired individually or 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, broaden the criteria of identification to include not only if they are separable (asset could be sold, transferred or used by's 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 have to be accomplished with intangible assets characteristics, otherwise preoperative costs must be expensed as incurred. The adoption of NIF C-8 did not have an impact on the Company's consolidated financial statements.

g) NIF D-8, "Share-Based Payments":
In 2009, the Company adopted Mexican FRS D-8 "Share-Based Payments" which establishes the recognition of share-based payments. When an entity purchases goods or pay services with equity instruments, the NIF D-8 requires the entity to recognize those goods and services at fair value and the corresponding increase in equity. If an entity cannot determine the fair value of goods and services, it should determine it 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 have an impact on the Company's consolidated financial statements.

New NIF's adopted in 2008:
h) NIF B-10, "Effects of Inflation":
In 2008, the Company adopted NIF B-10 "Effects of Inflation." Before 2008, the Company restated prior year's financial statements to reflect the impact of current period inflation for comparison purposes.

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 should be recognized in the financial statements by applying the comprehensive method as described in NIF B-10; 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 should be recognized in the financial statements, keeping the recognized restatement effects until the last period in which the inflationary accounting was applied.

NIF B-10 establishes that the results of holding non-monetary assets (RETANM) recognized in previous periods should be reclassified in retained earnings. On January 1, 2008, the amount of RETANM reclassified in retained earnings was Ps. 42 (see Consolidated Statements of Changes in Shareholders' Equity).

Through December 31, 2007, the Company accounted for inventories at specific cost. As a result of NIF B-10 adoption, beginning in 2008, the Company carries out the inventories valuation based on valuation methods described in Bulletin C-4 "Inventories" for non-inflationary environment subsidiaries. Inventories from subsidiaries companies that operate in inflationary environments are restated using inflation factors. The change in accounting for inventories impacted the consolidated income statement, through an increase to cost of goods sold of Ps. 350 as of December 31, 2008.

In addition, NIF B-10 eliminates the restatement of imported equipment by applying the inflation factors and exchange rate of the country where the asset was purchased. Beginning in 2008, these assets are recorded using the exchange rate of the acquisition date. Subsidiaries companies that operate in inflationary environments should restate imported equipment using the inflation factors of the country where the asset is acquired. The change in this methodology did not significantly impact the consolidated financial statements of the Company.

i) NIF B-2, "Statement of Cash Flows":
In 2008, the Company adopted NIF B-2 "Statement of Cash Flows." As established in NIF B-2, the Consolidated Statement of Cash Flows is presented as part of these financial statements for the years ended December 31, 2010, 2009 and 2008. The adoption of NIF B-2 also resulted in several complementary disclosures not previously required.

j) NIF B-15, "Translation of Foreign Currencies":
In 2008, the Company adopted NIF B-15. NIF B-15 incorporates the concepts of recording currency, functional currency and reporting currency, and establishes the methodology to translate financial information of a foreign entity, based on those terms. Additionally, this rule is aligned with NIF B-10, which defines translation procedures of financial information from subsidiaries that operate in inflationary and non-inflationary environments. Prior to the application of this rule, translation of financial information from foreign subsidiaries was according to inflationary environments methodology. The adoption of this pronouncement was prospective and did not impact the consolidated financial statements of the Company.

k) Mexican FRS D-3, "Employee Benefits":
In 2008, the Company adopted Mexican FRS D-3, which eliminates the recognition of the additional liability which resulted from the difference between obligations for accumulated benefits and the net projected liability. On January 1, 2008, the additional liability derecognized amounted to Ps. 421, from which Ps. 277 corresponds to the intangible asset and Ps. 98 to the majority cumulative other comprehensive income, net from its deferred tax of Ps. 45.

Through 2007, Bulletin D-3, "Labor Liabilities," required the presentation of labor liabilities financial expenses from labor obligations as part of income from operations. Beginning in 2008, NIF D-3 allows the presentation of financial expenses from labor liabilities as part of the comprehensive financing result. As of December 31, 2010, 2009 and 2008, the financial expenses from labor liabilities presented as part of the comprehensive financing result was Ps. 89, Ps. 96 and Ps. 81, respectively.

Through 2007, the labor costs of past services of severance indemnities and pension and retirement plans were amortized over the remaining labor life of employees. Beginning in 2008, NIF D-3 establishes a maximum five-year period to amortize the initial balance of the labor costs of past services of pension and retirement plans and the same amortization period for the labor cost of past service of severance indemnities, previously defined by Bulletin D-3 as unrecognized transition obligation and unrecognized prior service costs.

This change did not impact prior service costs of pension and retirement plans amortization since the remaining amortization period as of the adoption date was already five years or less. For the years ended December 31, 2010, 2009 and 2008, labor cost of past services amounted to Ps. (3), Ps. 1, Ps. (3), respectively; and were recorded within the operating income.

Beginning in 2008, actuarial gains and losses of severance indemnities are recognized in the operating income of the year they were generated and the balance of unrecognized actuarial gains and losses were recorded in other expenses (see Note 18). As of December 31, 2008, the unrecognized actuarial loss amounted to Ps. 137.

Note 3. Incorporation of Foreign Subsidiaries.

The accounting records of foreign subsidiaries are maintained in the local currency and in accordance with the 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 beginning in 2008, they are restated into Mexican pesos, as described as follows:

- For inflationary economic environments- the inflation effects of the country of origin are recognized, and the financial statements are subsequently translated into Mexican pesos using the year-end exchange rate.
- For non-inflationary economic environments- assets and liabilities are translated into Mexican pesos using the period-end exchange rate, shareholders' 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	Functional / Recording Currency	**2010**	2009	**2010** [1]	2009 [1]	2008 [1]
Mexico	Mexican peso	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00
Guatemala	Quetzal	1.57	1.66	1.54	1.56	1.74
Costa Rica	Colon	0.02	0.02	0.02	0.02	0.02
Panama	U.S. dollar	12.64	13.52	12.36	13.06	13.54
Colombia	Colombian peso	0.01	0.01	0.01	0.01	0.01
Nicaragua	Cordoba	0.59	0.67	0.56	0.63	0.68
Argentina	Argentine peso	3.23	3.63	3.11	3.44	3.92
Venezuela [2]	Bolivar	2.97	6.29	2.87	6.07	6.30
Brazil	Reais	7.18	6.83	7.42	7.50	5.79

(1) Year-end exchange rates used for translation of financial information.

(2) Equals 4.30 in 2010 (2.15 in 2009) bolivars per one U.S. dollar, translated to Mexican pesos applying the average exchange rate or period-end rate.

Prior to the adoption of NIF B-10 in 2008, translation of financial information from all foreign subsidiaries was performed according to the inflationary environments methodology described above.

Variances in the net investment in foreign subsidiaries generated in the translation process are included in the cumulative translation adjustment, which is recorded in shareholders' equity as a cumulative other comprehensive income item.

Beginning in 2003, the government of Venezuela established a fixed exchange rate control of 2.15 bolivars per U.S. dollar, which is the rate used by the Company to translate the financial statements of the Venezuelan subsidiaries. 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.

In January 2010, the Venezuelan government announced a devaluation of its official exchange rates and the establishment of a multiple exchange rate system which considers 2.60 bolivars to one U.S. dollar for high priority categories, 4.30 bolivars to one U.S. dollar for non priority categories, and recognizes the evidence of other exchange rate in which the government shall intervene. As a result of this devaluation, the balance sheet of the Company's Venezuelan subsidiary reflected a reduction in shareholders' equity of Ps. 3,700 million which was accounted for at the time of the devaluation in January 2010.

In December 2010, the Venezuelan Government authorities announced a change in the authorized exchange rates, by which the preferential dollar of 2.60 was eliminated.

Intercompany financing balances with foreign subsidiaries are considered as long-term investments, since there is no plan to pay down such financing in the foreseeable future. Monetary gain and losses and exchange gain and losses on these balances are recorded in equity as part of the cumulative translation adjustment, which is presented as part of cumulative other comprehensive income.

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.

Note 4. *Significant Accounting Policies.*

The Company's accounting policies are in accordance with Mexican FRS, which require that the Company's management use estimates and assumptions in valuing certain 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 dependent on the outcome of future events and uncertainties, which could materially affect the Company's real performance.

The significant accounting policies are as follows:

a) Recognition of the Effects of Inflation in Countries with Inflationary Economic Environments:
The Company recognizes the effects of inflation on the financial information of its subsidiaries that operate in inflationary economic environments (when cumulative inflation of the three preceding years is 26% or more) using the comprehensive method, which consists of:

- Using inflation factors to restate non-monetary assets, such as inventories, fixed assets, intangible assets, including related costs and expenses when such assets are consumed or depreciated;
- Applying the appropriate inflation factors to restate capital stock, additional paid-in capital and retained earnings 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 of these consolidated financial statements are presented; and
- Including the monetary position gain or loss in the comprehensive financing result (see Note 4u).

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

As of December 31, 2010, the operations of the Company are classified as follows considering the cumulative inflation of the three preceding years. The following classification also applies to 2009:

	Inflation **2010**	Cumulative Inflation 2007-2009	Type of Economy
Mexico	4.4%	14.5%	Non-Inflationary
Guatemala	5.4%	18.6%	Non-Inflationary
Colombia	3.2%	16.1%	Non-Inflationary
Brazil	5.9%	16.6%	Non-Inflationary
Panama	4.9%	15.7%	Non-Inflationary
Venezuela	27.2%	100.5%	Inflationary
Nicaragua	9.2%	34.2%	Inflationary
Costa Rica	5.8%	31.3%	Inflationary
Argentina [1]	10.9%	25.3%	Inflationary

[1] Argentina has been considered an inflationary economy in 2008, 2009 and 2010. While the cumulative inflation for 2007-2009 was less than 26% (25.3%), inflationary trends in Argentina continue to support this classification.

b) Cash and Cash Equivalents
Cash and Cash Equivalents:
Cash consists of bank deposits. Cash equivalents consist principally of short-term bank deposits and highly liquid investments, for example with maturities of three months or less and are recorded at its acquisition cost plus interest income not yet received, which is similar to market prices. As of December 31, 2010, and 2009, cash equivalents were Ps. 9,938 and Ps. 6,192, respectively.

Restricted Cash:
Additionally, as of December 31, 2010 and 2009, the Company has restricted cash as collateral against accounts payable in different currencies.

		2010		2009
Venezuelan bolivars	Ps.	143	Ps.	161
Brazilian reais		249		53
Argentinian Pesos		2		-
	Ps.	394	Ps.	214

c) Marketable Securities:

Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each balance sheet date. Marketable debt securities are classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses and exchange rate fluctuation net of tax, reported in other comprehensive income. Interest and dividends on securities classified as available-for-sale are included in investment income. The fair values of the investments are readily available based on quoted market prices.

The following is a detail of available-for-sale securities:

December 31, 2010	Cost	Gross unrealized gain	Fair Value
Debt securities	Ps. -	Ps. -	Ps. -
December 31, 2009			
Debt securities	Ps. 2,001	Ps. 112	Ps. 2,113

d) 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, 2010 and 2009.

e) Inventories and Cost of Goods Sold:

Inventories represent the acquisition or production cost which is incurred when purchasing or producing a product, and are valued using the average cost method. Advances to suppliers of raw materials are included in the inventory account.

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

f) Other Current Assets:

Other current assets are comprised of payments for services that will be received over the next 12 months and the fair market value of derivative financial instruments with maturity dates of less than one year (see Note 4v).

Prepaid expenses principally consist of advertising, promotional, leasing and insurance expenses, and are recognized in the income statement when the services or benefits are received.

Prepaid advertising costs consist of television and radio advertising airtime paid in advance. These expenses are 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 as of the first date the advertising is broadcasted.

Promotional costs are expensed as incurred, except for those promotional costs related to the launching of new products or presentations before it is 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.

g) Investment in Shares:

Investment in shares of associated companies over which the Company exercises significant influence are initially recorded at their acquisition cost and are subsequently accounted for using the equity method. Investment in affiliated companies over 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 environment. The other investments in affiliated are valued at acquisition cost.

h) Returnable and Non-Returnable Bottles and Cases:

The Company has two types of bottles and cases; 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 and cases are recorded at acquisition cost for countries with inflationary economy then restated applying inflation factors as of the balance sheet date, according to NIF B-10.

There are two types of returnable bottles and cases:

- 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.

Breakage of returnable bottles and cases within plants and distribution centers is recorded as an expense as incurred. The Company estimates that the expense for breakage of returnable bottles and cases in plants and distribution centers is similar to the depreciation of these assets, which is calculated over an estimated useful life of approximately four years for returnable glass bottles and plastic cases, and 18 months for returnable plastic bottles.

Returnable bottles and cases 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 and cases 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 and cases that are not subject to such agreements are expensed when placed in the hands of retailers.

The Company's returnable bottles and cases 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.

i) Property, Plant and Equipment, net:
Property, plant and equipment are initially recorded at their cost of acquisition and/or construction. The comprehensive financing result incurred to fund long-term assets investment is capitalized as part of the total acquisition cost.

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

Construction in progress consists of long lived assets not yet placed into service.

Depreciation is computed using the straight-line method over acquisition cost. The Company estimates depreciation rates, considering the estimated remaining useful lives of the assets.

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

	Years
Buildings and construction	40–50
Machinery and equipment	10–20
Distribution equipment	7–15
Refrigeration equipment	5–7
Other equipment	3–10

j) Other Assets:
Other assets represent payments whose benefits will be received in future years and consists of the following:

- Agreements with customers for the right to sell and promote the Company's products over a certain period. The majority of the agreements have terms of more than one year, and the related costs are amortized using the straight-line method over the term of the contract, with the amortization presented as a reduction of net sales. During the years ended December 31, 2010, 2009 and 2008, such amortization aggregated to Ps. 553, Ps. 604 and Ps. 383, respectively. The costs of agreements with terms of less than one year are recorded as a reduction in net sales when incurred.
- Leasehold improvements are amortized using the straight-line method over the shorter of either the useful life of the assets or the related lease term. In countries considered inflationary, these assets are restated for inflation. The amortization of leasehold improvements for the years ended December 31, 2010, 2009 and 2008 was Ps. 19, Ps. 20 and Ps. 60, respectively.

k) Leases:
Building and equipment 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 reduced price, iii) the lease period is substantially equal to the remaining useful life of the leased asset (75% or more) 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 (90% or more).

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.

l) Intangible Assets:
Intangible assets represent payments whose benefits will be received in future years. These assets are classified as either intangible assets with defined useful lives or intangible assets with indefinite useful lives, in accordance with the period over which the Company expects to receive the benefits.

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

- Information technology and management system costs incurred during the development stage which are currently in use. Such amounts are capitalized and then amortized using the straight-line method over seven years. Expenses that do not fulfill the requirements for capitalization are expensed as incurred.
- Other computer system costs in the development stage, that are 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 economic life after they are placed into service.

Intangible assets with indefinite life are not amortized and are subject to impairment tests on an annual basis or more frequently if deemed 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 using the closing exchange rate of each period. In countries with inflationary economic environments intangible assets are restated by applying inflation factors of the country of origin and are translated into Mexican pesos at the year-end exchange rate.

The Company's intangible assets with indefinite life mainly consist of rights to produce and distribute Coca-Cola trademark products in the Company's territories. These rights are contained in agreements that are standard contracts that The Coca-Cola Company has with its bottlers. In Mexico, the Company has four bottler agreements; the agreements for two territories expire in June 2013 and the agreements for the other two territories expire in May 2015. The Company's bottler agreements with The Coca-Cola Company will expire for our territories in the following countries: Argentina in September 2014; Brazil in April 2014; Colombia in June 2014; Venezuela in August 2016; Guatemala in March 2015; Costa Rica in September 2017; Nicaragua in May 2016; and Panama in November 2014. All of the Company's bottler agreements are renewable for ten-year terms. These bottler agreements are automatically renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew the agreement. In addition, these agreements generally may be terminated in the case of material breach. Termination would prevent the Company from selling Coca-Cola trademark beverages in the affected territory and would have an adverse effect on our business, financial conditions, results of operations and prospects.

m) Impairment of Long-Lived Assets:
Depreciated tangible long-lived assets, such as property, plant and equipment are reviewed for impairment whenever certain circumstances indicate that the carrying amount of those tangible long-lived assets exceeds its recoverable value.

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

For assets with indefinite useful lives, such as distribution rights, the Company tests for impairment on an annual basis as well as whenever certain circumstances indicate that the carrying amount of those intangible assets exceeds its recoverable value.

These evaluations are performed by comparing the carrying value of the assets with its recoverable amount. The recoverable amount is calculated using various recognized methodologies, primarily an evaluation of expected future cash flows.

For the years ended December 31, 2010, 2009 and 2008, the Company has not recorded any impairment related to its long-lived assets.

n) Payments from The Coca-Cola Company:
The Coca-Cola Company participates in certain advertising and promotional programs as well as in the Company's refrigeration equipment and returnable bottles investment program. Contributions received by the Company for advertising and promotional incentives are recognized as a reduction in selling expenses and contributions received for the refrigeration equipment and returnable bottles investment program are recorded as a reduction in the investment in refrigeration equipment and returnable bottles items. Contributions received were Ps. 2,386, Ps. 1,945 and Ps. 1,995; during the years ended December 31, 2010, 2009 and 2008, respectively.

o) Labor Liabilities:
Labor liabilities include obligations for pension and retirement plans, seniority premiums and severance indemnity liabilities other than restructuring, all based on actuarial calculations, and are computed using the projected unit credit method.

Costs related to compensated absences, such as vacations and vacation premiums, are accrued on a cumulative basis, for which an accrual is made.

Labor liabilities are considered to be non-monetary and are determined using long-term assumptions. The yearly cost of labor liabilities 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 during which they will receive the benefits of the plan.

Certain subsidiaries of the Company have established funds for the payment of pension benefits through irrevocable trusts of which the employees are named as beneficiaries.

p) Contingencies:
The Company recognizes a liability for a loss contingency when it is probable (i.e. the probability that the event will occur is greater than the probability that it will not) that certain effects related to past events, would materialize and can be reasonably quantified. These events and their financial impact are also disclosed as loss contingencies in the consolidated financial statements when the risk of loss is deemed to be other than remote. The Company does not recognize an asset for a gain contingency until the gain is realized. In connection with certain past business combinations, the Company has been indemnified by the sellers related to certain contingencies.

q) Revenue Recognition:
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 Company's products.

During 2007 and 2008, the Company sold certain of its private label brands to The Coca-Cola Company. Because the Company has significant continuing involvement with these brands, 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, 2010 and 2009 amounted to Ps. 547 and Ps. 616, respectively. The short-term portions of such amounts are presented as other current liabilities, amounted Ps. 276 and Ps. 203 at December 31, 2010 and 2009, respectively.

r) 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, the depreciation of office facilities and the 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, 2010, 2009 and 2008, these distribution costs amounted to Ps. 12,774, Ps. 13,395 and Ps. 10,468, respectively;
- Sales: labor costs (salaries and other benefits) and sales commissions paid to sales personnel;
- Marketing: labor costs (salaries and other benefits), promotional expenses and advertising costs.

s) Other Expenses:
Other expenses include Employee Profit Sharing ("PTU"), equity interest in affiliated companies, gains or losses on sales of fixed assets and contingencies reserves as well as their related subsequent interest and penalties, severance payments from restructuring programs and all other non-recurring expenses related to activities that are different from the Company's main business activities and 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, excluding the restatement of depreciation expense, 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 15% of taxable income, not in excess of four months of salary per employee. The Company has not recorded a provision for deferred employee profit sharing during any of the periods presented herein as the Company does not expect the relevant deferred items to materialize.

Severance payments resulting from restructuring programs and associated with an ongoing benefit arrangement are charged to other expenses on the date when it is decided to dismiss personnel under a formal program or for specific causes. These severance payments are included in other expenses (see Note 18).

t) Income Taxes:
Income taxes (including deferred income taxes) are charged to results of operations as they are incurred. For the purposes of recognizing the effects of deferred income taxes in the consolidated financial statements, the Company utilizes both retrospective and prospective analysis of taxable income over the medium term when more than one tax regime exists per jurisdiction. The Company then recognizes the tax expense amount based on the tax regime it expects to be subject to in the future.

Deferred income tax assets and liabilities are recognized for temporary differences resulting from the comparison of the book values and tax values of assets and liabilities (including any future benefits from tax loss carry-forwards). Deferred income taxes are recorded by applying the income tax rate enacted at the balance sheet date that will be in effect when the deferred tax assets and liabilities are expected to be recovered or settled. Deferred income tax assets are reduced by a valuation allowance when it is more likely than not that they will not be recovered.

The balance of deferred taxes is comprised of both monetary and non-monetary items, based on the temporary differences that gave rise to them. Deferred income taxes are classified as a long-term asset or liability, regardless of when the temporary differences are expected to reverse.

On January 1, 2010 an amendment to Mexican Tax Reform was effective. The most important effects in the Company are described as follows: the value added tax rate (IVA) increases from 15% to 16%; and 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.

u) Comprehensive Financing Result:
The 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 other comprehensive income, and are described as follows:

- Interest: Interest income and expenses are recorded when earned or incurred except for capitalized interest incurred 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 gains or losses arising on intercompany financing foreign currency denominated balances, which are considered to be of a long-term investment nature and the foreign exchange gains or losses on the financing of long-term assets (see Note 3);
- Market Value Gain or Loss on Ineffective Portion of Derivative Financial Instruments: this represents the net change in the fair value of the ineffective portion of derivative financial instruments and the net change in the fair value of embedded derivative financial instruments; and
- Monetary Position Gain or Loss: The gain or loss on monetary position is the result of changes in the general price level of monetary accounts of those subsidiaries that operate in inflationary environments. Monetary position gain or loss is calculated by applying inflation factors of the country of origin to the net monetary position at the beginning of each month, excluding the intercompany financing in foreign currency, which is considered to be a long-term investment because of its nature (see Note 3), and the monetary position gain or loss on long-term debt taken on to finance long-term assets.
- As of December 31, 2010, the Company has capitalized Ps. 12 in comprehensive financing result. Capitalization of comprehensive financing result is based on a capitalization rate of 5.3% applied to the long-term assets investments that require one year or more for the Company to ready the asset for its intended use. For the year ended December 31, 2009 the Company capitalized Ps. 55. For the year ended 2008, the Company did not have qualifying assets and accordingly, did not capitalized comprehensive financing result.

v) Derivative Financial Instruments:
The Company is exposed to different risks related to cash flows, liquidity, market and credit. As a result, the Company contracts different derivative financial instruments in order to reduce its exposure to the risk of exchange rate fluctuations between the Mexican peso and other currencies, 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 based on the item being hedged and the effectiveness of the hedge.

As of December 31, 2010 and 2009, the balance in other current assets of derivative financial instruments was Ps. 16 and Ps. 26 (see Note 8), and in other assets Ps. 1 and Ps. 1, respectively (see Note 12). The Company recognized liabilities regarding derivative financial instruments in other current liabilities of Ps. 19 and Ps. 22, as of the end of December 31, 2010 and 2009, respectively (see note 24a), and other liabilities of Ps. 498 and Ps. 497 for the same periods (see note 24b).

The Company designates its financial instruments as cash flow hedges at the inception of the hedging relationship, when transactions meet all hedging accounting requirements. For cash flow hedges, the effective portion is recognized temporarily in cumulative other comprehensive income 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.

w) Cumulative Other Comprehensive Income:
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 to Mexican pesos and the effect of unrealized gain/loss on cash flow hedges from derivative financial instruments.

The cumulative balances of the Company's components of controlling other comprehensive income (loss), net of deferred income taxes (see Note 23d), are as follows:

	2010	2009
Cumulative translation adjustment	Ps. 1,000	Ps. 3,055
Unrealized gain on marketable securities	-	76
Unrealized loss on cash flow hedges	17	(3)
	Ps. 1,017	Ps. 3,128

The changes in the cumulative translation adjustment balance were as follows:

	2010	2009
Initial balance	Ps. 3,055	Ps. 118
Translation effect	(2,078)	2,877
Foreign exchange effect from intercompany long-term loans	23	60
Ending balance	Ps. 1,000	Ps. 3,055

x) Issuance of Subsidiary Stock:
The Company recognizes the issuance 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 noncontrolling interest holder or third party is recorded as additional paid-in capital.

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

Note 5. Acquisitions.

The Company 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 the date on which the Company obtained control of the business, as disclosed below. Therefore, the consolidated income statements and the consolidated balance sheets in the years of acquisition are not comparable with previous periods.

i) In February 2009, the Company, 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 the Company position in the local water business in Colombia. The Brisa bottled water business was previously owned by a subsidiary of SABMiller. The terms of the transaction called for an initial purchase price of $92, of which $46 was paid by the Company, 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 the Company. The Company 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 the Company was Ps. 730, consisting of Ps. 717 in cash payments, and accrued liabilities of Ps. 13. Transaction related costs were expensed by the Company as incurred as required by Mexican FRS. Following a transition period, Brisa was included in operating results beginning June 1, 2009.

The estimated fair value of the Brisa net assets acquired by the Company is as follows:

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

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

ii) In July 2008, the Company acquired certain assets of the Agua de Los Angeles business, which sells and distributes water in the Valley of Mexico, for Ps. 206, net of cash received. This acquisition was made so as to strengthen the Company position in the local water business in Mexico, through the merger with our jug water business under the Ciel brand. Based on the purchase price allocation, the Company identified intangible assets with indefinite life of Ps. 18 consisting of distribution rights and intangible assets of definite life of Ps. 15 consisting of a non-compete right, amortizable in the following five years.

iii) In May 2008, the Company concluded the acquisition of 100% of the voting shares of Refrigerantes Minas Gerais Ltda., "REMIL" , in Brazil from The Coca-Cola Company for a total of Ps. 3,059 net of cash received, assuming liabilities for Ps. 1,966. The Company had an additional account payable to The Coca-Cola Company of Ps. 574 which was considered a component of the Ps. 3,633 purchase price. The Company identified intangible assets with indefinite lives consisting of distribution rights based on the purchase price allocation of Ps. 2,242. Total cash included in REMIL as of the date of acquisition was Ps. 220. This acquisition was made so as to strengthen the Company position in the local soft drinks business in Brazil.

The estimated fair value of the REMIL net assets acquired by the Company is as follows:

Total current assets	Ps. 881
Total long-term assets, mainly property and equipment	1,902
Distribution rights	2,242
Total current liabilities	(1,152)
Total long-term liabilities	(814)
Net assets acquired	Ps. 3,059

The condensed income statement of REMIL for the seven-month period from June 1 to December 31, 2008 is as follows:

Income Statement	
Total revenues	Ps. 3,169
Income from operations	334
Loss before taxes	(10)
Net loss	(45)

iv) In January 2008, a reorganization of the Colombian operations occurred by way of a spin-off of the previous non controlling interest shareholders. The total amount paid to the non controlling interest shareholders for the buy-out was Ps. 213.

v) Unaudited Pro Forma Financial Data.
The results of operations of Brisa for both the years ended December 31, 2009 and 2008 were not material to the Company's consolidated results of operations for those periods. Accordingly, pro forma 2009 and 2008 financial data considering the acquisition of Brisa as of January 1, 2008 has not been presented herein.

Note 6. Accounts Receivable, net.

	2010	2009
Trade receivables	Ps. 4,616	Ps. 4,253
Short-term trade customer notes receivable	232	234
Allowance for doubtful accounts	(223)	(215)
The Coca-Cola Company (related party) (Note 13)	1,030	1,034
Jugos del Valle (Formerly Administracion S.A.P.I.) (related party) (Note 13)	9	2
FEMSA and subsidiaries (Note 13)	161	228
Other related parties (Note 13)	114	-
Other	424	395
	Ps. 6,363	Ps. 5,931

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

		2010		2009		2008
Opening balance	Ps.	215	Ps.	185	Ps.	152
Allowance for the year		113		78		184
Charges and write-offs of uncollectible accounts		(95)		(73)		(150)
Restatement of beginning balance in inflationary economies		(10)		25		(1)
Ending balance	Ps.	223	Ps.	215	Ps.	185

Note 7. Inventories, net.

		2010		2009
Finished products	Ps.	1,732	Ps.	1,638
Raw materials		2,032		2,103
Spare parts		596		547
Packing material		128		138
Inventories in transit		545		381
Allowance for obsolescence		(105)		(102)
Other		202		297
	Ps.	5,130	Ps.	5,002

Note 8. Other Current Assets.

		2010		2009
Advertising and deferred promotional expenses	Ps.	290	Ps.	190
Derivative financial instruments (Note 19)		16		26
Prepaid insurance		20		16
Prepaid expenses		15		16
Advance for services		102		142
Assets available for sale		123		325
Other		185		261
	Ps.	751	Ps.	976

Advertising and deferred promotional expenses recorded in the consolidated income statements for the years ended December 31, 2010, 2009 and 2008 amounted to Ps. 3,979, Ps. 3,278 and Ps. 2,376, respectively.

Note 9. Investment in Shares.

Investee	Ownership%		2010		2009
Industria Envasadora de Queretaro, S.A. de C.V.("IEQSA") [1][3]	13.5%	Ps.	67	Ps.	78
Jugos del Valle, S.A.P.I. de C.V. [1][3]	19.8%		603		1,162
KSP Partiçipações, LTDA [1]	38.7%		93		88
Sucos del Valle do Brasil, LTDA [1][3]	19.9%		340		325
Mais Industria de Alimentos, LTDA [1][3]	19.9%		474		289
Estancia Hidromineral Itabirito, LTDA [1]	50.0%		87		76
Holdfab2 Partiçipações Societárias, LTDA ("Holdfab2") [1]	27.7%		300		-
Industria Mexicana de Reciclaje, S.A. de C.V. [1]	35.0%		69		76
Beta San Miguel, S.A. de C.V. ("Beta San Miguel") [2]	2.5%		69		69
Other	Various		6		7
		Ps.	2,108	Ps.	2,170

Accounting method:

[1] Equity method. The date of the financial statements of the investees used to account for the equity method is December 2010 and 2009.

[2] Acquisition cost.

[3] The Company has significant influence due to the fact that it has representation on the board and the operating decisions of the investee.

In August 2010, the Company made an investment for approximately Ps. 295 (R$40 million) in Holdfab2 representing 27.7%. Holdfab2 has a 50% investment in Leao Junior, a tea producer company in Brazil.

During 2010, the shareholders of Jugos del Valle, including the Company, agreed to spin-off the distribution rights. This distribution resulted in a decrease of the Company´s investment in shares of Ps. 735 and an increase to in its intangible assets (distribution rights of a separate legal entity) for the same amount.

Note 10. Property, Plant and Equipment, net.

	2010	2009
Land	Ps. 3,399	Ps. 3,661
Buildings, machinery and equipment	38,742	40,712
Accumulated depreciation	(19,222)	(21,193)
Refrigeration equipment	9,829	9,180
Accumulated depreciation	(5,849)	(6,016)
Returnable bottles and cases	3,342	2,726
Accumulated depreciation	(1,061)	(812)
Strategic spare parts	460	527
Accumulated depreciation	(168)	(195)
Construction in progress (See Note 4i)	2,439	2,364
Long-lived assets stated at net realizable value	189	288
	Ps. 32,100	Ps. 31,242

Depreciation of property, plant and equipment for the years ended as of December 31, 2010, 2009 and 2008 was Ps. 3,333, Ps. 3,472 and Ps. 3,022, respectively.

The Company has identified certain long-lived assets that are not strategic to its current or future business and are not being used. Such assets are comprised of land, buildings and equipment, in accordance with an approved program for the disposal of certain investments. These long-lived assets have been recorded at their estimated net realizable value without exceeding their acquisition cost and are presented in the property, plant and equipment caption, as shown below by location:

	2010	2009
Brazil	Ps. 33	Ps. 23
Venezuela	96	265
Panama	37	-
Costa Rica	12	-
Nicaragua	9	-
Guatemala	2	-
	Ps. 189	Ps. 288
Land	Ps. 100	Ps. 23
Buildings, machinery and equipment	89	265
	Ps. 189	Ps. 288

As a result of selling certain long-lived assets, the Company recognized losses (gains) of Ps. 41, Ps. (8) and Ps. (1), for the years ended December 31, 2010, 2009 and 2008, respectively.

Fixed assets available for sale are presented in "current assets".

The estimated total amount of the construction projects in process is Ps. 1,601, which is expected to be completed within a period not exceeding one year.

During the years ended December 31, 2010 and 2009 the Company capitalized Ps. 12 and Ps. 55 in comprehensive financing costs in relation to Ps. 1,929 and Ps. 845 in qualifying assets. Amounts were capitalized assuming an annual capitalization rate of 5.3% and 7.2% and an estimated life of the qualifying assets of seven years. For the years ended December 31, 2010, 2009 and 2008 the comprehensive financing result is analyzed as follows:

	2010	2009	2008
Comprehensive financing result	Ps. 1,240	Ps. 1,428	Ps. 3,552
Amount capitalized	12	55	-
Net amount in income statements	Ps. 1,228	Ps. 1,373	Ps. 3,552

Note 11. *Intangible Assets, net.*

	2010	2009
Unamortized intangible assets:		
Rights to produce and distribute Coca-Cola trademark products in the territories of [1]:		
Mexico, Central America [2], Venezuela, Colombia and Brazil	Ps. 44,157	Ps. 45,326
Argentina, Buenos Aires	297	297
Mexico, Tapachula, Chiapas	132	132
Costa Rica, Compañía Latinoamericana de Bebidas	148	133
Argentina (CICAN)	14	14
Mexico (Agua de los Angeles) (Note 5)	18	18
Brazil (REMIL) (Note 5)	2,866	2,905
Colombia (Brisa) (Note 5)	705	695
Bebidas Integradas Propimex, S.A.P.I de C.V. [3]	735	-
Mundet (Fersan)	97	-
Amortized intangible assets:		
Systems in development costs	1,898	1,188
Cost of systems implementation, net	138	179
Other	8	11
	Ps. 51,213	Ps. 50,898

[1] Territories in the table above are grouped based upon their specific acquisition transaction. For example, Mexico, Central America, Venezuela, Colombia and Brazil were all purchased from Panamco in 2003 and thus presented together.

[2] Includes Guatemala, Nicaragua, Costa Rica and Panama.

[3] Resulting from the spin-off of Jugos del Valle, S.A.P.I. de C.V. (see Note 9)

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

	2010	2008	2007
Beginning balance	Ps. 49,520	Ps. 46,892	Ps. 42,225
Acquisitions	832	695	2,260
Translation adjustment of foreign currency denominated intangible assets	(1,183)	1,933	2,407
Ending balance	Ps. 49,169	Ps. 49,520	Ps. 46,892

During the years ended as of December 31, 2010, 2009 and 2008, there was no research expenses charged to operating results.

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

	Investments		Amortization			
	Accumulated at the Beginning of the Year	Additions	Accumulated at the Beginning of the Year	For the Year	Net	Estimated Amortization Per Year
2010						
Systems in development costs	Ps. 1,188	Ps. 751	Ps. -	Ps. (41)	Ps. 1,898	Ps. 271
Cost of systems implementation, net	694	37	(515)	(78)	138	35
Other	15	-	(4)	(3)	8	3
2009						
Systems in development costs	Ps. 333	Ps. 855	Ps. -	Ps. -	Ps. 1,188	Ps. 170
Cost of systems implementation, net	558	136	(344)	(171)	179	18
Other	15	-	(1)	(3)	11	3
2008						
Systems in development costs	Ps. -	Ps. 333	Ps. -	Ps. -	Ps. 333	Ps. -
Cost of systems implementation, net	482	76	(249)	(95)	214	107
Other	-	15	-	(1)	14	-

The estimated amortization over the next five years of intangible assets with defined useful lives is as follows:

	2011	2012	2013	2014	2015
Systems amortization	Ps. 293	Ps. 309	Ps. 273	Ps. 258	Ps. 239
Others	3	3	2	-	-

Note 12. *Other Assets.*

	2010	2009
Agreements with customers, net (Note 4j)	Ps. 186	Ps. 260
Leasehold improvements, net	267	59
Long-term accounts receivable	15	16
Derivative financial instruments (Note 19)	1	1
Loan fees, net	56	7
Long-term prepaid advertising expenses	125	106
Guarantee deposits	893	854
Prepaid bonuses	84	86
Other	232	304
	Ps. 1,859	Ps. 1,693

Note 13. *Balances and Transactions with Related Parties and Affiliated Companies.*

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

	2010	2009
Balances		
Assets (included in accounts receivable)		
FEMSA and subsidiaries	Ps. 161	Ps. 157
The Coca-Cola Company	1,030	1,034
Others	134	7
	Ps. 1,325	Ps. 1,198
Liabilities (included in suppliers and other liabilities and loans)		
FEMSA and subsidiaries	Ps. 603	Ps. 534
The Coca-Cola Company	1,911	2,405
BBVA Bancomer, S.A. [1]	1,000	1,000
Banco Nacional de Mexico, S.A. [1]	500	500
Other	388	344
	Ps. 4,402	Ps. 4,783

Balances due from related parties are considered to be recoverable. Accordingly, for the years ended December 31, 2010, 2009 and 2008, there was no expense resulting from the uncollectibility of balances due from related parties.

Transactions	2010	2009	2008
Income:			
Sales to affiliated parties	Ps. 1,665	Ps. 1,300	Ps. 1,068
Expenses:			
Purchases of raw material, beer, assets and operating expenses with FEMSA and subsidiaries	5,412	5,941	5,010
Purchases of concentrate from The Coca-Cola Company	19,371	16,863	13,518
Purchases of beer from and operating expenses paid to Cerveceria Cuauhtemoc Moctezuma	2,619	-	-
Advertisement expenses refunded to The Coca-Cola Company	1,117	780	931
Purchases of sugar from Beta San Miguel	1,307	713	687
Purchase of sugar, cans and caps from Promotora Mexicana de Embotelladores, S.A. de C.V.	684	783	525
Purchases from Jugos del Valle, S.A.P.I. de C.V.	1,206	1,044	863
Purchase of canned products from IEQSA	196	208	333
Interest paid to The Coca-Cola Company	5	25	27
Purchase of plastic bottles from Embotelladora del Atlantico, S.A. (formerly Complejo Industrial Pet, S.A.)	52	54	42
Interest expenses related to debt with BBVA Bancomer, S.A. [1]	52	65	86
Interest expenses related to debt with Banco Nacional de Mexico, S.A. [1]	26	33	43
Donations to Instituto Tecnologico y de Estudios Superiores de Monterrey, A.C. [1]	-	38	24
Insurance premiums for policies with Grupo Nacional Provincial, S.A.B. [1]	29	39	32
Other expenses with related parties	16	17	15

[1] One or more members of the Board of Directors or senior management of the Company are also members of the Board of Directors or senior management of the counterparties to these transactions.

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

	2010	2009	2008
Short- and long-term benefits paid	Ps. 748	Ps. 762	Ps. 665
Severance indemnities	31	41	10

Note 14. Balances and Transactions in Foreign Currencies.

In accordance with 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 December 31, 2010 and 2009, assets, liabilities and transactions denominated in foreign currencies, expressed in Mexican pesos are as follows:

	2010			2009		
Balances	U.S. Dollars	Euros	Total	U.S. Dollars	Euros	Total
Assets						
Short-term	Ps. 7,154	Ps. -	Ps. 7,154	Ps. 5,234	Ps. -	Ps. 5,234
Long-term	20	-	20	17	-	17
Liabilities						
Short-term	1,250	245	1,495	1,392	17	1,409
Long-term	6,401	-	6,401	2,877	-	2,877

	2010	2009	2008		
Transactions	U.S. Dollars	U.S. Dollars	U.S. Dollars	Euros	Total
Revenues	Ps. 429	Ps. 571	Ps. 418	Ps. -	Ps. 418
Expenses:					
Purchases of raw materials	Ps. 5,197	Ps. 6,907	Ps. 6,354	Ps. -	Ps. 6,354
Interest expense	-	148	238	-	238
Assets acquisitions	258	173	530	39	569
Other	652	682	400	-	400
	Ps. 6,107	Ps. 7,910	Ps. 7,522	Ps. 39	Ps. 7,561

As of February 25, 2011, the issuance date of these consolidated financial statements, the exchange rate published by "Banco de México" was Ps. 12.1730 Mexican pesos per one U.S. Dollar, and the foreign currency position was similar to that as of December 31, 2010.

Note 15. Labor Liabilities.

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

a) Assumptions:

The Company annually evaluates the reasonableness of the assumptions used in its labor liability computations. Actuarial calculations for the liability for pension and retirement plans, seniority premiums and severance indemnities, as well as the net cost of labor obligations for the period, were determined using the following long-term assumptions:

	2010 Real rates for inflationary countries	2010 Nominal rates for noninflationary countries	2009 Real rates for inflationary countries	2009 Nominal rates for noninflationary countries	2008 Real rates for inflationary countries	2008 Nominal rates for noninflationary countries
Annual discount rate	1.5% - 2.6%	5.5% - 9.7%	1.5% - 3.0%	6.5% - 9.8%	4.5%	8.2%
Salary increase	1.5%	4.0% - 6.5%	1.5%	4.5% - 8.0%	1.5%	5.1%
Estimated return on plan assets	0.5%	7.0% - 11.2%	1.5% - 3.0%	8.2% - 9.8%	4.5%	11.3%

The long-term rate of return associated with the return on assets percentages shown above were determined based on an historical analysis of average returns in real terms for the last 30 years of Mexican Federal Government Treasury Bond (known as CETES in Mexico) and in the case of investments in foreign markets, the performance of the treasury bill of the country in question, as well as the expected long-term yields of the Company's current pension plan investment portfolio.

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

	Pension and Retirement Plans	Seniority Premiums	Severance Indemnities
2011	Ps. 180	Ps. 6	Ps. 81
2012	90	5	69
2013	87	6	65
2014	82	6	62
2015	92	7	59
2016 to 2020	667	49	254

b) Balances of the Liabilities:

	2010	2009
Pension and retirement plans:		
Vested benefit obligation	Ps. 569	Ps. 518
Non-vested benefit obligation	671	509
Accumulated benefit obligation	1,240	1,027
Projected benefit obligation	1,636	1,424
Pension plan funds at fair value	(774)	(727)
Unfunded projected benefit obligation	862	697
Unrecognized past services	(198)	(209)
Unamortized actuarial net loss	115	211
Total	Ps. 779	Ps. 699
Seniority premiums:		
Vested benefit obligation for personnel with more than 15 years seniority	7	2
Non-vested benefit obligation for personnel with less than 15 years seniority	57	52
Accumulated benefit obligation	64	54
Unfunded projected benefit obligation	94	85
Unrecognized actuarial net loss	(11)	(12)
Total	Ps. 83	Ps. 73
Severance indemnities:		
Accumulated benefit obligation	560	358
Projected benefit obligation	421	426
Unrecognized net transition obligation	(73)	(109)
Total	Ps. 348	Ps. 317
Total labor liabilities	Ps. 1,210	Ps. 1,089

Accumulated actuarial gains and losses are generated by 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. Trust assets are invested as follows:

Type of instrument	2010	2009
Fixed Return:		
Traded securities	3%	3%
Bank instruments	3%	3%
Federal government instruments	76%	81%
Variable Return:		
Publicly-traded shares	18%	13%
	100%	100%

The Company has a policy of maintaining at least 30% of 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 of securities of the Company and related parties included in plan assets are as follows:

	2010	2009
Portfolio:		
Coca-Cola FEMSA, S.A.B. de C.V.	Ps. 2	Ps. 2
Grupo Industrial Bimbo, S.A.B. de C.V.	2	2

During the years ended December 31, 2010, 2009 and 2008, the Company did not make significant contributions to the plan assets and does not expect to make material contributions to the plan assets during the following fiscal year.

d) Net Cost for the Year:

	2010	2009	2008
Pension and retirement plans:			
Service cost	Ps. 85	Ps. 88	Ps. 78
Interest cost	119	115	97
Expected return on trust assets	(60)	(51)	(54)
Amortization of prior year services	11	1	(2)
Amortization of actuarial loss	(3)	11	10
	152	164	129
Seniority premiums:			
Service cost	11	11	11
Interest cost	7	6	6
Actuarial loss recognized in other expenses	-	-	17
Amortization of net actuarial loss	3	-	1
	21	17	35
Severance indemnities:			
Service cost	52	47	57
Interest cost	23	26	32
Actuarial loss recognized in other expenses	-	-	143
Amortization of unrecognized transition obligation	36	36	37
Amortization of net actuarial loss	49	23	17
	160	132	286
	Ps. 333	Ps. 313	Ps. 450

e) Changes in the Balance of the Obligations:

	2010	2009
Pension and retirement plans:		
Initial balance	Ps. 1,424	Ps. 1,351
Service cost	85	88
Interest cost	119	115
Actuarial loss (gain)	102	(147)
Foreign exchange rate valuation (gain) loss	(3)	103
Benefits paid	(91)	(86)
Ending balance	1,636	1,424
Seniority premiums:		
Initial balance	85	79
Service cost	11	11
Interest cost	6	6
Actuarial loss (gain)	3	(4)
Benefits paid	(11)	(7)
Ending balance	94	85
Severance indemnities:		
Initial balance	426	392
Service cost	52	47
Interest cost	23	26
Actuarial loss	49	24
Benefits paid	(129)	(63)
Ending balance	Ps. 421	Ps. 426

f) Changes in the Balance of the Trust Assets:

		2010		2009
Pension and retirement plans:				
Initial balance	Ps.	727	Ps.	517
Actual return on trust assets		69		108
Foreign exchange rate valuation (gain) loss		(5)		110
Benefits paid		(17)		(8)
Ending balance	Ps.	774	Ps.	727

Note 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 generated by the Company and FEMSA consolidated, 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, 2010, 2009 and 2008, no options have been granted to employees.

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 to income from operations and are paid in cash the following year. During the years ended December 31, 2010, 2009 and 2008, the bonus expense recorded amounted to Ps. 547, Ps. 630 and Ps. 525, respectively.

Note 17. Bank Loans and Notes Payable.

	At December 31, 2010							
	2011	2012	2013	2014	2015	Thereafter	Carrying Value	December 2009
Short-term debt:								
Argentine pesos								
Bank loans	Ps. 507	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 507	Ps. 1,179
Interest rate [1]	15.3%	-	-	-	-	-	15.3%	20.7%
Colombian pesos								
Bank loans	1,072	-	-	-	-	-	1,072	496
Interest rate [1]	4.4%	-	-	-	-	-	4.4%	4.9%
Venezuelan Bolivars								
Bank loans	-	-	-	-	-	-	-	741
Interest rate [1]	-	-	-	-	-	-	-	18.1%
Brazilian Reais								
Notes payable	36	-	-	-	-	-	36	-
Interest rate [1]	Various	-	-	-	-	-	Various	-
	Ps. 1,615	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 1,615	Ps. 2,416
Long-term debt:								
Fixed rate debt:								
U.S. dollars								
Senior Notes	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 6,179	Ps. 6,179	Ps. -
Interest rate [1]	-	-	-	-	-	4.6%	4.6%	-
Capital leases	4	-	-	-	-	-	4	15
Interest rate [1]	3.8%	-	-	-	-	-	3.8%	3.8%
Mexican pesos								
Domestic Senior Notes (Certificados Bursatiles) [2]	-	-	-	-	-	-	-	1,000
Interest rate [1]	-	-	-	-	-	-	-	10.4%
Argentine pesos								
Bank loans	62	622	-	-	-	-	684	69
Interest rate [1]	20.5%	16.1%	-	-	-	-	16.5%	20.5%
Brazilian Reais								
Notes payable	4	9	15	15	14	45	102	-
Interest rate [1]	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	-
Variable rate debt:								
U.S. dollars								
Bank loans	-	37	185	-	-	-	222	2,873
Interest rate [1]	-	0.5%	0.6%	-	-	-	0.6%	0.5%
Mexican pesos								
Bank loans	-	67	267	1,392	2,824	-	4,550	4,550
Interest rate [1]	-	5.1%	5.1%	5.1%	5.1%	-	5.1%	5.2%
Domestic senior notes (Certificados bursatiles) [2]	-	3,000	-	-	-	-	3,000	5,000
Interest rate [1]	-	4.8%	-	-	-	-	4.8%	5.1%
Colombian pesos								
Bank loans	155	839	-	-	-	-	994	-
Interest rate [1]	4.7%	4.7%	-	-	-	-	4.7%	-
Brazilian Reais								
Notes payable	-	1	-	-	-	-	1	2
Interest rate [1]	-	Various	-	-	-	-	Various	Various
Long term debt	225	4,575	467	1,407	2,838	6,224	15,736	13,509
Current portion of long term debt	225	-	-	-	-	-	225	3,011
Total long term debt	Ps. -	Ps. 4,575	Ps. 467	Ps. 1,407	Ps. 2,838	Ps. 6,224	Ps. 15,511	Ps. 10,498

[1] Weighted average annual rate.

The Company has received financing from a number of institutional lenders. Such debt has different restrictions and covenants that mainly consist of maximum leverage ratios. As of the date of these consolidated financial statements, the Company was in compliance with all the restrictions and covenants contained in its financing agreements.

(2) At December 31, 2010, the Company has the following domestic senior notes (certificados bursatiles) issued in the Mexican stock exchange:

Issue Date	Maturity	Amount	Rate
2007	2012	Ps. 3,000	28-day TIIE[1] – 6 bps

(1) TIIE means the Tasa de Interes Interbancaria de Equilibrio (the Equilibrium Interbank Interest Rate).

On February 5, 2010, the Company issued US $500 in Senior Notes, bearing interest at a fixed rate of 4.625%. These Senior Notes are due on February 15, 2020.

Note 18. *Other Expenses.*

	2010	2009	2008
Employee profit sharing (see Note 4s)	Ps. 672	Ps. 792	Ps. 664
Loss on sale of fixed assets	231	187	170
Provision for contingencies from past acquisitions	104	152	174
Brazil tax amnesty (see Note 23a)	(179)	(311)	-
Severance payments	470	113	169
Amortization of unrecognized actuarial loss, net (see Note 2k)	-	-	137
Equity method in earnings affiliated companies	(217)	(142)	(104)
Vacation provision	-	236	-
Loss on the retirement of long-lived assets	7	124	372
Other	204	298	249
Total	Ps. 1,292	Ps. 1,449	Ps. 1,831

Note 19. *Fair Value of Financial Instruments.*

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

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has access to at the measurement date.
- **Level 2:** inputs that are observable for the assets or liability, either directly or indirectly, but that are not the quoted prices included in level 1.
- **Level 3:** unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value when observable inputs are not available, which allows for fair value valuations even when 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, using the income approach methodology, which estimates fair value based on expected cash flows discounted to net present value. The following table summarizes the Company's financial assets and liabilities measured at fair value as of December 31, 2010 and December 2009:

	2010		2009	
	Level 1	Level 2	Level 1	Level 2
Pension plan trust assets (Note 15f)	Ps. 774	Ps. -	Ps. 727	Ps. -
Derivative financial instruments asset (Note 4v)	-	17	-	27
Derivative financial instruments (liability) (Note 4v)	-	(517)	-	(519)
Marketable securities (Note 4c)	-	-	2,113	-

The Company has no inputs classified as level 3 for fair value measurement.

a) Total Debt:

The fair value of bank and syndicated loans is calculated based on the discounted value of contractual cash flows whereby the discount rate is estimated using rates currently offered for debt of similar amounts and maturities. The fair value of notes is based on quoted market prices as of December 31.

	2010	2009
Carrying value	Ps. 17,351	Ps. 15,925
Fair value	17,350	15,334

b) Interest Rate Swaps:

The Company uses interest rate swaps to offset the interest rate risk associated with its borrowings. Through these swaps the Company pays amounts based on a fixed rate and receives amounts based on a floating rate. These instruments have been designated as cash flow hedges and are recognized in the consolidated balance sheet at their estimated fair value. The fair value is estimated using market prices that would apply to terminate the contracts at the end of the period. Changes in fair value are recorded in cumulative other comprehensive income until such time as the hedged amount is recorded in earnings.

At December 31, 2010, the Company has the following outstanding interest rate swap agreements:

Maturity Date	Notional Amount	Fair Value Liability
2012	Ps. 1,600	Ps. (57)
2013	1,312	(30)
2014	575	(24)
2015 to 2018	1,963	(152)

A portion of certain interest rate swaps do not meet the criteria for hedge accounting; consequently, changes in the estimated fair value of their ineffective portions were recorded as part of the comprehensive financing result under the caption "market value gain/loss on ineffective portion of derivative financial instruments".

The net effect of expired contracts treated as hedges is recognized as interest expense as part of the comprehensive financing result.

c) Forward Agreements to Purchase Foreign Currency:

The Company has entered into forward agreements to reduce its exposure to the risk of exchange rate fluctuations between the Mexican peso and other currencies.

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. Changes in the fair value of these forwards are recorded as part of cumulative other comprehensive income. 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 hedge accounting are recorded in the consolidated results of operations as part of the comprehensive financing result. The net effect of expired contracts that do not meet the criteria for hedge accounting is recognized in the income statement under the caption "market value gain/loss on the ineffective portion of derivative financial instruments".

At December 31, 2010, the Company had the following outstanding forwards agreements to purchase foreign currency:

Maturity Date	Notional Amount	Fair Value Liability
2011	Ps. 2,269	Ps. (16)

d) Cross-Currency Swaps:

The Company has contracted a number of cross-currency swaps to reduce its exposure to 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 using market prices that would apply to terminate the contracts at the end of the period. Those contracts do not meet the criteria for hedge accounting; consequently, changes in the fair value were recorded in the income statement under the caption "market value gain/loss on the ineffective portion of derivative financial instruments" as part of the consolidated results.

At December 31, 2010, the Company had the following outstanding cross currency swap agreements:

Maturity Date	Notional Amount	Fair Value Liability
2011	Ps. 1,318	Ps. (147)
2012	357	(73)

e) Commodity Price Contracts:

The Company has entered into various commodity price contracts to reduce its exposure to the risk of fluctuation in the price of certain raw material. The fair value is estimated based on the market valuations to the end of the contracts at the closing date of the period. Changes in the fair value were recorded as part of cumulative other comprehensive income.

Net changes in the fair value of current and expired commodity price contracts were recorded as part of the cost of goods sold.

f) 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 fair value of these instruments were recorded as part of the comprehensive financing result under the caption of "market value gain/loss on the ineffective portion of derivative financial instruments".

g) Fair Value of Derivative Instruments that Met Hedging Criteria:

Derivatives designated as hedging instruments	**2010**	2009	2008
CASH FLOW HEDGES:			
Assets (Liabilities):			
Interest rate swaps	Ps. (263)	Ps. (133)	Ps. (49)
Forward Agreements to Purchase Foreign Currency	(16)	-	-
Commodity price contracts	445[1]	133[1]	(68)[1]

[1] Commodity Price Contracts with maturity dates ending in 2011 and 2012.

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

Types of derivatives	Impact in Income Statement	**2010**	2009	2008
Interest rate swaps	Interest expense	Ps. 169	Ps. 46	Ps. 26
Forward agreements to purchase foreign currency	Foreign exchange/Interest expense	27	-	-
Cross-currency swaps	Foreign exchange/Interest expense	-	-	(26)
Commodity price contracts	Cost of goods sold	(393)	(247)	(2)

i) 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	2010	2009	2008
Forward agreements to purchase foreign currency	Market value gain/loss on	Ps. -	Ps. 63	Ps. 706
Interest rate swaps	ineffective portion of	-	-	(24)
Cross-currency swaps	derivative financial instruments	(256)	(220)	538

j) Net Effect of Expired Contracts that Did Not Meet the Hedging Criteria for Accounting Purposes:

Types of derivatives	Impact in Income Statement	2010	2009	2008
Embedded derivative financial instruments	Market value gain/loss on ineffective portion of derivative financial	Ps. (38)	(12)	53
Cross-currency swaps	instruments	50	51	(314)

Note 20. Noncontrolling Interest in Consolidated Subsidiaries.

Coca-Cola FEMSA's non controlling interest in its consolidated subsidiaries for the years ended December 31, 2010 and 2009 is as follows:

	2010	2009
Mexico	Ps. 2,147	Ps. 1,908
Colombia	25	25
Brazil	430	363
	Ps. 2,602	Ps. 2,296

Note 21. Shareholders' Equity.

As of December 31, 2010 and 2009, the capital stock of Coca-Cola FEMSA is represented by 1,846,530,201 common shares, with no par value. Fixed capital stock is Ps. 821 (nominal value) and variable capital is unlimited.

The characteristics of the common shares are as follows:

- Series "A" and series "D" shares are ordinary, have unlimited voting rights, are subject to transfer restrictions, and at all times must represent a minimum of 75% of subscribed capital stock;
- Series "A" shares may only be acquired by Mexican individuals and may not represent less than 51% of the ordinary shares.
- Series "D" shares have no foreign ownership restrictions and may not represent more than 49% of the ordinary shares.
- Series "L" shares have no foreign ownership restrictions and have limited voting rights and other corporate rights.

As of December 31, 2010 and 2009, the number of each share series representing Coca-Cola FEMSA's capital stock is comprised as follows:

Series of shares	Thousands of Shares
"A"	992,078
"D"	583,546
"L"	270,906
Total	1,846,530

The restatement of shareholders' equity for inflation is allocated to each of the various shareholders' equity accounts, as follows:

	2010		
	Historical Value	Restatement	Restated Value
Capital stock	Ps. 821	Ps. 2,295	Ps. 3,116
Additional paid-in capital	9,612	3,627	13,239
Retained earnings from prior years	37,438	6,670	44,108
Net controlling interest income	9,324	476	9,800
Cumulative other comprehensive income	1,016	-	1,016

	2009		
	Historical Value	Restatement	Restated Value
Capital stock	Ps. 821	Ps. 2,295	Ps. 3,116
Additional paid-in capital	9,593	3,627	13,220
Retained earnings from prior years	32,072	6,117	38,189
Net controlling income	7,970	553	8,523
Cumulative other comprehensive income	3,128	-	3,128

The net income of the Company is not currently subject to the legal requirement that 5% thereof be transferred to a legal reserve, since such reserve already equals 20% of capital stock at nominal value. The legal reserve may not be distributed to shareholders during the life of the Company, except as a stock dividend. As of December 31, 2010 and 2009, the legal reserve is Ps. 164 (at nominal values).

Retained earnings and other reserves distributed as dividends, as well as the effects of capital reductions, are subject to income tax at the prevailing tax rate at the time of distribution, except for dividends and capital reductions paid from the Net taxes profits accounts ("CUFIN") which is where restated shareholder contributions and consolidated taxable income are recorded, or from the Net reinvested taxed profits account ("CUFINRE"), which is where reinvested consolidated taxable income is recorded.

Dividends paid in excess of the CUFIN and CUFINRE 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 or against the income tax and estimated tax payments of the following two years. As of December 31, 2010 and 2009, the Company's balance of CUFIN is Ps. 1,242 and Ps. 2,312, respectively.

As of December 31, 2010, 2009 and 2008 the dividends paid by the Company are as follows:

Series of shares	2010 [1]	2009 [2]	2008 [3]
"A"	Ps. 1,399	Ps. 722	Ps. 508
"D"	823	425	299
"L"	382	197	138
Total	Ps. 2,604	Ps. 1,344	Ps. 945

[1] At an ordinary shareholders' meeting of Coca-Cola FEMSA held on April 14,2010, the shareholders declared a dividend of Ps. 2,604 that was paid in April 2010.

[2] At an ordinary shareholders' meeting of Coca-Cola FEMSA held on March 23, 2009, the shareholders declared a dividend of Ps. 1,344 that was paid in April 2009.

[3] At an ordinary shareholders' meeting of Coca-Cola FEMSA held on April 8, 2008, the shareholders declared a dividend of Ps. 945 that was paid in May 2008.

Note 22. Net Controlling Income per Share.

This represents the net controlling income on each share of the Company's capital stock and is computed on the basis of the weighted average number of shares outstanding during the period which was 1,846,530,201 common shares for each of the three years ended December 31, 2010, 2009 and 2008.

Note 23. Taxes.

a) Income Tax:

Income tax is computed on taxable income, which differs from net income for accounting purposes principally due to differences in the book and tax treatment of the comprehensive financing result, the cost of labor liabilities, depreciation and other accounting provisions. The tax loss of a given year may be carried forward and applied against the taxable income of future years.

The difference between the sum of the above amounts and the consolidated income before income tax relates to dividends which are eliminated in the consolidated financial statement of the Company. Such dividends have been remitted on a tax-free basis.

The statutory income tax rates applicable in the countries where the Company operates, the number of years tax loss carry-forwards may be applied and the period open to review by the tax authorities as of December 31, 2010 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	27.5%	5	3
Colombia	33%	Indefinite	2-5
Venezuela	34%	3	4
Brazil	34%	Indefinite	6
Argentina	35%	5	5

In Colombia, tax losses may be carried forward for indefinite years and carry-forwards are limited to 25% of the taxable income of each year. Additionally, the statutory income tax rate in Colombia was decreased from 34% for 2007 to 33% in 2008.

In Brazil, tax losses never expire but they cannot be restated for inflation 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 Company 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 24d), 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.

b) Asset tax:
On January 1, 2007, the asset tax in Mexico rate was reduced from 1.8% to 1.25% and the deduction of liabilities in the computation of the asset tax base was disallowed. Effective in 2008, the asset tax was abolished in Mexico and has been replaced by a flat rate business tax (Impuesto Empresarial a Tasa Unica, "IETU" - see Note 23c). Asset tax paid in periods prior to the introduction of the IETU can be credited against income tax payable in the period, provided that income tax exceeds IETU for the same period, and only up to an amount equal to 10% of the lesser asset tax paid for 2007, 2006 or 2005.

Guatemala, Nicaragua, Colombia and Argentina also have minimum taxes that are determined primarily on a percentage of assets. Under certain conditions, payments made for these minimum taxes are recoverable in future years.

c) Flat-Rate Business Tax ("IETU"):
Effective in 2008, IETU came into effect in Mexico and replaced Asset Tax. IETU essentially work as a minimum corporate income tax, except that amounts paid cannot be creditable against future income tax payments. The payable tax for a taxpayer in a given year is the higher of IETU or income tax computed under the Mexican income tax law. Both individuals and corporations are subject to IETU as well as permanent establishments of foreign entities in Mexico. The IETU rate for 2008 and 2009 is 16.5% and 17.0%, respectively and shall be 17.5% beginning in 2010. IETU is computed on a cash-flow basis, which means the tax base is equal to cash proceeds, less certain deductions and credits. In the case of export sales, where cash on the receivable has not been collected within 12 months, income is deemed received at the end of the 12-month period. In addition, unlike the Income Tax Law, which allows for tax consolidation, companies that incur IETU are required to file their returns on an individual basis.

Based on its financial projections for purposes of its Mexican tax returns, the Company expects to pay corporate income tax in the future and does not expect to have IETU payable. This being the case, the introduction of the IETU law had no impact the Company's consolidated financial statements.

d) Deferred Income Tax:
An analysis of the temporary differences giving rise to deferred income tax liabilities (assets) is as follows:

Deferred Income Taxes	2010	2009
Inventories	Ps. 26	Ps. (9)
Property, plant and equipment	1,519	1,568
Investment in shares	(7)	(12)
Intangibles and other assets	1,887	2,185
Labor obligations	(260)	(236)
Tax loss carry-forwards	(347)	(659)
Other deferred liabilities	(1,262)	(1,197)
Deferred income tax liability	1,556	1,640
Deferred income tax asset recoverable	345	1,019
Deferred income tax payable	Ps. 1,901	Ps. 2,659

An analysis of changes in the balance of the net deferred income taxes liability is as follows:

	2010	2009	2008
Initial balance	Ps. 1,640	Ps. 434	Ps. 225
Provision for the year	481	267	(1,153)
Restatement effect in inflationary subsidiaries	244	453	(9)
Cumulative other comprehensive (loss) income items	(809)	486	1,371
Ending balance	Ps. 1,556	Ps. 1,640	Ps. 434

As of January 2008, in accordance with NIF B-10 in Mexico, the application of inflationary accounting in Mexico was suspended. However, for taxes purposes, the balance of fixed assets is restated based on the Mexican National Consumer Price Index (NCPI) and consequently, the difference between the book and tax values of the assets will gradually increase, giving rise to a deferred tax.

e) Provision for the Year:

	2010	2009	2008
Current-year income tax	Ps. 3,779	Ps. 3,776	Ps. 3,639
Deferred income tax cost (benefit)	474	309	(1,153)
Effect of change in the statutory income tax rate	7	(42)	-
Income taxes	Ps. 4,260	Ps. 4,043	Ps. 2,486

An analysis of the domestic and foreign components of pre-tax income and income tax for the years ended December 31, 2010, 2009 and 2008 is as follows:

2010	Mexico	Foreign	Total
Income before income taxes	Ps. 5,368	Ps. 9,191	Ps. 14,559
Current-year income tax	1,649	2,130	3,779
Deferred income tax (benefit) cost	(59)	540	481
Total income tax	Ps. 1,590	Ps. 2,670	Ps. 4,260

2009	Mexico	Foreign	Total
Income before income taxes	Ps. 5,579	Ps. 7,435	Ps. 13,013
Current-year income tax	1,585	2,191	3,776
Deferred income tax (benefit) cost	(16)	283	267
Total income tax	Ps. 1,569	Ps. 2,474	Ps. 4,043

2008	Mexico	Foreign	Total
Income before income taxes	Ps. 4,902	Ps. 3,410	Ps. 8,312
Current-year income tax	1,925	1,714	3,639
Deferred income tax (benefit)	(1,115)	(38)	(1,153)
Total income tax	Ps. 810	Ps. 1,676	Ps. 2,486

f) Tax Loss Carry-forwards and Recoverable Asset tax:

The subsidiaries in Mexico, Panama, Colombia, Venezuela and Brazil have tax loss carry-forwards and/or recoverable tax on assets. The aggregate amounts of such future benefits and their years of expiration are as follows:

Year of expired	Tax Loss Carry-forwards	Recoverable Asset tax
2017 and thereafter	Ps. 637	Ps. 40
No expiration (Brazil - see Note 23a)	457	-
	Ps. 1,094	Ps. 40

An analysis of the changes in the valuation allowance that give rise to decreases in the related deferred tax asset is as follows:

	2010	2009	2008
Beginning balance	Ps. 1	Ps. 45	Ps. 99
Reversal of valuation allowance	-	(57)	(51)
Restatement of beginning balance in inflationary subsidiaries	(1)	13	(3)
Ending balance	Ps. -	Ps. 1	Ps. 45

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

	2010	2009	2008
Mexican statutory income tax rate	30.00%	28.00%	28.00%
Income tax from prior years	(0.76)	0.52	0.12
Monetary position gain	(0.85)	(1.05)	(2.22)
Annual inflation adjustment	1.15	1.31	3.69
Non-deductible expenses	0.61	0.87	2.64
Non-taxable income	(0.66)	(0.15)	(0.62)
Income taxed at a rate other than the Mexican statutory rate	1.86	2.97	3.69
Effect of restatement of tax values	(1.03)	(0.78)	(2.21)
Changes in valuation allowance for tax losses	-	(0.38)	(0.42)
Effect of change in statutory rate	0.05	(0.33)	-
Other	(1.11)	0.09	(2.77)
Consolidated effective income tax rate	29.26%	31.07%	29.90%

Note 24. *Other Liabilities and Contingencies.*

a) Other Current Liabilities:

	2010	2009
Derivative financial instruments (Note 19)	Ps. 19	Ps. 22
Sundry creditors	974	863
Total	Ps. 993	Ps. 885

b) Other Liabilities:

	2010	2009
Contingencies	Ps. 2,152	Ps. 2,467
Other liabilities	1,262	1,531
Derivative financial instruments (Note 19)	498	497
Total	Ps. 3,912	Ps. 4,495

c) Contingencies Recorded in the Balance Sheet:

The Company has various loss contingencies, and has recorded reserves as other liabilities for those legal proceedings for which it believes an unfavorable resolution is probable. Most of these loss contingencies are the result of the Company's business acquisitions. The following table presents the nature and amount of the loss contingencies recorded as of December 31, 2010 and 2009:

	2010	2009
Indirect taxes	Ps. 799	Ps. 1,084
Labor	1,133	1,182
Legal	220	201
Total	Ps. 2,152	Ps. 2,467

d) Changes in the Balance of Contingencies Recorded:

	2010	2009	2008
Initial balance	Ps. 2,467	Ps. 2,076	Ps. 1,784
Penalties and other charges	376	258	50
New contingencies	156	475	947[1]
Cancellation and expiration	(205)	(241)	(189)
Payments	(211)	(190)	(472)
Brazil tax amnesty (see Note 23a)	(333)	(433)	-
Restatement of the beginning balance of inflationary subsidiaries	(97)	522	(44)
Ending balance	Ps. 2,153	Ps. 2,467	Ps. 2,076

(1) Includes contingencies resulting from the acquisition of REMIL in 2008.

e) Pending Lawsuits:
The Company is party to a number of tax, legal and labor lawsuits that have arisen throughout the normal course of its business and which are common in its industry.

The estimated amount of these lawsuits is Ps. 5,767. The Company's legal counsel estimates that the changes of these cases being ruled against the Company are less than probable but more than remote. However, the Company does not believe that the rulings, one way or the other, will have a material adverse effect on its consolidated financial position or result of operations.

In recent years, the Company's Mexican, Costa Rican and Brazilian territories have been required to submit certain information to their relevant authorities regarding possible monopolistic practices. Such proceedings are a normal occurrence in the soft drink industry and the Company does not expect any significant liability to arise from these contingencies.

f) Collateralized Contingencies:
As is customary in Brazil, the Company has been required by the tax authorities there to collateralize tax contingencies currently in litigation amounting to Ps. 2,292 and Ps. 2,342 as of December 31, 2010 and 2009, respectively, by pledging fixed assets and entering into available lines of credit covering the contingencies.

g) Commitments:
As of December 31, 2010, the Company has operating lease commitments for the leasing of production machinery and equipment, distribution equipment and computer equipment.

The contractual maturities of the lease commitments by currency, expressed in Mexican pesos as of December 31, 2010, are as follows:

	Mexican Pesos	U.S. Dollars
2011	Ps. 226	Ps. 25
2012	229	24
2013	158	7
2014	135	8
2015	138	-
2016 and thereafter	566	-
Total	Ps. 1,452	Ps. 64

Rental expense charged to results of operations amounted to approximately Ps. 570, Ps. 546 and Ps. 438 for the years ended December 31, 2010, 2009 and 2008, respectively.

The Company has some operating leases that are denominated in U.S. dollars, for which embedded derivatives have been identified and accounted for in the accompanying financial statements.

Note 25. *Information by Segment.*

Information by segment is presented considering the geographical areas in which the Company operates. The Company's operations are aggregated as follows: : (i) Mexico; (ii) Latincentro, which aggregates Colombia and Central America; (iii) Venezuela; and (iv) Mercosur, which aggregates Brazil and Argentina.

Venezuela operates in an economy with exchange control; as a result, Bulletin B-5 "Information by Segments" does not allow its integration into another geographical segment.

2010	Total Revenues	Income from Operations	Capital Expenditures	Long-term Assets	Total Assets
Mexico	Ps. 38,782	Ps. 6,605	Ps. 2,932	Ps. 46,847	Ps. 58,440
Latincentro [1]	17,281	3,022	1,731	18,815	21,484
Venezuela	14,033	2,444	504	5,472	7,779
Mercosur [2]	33,360	5,008	2,311	16,491	26,358
Consolidated	Ps. 103,456	Ps. 17,079	Ps. 7,478	Ps. 87,625	Ps. 114,061

2009	Total Revenues	Income from Operations	Capital Expenditures	Long-term Assets	Total Assets
Mexico	Ps. 36,785	Ps. 6,849	Ps. 2,710	Ps. 45,455	Ps. 54,722
Latincentro [1]	15,993	2,937	1,269	17,854	20,120
Venezuela	22,430	1,815	1,248	8,959	13,672
Mercosur [2]	27,559	4,234	1,055	14,754	22,147
Consolidated	Ps. 102,767	Ps. 15,835	Ps. 6,282	Ps. 87,022	Ps. 110,661

2008	Total Revenues	Income from Operations	Capital Expenditures
Mexico	Ps. 33,799	Ps. 6,715	Ps. 1,926
Latincentro [1]	12,791	2,370	1,209
Venezuela	15,182	1,289	715
Mercosur [2]	21,204	3,321	952
Consolidated	Ps. 82,976	Ps. 13,695	Ps. 4,802

[1] Includes Guatemala, Nicaragua, Costa Rica, Panama and Colombia.

[2] Includes Brazil and Argentina.

Note 26. *Differences Between Mexican FRS and U.S. GAAP*

As discussed in Note 2, the consolidated financial statements of the Company are prepared in accordance with Mexican FRS, which differs in certain significant respects from U.S. GAAP. A reconciliation of the reported net income, equity and comprehensive income to U.S. GAAP is provided in Note 27.

The United States Financial Accounting Standards Board ("FASB") released the FASB Accounting Standards Codification, or Codification for short, on January 15, 2008 and it became effective in 2009. At that time all previous U.S. GAAP reference sources became obsolete. The Codification organizes several U.S. GAAP pronouncements under approximately 90 accounting topic areas. The objective of this project was to arrive at a single source of authoritative U.S. accounting and reporting standards, other than guidance issued by the Securities and Exchange Commission of the United States of America ("SEC"). Included in Notes 26, 27 and 28 are references to certain U.S. GAAP Codifications ("ASC") that were adopted in 2009 and certain ASC's that have yet to be adopted by the Company.

The principal differences between Mexican FRS and U.S. GAAP included in the reconciliation that affect the consolidated financial statements of the Company are described below.

a) Restatement of Prior Year Financial Statements for Inflationary Effects:
Under U.S. GAAP, the Company applies the regulations of the SEC which include certain accounting accomodations. Consequently, the Company was not required to reconcile the inflation effects prior to the adoption of NIF B-10, since the consolidated financial statements were comprehensively restated in constant units of the reporting currency.

Beginning on January 1, 2008, in accordance with NIF B-10, the Company discontinued inflationary accounting for subsidiaries that operate in non-inflationary economic environments. As a result, prior year's financial information and all other adjustments for U.S. GAAP purposes were restated and translated as of December 31, 2007, which is the date of the last recognition of inflation effects. The cumulative effect of the previously realized and unrealized results from holding nonmonetary assets (RETANM) for previous periods was reclassified to retained earnings as described in Note 2h. This reclassification did not result in a difference that is being reconciled for U.S. GAAP.

Beginning in 2008, as a result of discontinuing inflationary accounting for subsidiaries that operate in non-inflationary economic environments, the Company's financial statements are no longer considered to be presented in a reporting currency that includes the comprehensive effects of price level changes. Therefore, the inflationary effects of inflationary economic environments arising in 2008 and 2009 represent a difference that is reconciled for U.S. GAAP purposes.

As disclosed in Note 4a, the three year cumulative inflation rate for Venezuela was 100.5% for the period 2007 through 2009. The three year cumulative inflation rate for Venezuela was 108.2% as of December 31, 2010. Accordingly, the Company considers its Venezuela subsidiary as a hyper-inflationary economy for U.S. GAAP purposes beginning January 1, 2010. For U.S. GAAP reconciliation purposes, the Company has applied an accommodation available in Item 18 to the instructions to Form 20-F whereby an International Accounting Standard 21 and 29 indexation approach is applied. U.S. GAAP would otherwise require a hyper-inflationary economy to be reported using the U.S. dollar as the functional currency. The information related to the revenues and income from operations as well as long-term assets and total assets related to the Venezuelan subsidiary are shown separately in the segment disclosure footnote (see Note 25). Recent devaluations in the Venezuelan currency are also discussed in Note 3 above.

b) Classification Differences:
Certain items require a different classification in the balance sheet or income statement under U.S. GAAP. A description of these different classifications is as follows:

- As explained in Note 4e, under Mexican FRS, advances to suppliers are recorded under inventories. Under U.S. GAAP, advances to suppliers are classified as prepaid expenses;
- Gains or losses on the disposal of fixed assets, all severance payments associated with an ongoing benefit and amendments to the pension plans, as well as financial expenses from labor liabilities and employee profit sharing are recorded as part of operating income under U.S. GAAP;
- Under Mexican FRS, deferred taxes are classified as non-current, while under U.S. GAAP they are classified based on the classification of the related asset or liability, or their estimated reversal date when not associated with an asset or liability;
- Under Mexican FRS, restructuring costs are recorded as other expenses. For U.S. GAAP purposes, restructuring costs are recorded as operating expenses.
- Under Mexican FRS, due to the changes in NIF C-1 restricted cash was reclassified to cash and cash equivalents, for U.S. GAAP purposes, restricted cash is presented in other current assets.

c) Deferred Promotional Expenses:
As explained in Note 4f, for Mexican FRS purposes, the promotional costs related to the launching of new products or product presentations are recorded as prepaid expenses. For U.S. GAAP purposes, such promotional costs are expensed as incurred.

d) Intangible Assets:
In conformity with Mexican FRS, the amortization of intangible assets with indefinite useful lives was discontinued in 2003. For U.S. GAAP purposes, the amortization of intangible assets with indefinite useful lives was discontinued as of 2002. As a result, the Company performed an initial impairment test of intangible assets as of January 1, 2002 and found no impairment. Subsequent impairment tests are performed annually by the Company or more frequently, if events or changes in circumstances between annual tests indicate that the asset might be impaired.

During the year ended December 31, 2009, the Company acquired the Brisa water business in Colombia (see Note 5). For U.S. GAAP, acquired distribution rights intangible assets are recorded at estimated fair value at the date of the purchase. Under Mexican FRS, this distribution rights intangible asset is recorded at its estimated fair value, limited to the underlying amount of the purchase price consideration. This results in a difference in accounting for acquired intangible assets between Mexican FRS and U.S. GAAP. These differences have resulted in a gain being recorded in 2009 for U.S. GAAP purposes in the amount of Ps. 72.

e) Restatement of Imported Equipment:
Through December 2007, the Company restated imported machinery and equipment by applying the inflation rate and the exchange rate of the currency of the country of origin. The resulting amounts were then translated into Mexican pesos using the period end exchange rate.

As explained in Note 2h, on January 1, 2008, the Company adopted Mexican FRS B-10 which establishes that imported machinery and equipment must be recorded using the acquisition-date exchange rate. Companies that operate in inflationary economic environments must restate imported machinery and equipment by applying the inflation rate of the country in which the asset is acquired. However, this change in methodology did not have a material impact on the consolidated financial statements of the Company (see Note 4a).

f) Capitalization of Comprehensive Financing Result:
In accordance to U.S. GAAP, if interest expense is incurred during the construction of qualifying assets and the net effect is material, capitalization is required for all assets that require a period of time to get them ready for

their intended use. The net effect of interest expenses incurred to bring qualifying assets to the condition for its intended use was Ps. 90, Ps. 61 and Ps. 40 for the years ended on December 31, 2010, 2009 and 2008, respectively.

A reconciling item is included for the difference in capitalized comprehensive financing result policies under Mexican FRS and capitalized interest expense policies under U.S. GAAP.

g) Fair Value Measurements
Recently the FASB released a new pronouncement that establishes a framework for measuring fair value with a focus towards exit price and the use of market based inputs over company-specific inputs. This pronouncement requires companies to consider its own nonperformance risk (the risk that the obligation will not be fulfilled) to measure liabilities carried at fair value, including derivative financial instruments. The effective date of this standard for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value on a recurring basis (at least annually) started on January 1, 2009.

U.S. GAAP allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value (fair value option). Except in certain circumstances, the fair value option is applied on an instrument-by-instrument basis and is irrevocable, unless a new election date occurs. Whenever, the fair value option is chosen for an instrument, the unrealized gains and losses from that instrument must be reported in earnings at each subsequent reporting date. The Company did not elect to adopt the fair value option for any of its outstanding instruments; therefore, it did not have any impact on its consolidated financial statements.

h) Deferred Income Taxes, Employee Profit Sharing and Uncertain Tax Positions:
The calculation of deferred income taxes and employee profit sharing for U.S. GAAP purposes differs from Mexican FRS in the following respects:

- Under Mexican FRS, inflation effects on the balance of deferred taxes generated by monetary items are recognized in the income statement as part of the monetary position result when entities operate in an inflationary economic environment. Under U.S. GAAP, the deferred taxes balance is classified as a nonmonetary item. As a result, the consolidated income statement differs with respect to the presentation of the gain or loss on monetary position and deferred income taxes provision;

- Under Mexican FRS, deferred employee profit sharing is calculated using the asset and liability method, which is the method used to compute deferred income taxes under U.S. GAAP. Employee profit sharing is deductible for purposes of Mexican taxes on profit. This deduction reduces the payments of income taxes in subsequent years. For Mexican FRS purposes, the Company did not record deferred employee profit sharing, since is not expected to materialize in the future; and

- The differences in restatement of imported machinery and equipment, capitalization of comprehensive result, promotional expenses, employee profit sharing and employee benefits explained in Note 26c, e, f and i, give rise to a difference in income tax calculated under U.S. GAAP compared to income tax computed under Mexican FRS (see Note 23d).

A reconciliation of deferred income tax and employee profit sharing for U.S. GAAP and Mexican FRS purposes, as well as the changes in the balances of deferred taxes, are as follows:

Reconciliation of Deferred Income Taxes, Net	2010	2009
Deferred income taxes under Mexican FRS	Ps. 1,556	Ps. 1,640
U.S. GAAP adjustments:	-	-
Fixed assets	(782)	(518)
Intangible assets	(628)	(449)
Inventories	-	(127)
Deferred charges	(20)	(25)
Deferred revenues	26	41
Tax deduction for deferred employee profit sharing	55	7
Deferred promotional expenses	(14)	(31)
Pension liability	(17)	11
Seniority premiums	(3)	(3)
Severance indemnities	(21)	(33)
Total U.S. GAAP adjustments	(1,404)	(1,127)
Net deferred income tax liability, under U.S. GAAP	Ps. 152	Ps. 513

Changes in the Balance of Deferred Income Taxes	2010	2009	2008
Beginning liability (asset) balance	Ps. 513	Ps. (183)	Ps. 360
Provision for the year	201	(202)	(1,634)
Cumulative other comprehensive income	(562)	898	1,091
Ending liability (asset) balance	Ps. 152	Ps. 513	Ps. (183)

Reconciliation of Deferred Employee Profit Sharing	2010	2009
Deferred employee profit sharing under Mexican FRS	Ps. -	Ps. -
U.S. GAAP adjustments:		
Inventories	4	5
Property, plant and equipment	(11)	121
Deferred charges	4	7
Labor liabilities	(84)	(73)
Severance indemnities	(18)	(17)
Other reserves	(90)	(67)
Total U.S. GAAP adjustments	(195)	(24)
Net deferred employee profit sharing (asset) under U.S. GAAP	Ps. (195)	Ps. (24)

Changes in the Balance of Deferred Employee Profit Sharing	2010	2009	2008
Beginning liability balance	Ps. (24)	Ps. 71	Ps. 230
Provision for the year	(163)	(83)	(95)
Cumulative other comprehensive income	(8)	(12)	(64)
Ending (asset) liability balance	Ps. (195)	Ps. (24)	Ps. 71

According to U.S. GAAP, the Company is required to recognize a tax position in its financial statements when it is more likely than not that the position will be sustained upon examination. If the tax position meets the more-likely-than-not recognition threshold, the tax effect is recognized at the largest amount of the benefit that is greater than 50% likely of being realized. Any excess between the tax position taken in the tax return and the tax position recognized in the financial statements using the criteria above results in the recognition of a liability in the financial statements for the uncertain tax position. According to Mexican FRS, the Company is required to record tax contingencies in its financial statements when such liabilities are probable in nature and estimable. While the underlying concepts for recognizing income tax uncertainties differs between Mexican FRS and U.S. GAAP, this difference has not resulted in any reconciling items during the periods presented herein.

i) Employee Benefits:

On January 1, 2008, the Company adopted NIF D-3. This standard eliminates the recognition of an additional labor liability for the difference between actual benefits and the net projected liability, NIF D-3 also establishes a maximum of five years period for the amortization of the beginning balance of prior service costs of pension plans and severance indemnities and requires that actuarial gains or losses of severance indemnities be credited or charged to income from operations of the period they arise. The adoption of NIF D-3 gave rise to a difference between the unamortized net transition liability and the actual amortization expense of pension plans and severance indemnities. Under U.S. GAAP the Company is required to fully recognize as an asset or liability for the overfunded or underfunded status of defined benefit pension and other postretirement benefit plans as NIF D-3.

The adoption of NIF B-10 for Mexican FRS, required the application of real rates for actuarial calculations for entities that operate in inflationary economic environments and nominal rates for those that operate in non-inflationary economic environments. The Company uses those same criteria under U.S. GAAP.

The reconciliation of the pension cost for the year and related labor liabilities is as follows:

Net Pension Cost		**2010**		2009		2008
Net pension cost recorded under Mexican FRS	Ps.	152	Ps.	164	Ps.	129
U.S. GAAP adjustments:						
Amortization of unrecognized transition obligation		-		1		1
Amortization of prior service cost		1		1		1
Amortization of net actuarial loss		(3)		(1)		(4)
Net pension cost under U.S. GAAP	Ps.	150	Ps.	165	Ps.	127

Pension Liability		**2010**		2009
Pension liability under Mexican FRS	Ps.	779	Ps.	699
U.S. GAAP adjustments:				
Unrecognized prior service		199		209
Unrecognized net actuarial loss		(115)		(211)
Pension liability under U.S. GAAP	Ps.	863	Ps.	697

The reconciliation of the net severance indemnity cost and severance indemnity liability is as follows:

Net Severance Indemnity Cost		**2010**		2009		2008
Net severance indemnity cost under Mexican FRS	Ps.	160	Ps.	132	Ps.	289
U.S. GAAP adjustments:						
Amortization of unrecognized net transition obligation		(36)		(36)		(36)
Amortization of prior service		-		-		(17)
Amortization of net actuarial		-		-		(228)
Net severance indemnity cost under U.S. GAAP	Ps.	124	Ps.	96	Ps.	8

Severance Indemnity Liability		**2010**		2009
Severance indemnity liability under Mexican FRS	Ps.	348	Ps.	316
U.S. GAAP adjustments:				
Unrecognized net transition obligation		72		110
Severance indemnity liability under U.S. GAAP	Ps.	420	Ps.	426

The reconciliation of the seniority premiums liability is as follows:

Seniority Premium Cost		2010		2009		2008
Net seniority premium cost under Mexican FRS	Ps.	22	Ps.	17	Ps.	35
U.S. GAAP adjustments:						
Amortization of unrecognized net transition obligation, (gain) loss		(2)		2		(15)
Net seniority premium cost under U.S. GAAP	Ps.	20	Ps.	19	Ps.	20

Seniority premium liability		2010		2009
Seniority premium liability under Mexican FRS	Ps.	83	Ps.	73
U.S. GAAP adjustments:				
Unrecognized net actuarial loss		11		12
Seniority premium liability under U.S. GAAP	Ps.	94	Ps.	85

Estimates of the unrecognized items expected to be recognized as components of net periodic pension cost during 2011 are shown in the table below:

		Pension and Retirement Plans		Seniority Premium
Actuarial net loss and prior service cost recognized in cumulative other comprehensive income during the year	Ps.	7	Ps.	-
Actuarial net loss and prior service cost recognized as a component of net periodic cost		6		1
Actuarial net loss, prior service cost and transition liability included cumulative other comprehensive income		9		-
Estimate to be recognized as a component of net periodic cost over the following fiscal year:				
Transition obligation		(11)		-
Actuarial (loss) gain		(15)		1

j) Colombia Non-Controlling Interest Acquisition:

In 2008 the Company indirectly acquired an additional equity interest in Colombia. Under Mexican FRS B-7, "Business Acquisitions", this acquisition is considered to be a transaction made between existing shareholders that has no effect on the Company's net assets and likewise, the payment made in excess of the book value of the shares acquired is recorded in equity as a reduction in additional paid-in capital. For U.S. GAAP purposes, a non-controlling interest acquisition represents a "step acquisition" that must be recorded using the purchase method, whereby the purchase price is allocated to the proportionate fair value of the assets and liabilities acquired. The Company recorded a loss of Ps. 113 on this transaction in its net income for 2008 and did not recognize any goodwill from this acquisition.

k) Deconsolidation of Crystal operations:

During 2009, the Company established a joint venture with The Coca-Cola Company for the production and sale of Crystal brand water in Brazil. The Company has recorded a gain for U.S. GAAP purposes of Ps.120 related to the deconsolidation of its net assets related to the Crystal operations. Approximately, Ps.120 of previously recorded unearned revenues related to Crystal operations remain recorded for Mexican FRS purposes, and will be amortized into income along with the results from the joint venture over the following three years for Mexican FRS purposes.

I) Financial Information Under U.S. GAAP:

Consolidated Balance Sheets	2010	2009
ASSETS		
Current Assets:		
Cash and cash equivalents	Ps. 12,140	Ps. 7,627
Marketable securities	-	2,113
Accounts receivable	6,363	5,931
Inventories	4,962	4,391
Recoverable taxes	1,658	1,776
Other current assets	1,268	1,321
Deferred income tax and employee profit sharing	830	1,517
Total current assets	27,221	24,676
Investment in shares	2,108	2,170
Property, plant and equipment, net	30,087	29,835
Intangible assets, net	49,048	49,336
Deferred income tax and employee profit sharing	1,197	880
Other assets	1,499	1,532
TOTAL ASSETS	Ps.111,160	Ps.108,429
LIABILITIES AND EQUITY		
Current Liabilities:		
Bank loans	Ps. 1,615	Ps. 2,416
Current maturities of long-term debt	225	3,011
Interest payable	151	61
Suppliers	8,988	9,368
Accounts payable	3,743	4,733
Taxes payable	1,931	2,974
Other liabilities	993	886
Deferred income tax and employee profit sharing	10	11
Total current liabilities	17,656	23,460
Long-Term Liabilities:		
Bank loans and notes payable	15,511	10,497
Deferred income tax and employee profit sharing	1,974	2,875
Labor liabilities	1,378	1,208
Contingencies	2,152	2,467
Other liabilities	1,663	1,885
Total long-term liabilities	22,678	18,932
Total liabilities	40,334	42,392
Equity:		
Non-controlling interest	2,633	2,333
Controlling interest	68,193	63,704
Total equity:	70,826	66,037
TOTAL LIABILITIES AND EQUITY	Ps.111,160	Ps.108,429

Consolidated Income Statements and Comprehensive Income	2010	2009	2008
Net sales	Ps.101,374	Ps. 99,835	Ps. 80,595
Other operating revenues	480	558	504
Total revenues	101,854	100,393	81,099
Cost of goods sold	54,970	54,335	43,490
Gross profit	46,884	46,058	37,609
Operating expenses:			
Administrative	4,511	5,341	3,954
Selling	26,545	26,514	21,532
Restructuring	371	-	28
Market value, (gain) loss of operating derivative instruments	(38)	(12)	53
	31,389	31,843	25,567
Income from operations	15,495	14,215	12,042
Comprehensive financing result:			
Interest expense	1,577	1,775	1,961
Interest income	(278)	(282)	(427)
Foreign exchange loss, net	338	365	1,477
Market value (gain) loss on ineffective portion of derivative financial instruments	(206)	(106)	906
	1,431	1,752	3,917
Other expenses, net	121	226	440
Income before income taxes	13,943	12,237	7,685
Income taxes	3,935	3,525	1,987
Income before participation in affiliated companies	10,008	8,712	5,698
Equity interest in results of affiliated companies	217	141	104
Consolidated net income	10,225	8,853	5,802
Less: net income attributable to the noncontrolling interests	(497)	(446)	(231)
Net income attributable to the controlling interests	Ps. 9,728	Ps. 8,407	Ps. 5,571
Consolidated net income	Ps. 10,225	Ps. 8,853	Ps. 5,802
Other comprehensive income	(2,832)	2,060	486
Consolidated comprehensive income	7,393	10,913	6,288
Less: comprehensive income attributable to the noncontrolling interest	(604)	(592)	(175)
Comprehensive income attributable to the controlling interest	Ps. 6,789	Ps. 10,321	Ps. 6,113
Net income per share	Ps. 5.27	Ps. 4.55	Ps. 3.02

Consolidated Cash Flows	**2010**	2009	2008
Operating Activities:			
Consolidated Net Income	Ps. 10,225	Ps. 8,853	Ps. 5,802
Non-cash operating expenses	22	228	310
Equity in earnings affiliated companies	(217)	(142)	(104)
Unrealized gain on marketable securities	-	(112)	-
Gain on deconsolidation of Crystal operations	-	(120)	-
Gain on acquisition of Brisa intangible assets	-	(72)	-
Other adjustments regarding operating activities	-	8	-
Adjustments regarding investing activities:			
Depreciation	3,460	3,696	3,151
Amortization	694	307	240
Loss on sale of long-lived assets	231	186	170
Disposal of long-lived assets	47	124	372
Interest income	(285)	(286)	(433)
Non controlling interest	-	-	113
Income tax	3,980	3,574	2,100
Adjustments regarding financing activities:			
Interest expenses	1,579	1,850	2,080
Foreign exchange loss, net	424	370	1,477
Derivative financial instruments	(468)	(318)	961
Increase in accounts receivable	(1,092)	(394)	(179)
Decrease (increase) in inventories	5	33	(486)
(Increase) decrease in other assets	(738)	(314)	151
Increase in suppliers and other accounts payable	585	2,808	71
Decrease in other liabilities	(208)	(424)	(263)
Decrease in labor liabilities	(192)	(169)	(167)
Income tax paid	(3,882)	(3,061)	(3,618)
Net cash flows from operating activities	14,170	16,625	11,748
Investing Activities:			
Acquisition of Minas Gerais Ltda. "REMIL", net of cash acquired (Note 5)	-	-	(3,633)
Acquisition of Brisa business (Note 5)	-	(717)	-
Acquisition of Agua de los Angeles business (Note 5)	-	-	(206)
Purchases of investment available-for-sale	-	(2,001)	-
Proceeds from investment available-for-sale	1,108	-	-
Proceeds from sales of shares of Jugos del Valle	-	-	741
Interest received	285	286	433
Acquisition of long-lived assets	(6,863)	(5,752)	(4,608)
Proceeds from the sale of long-lived assets	477	638	532
Other assets	(527)	1	521
Acquisition of intangible assets	(1,325)	(1,355)	(1,079)
Net cash flows from investing activities	(6,845)	(8,900)	(7,299)
Financing Activities:			
Bank loans obtained	9,251	6,641	4,319
Bank loans repaid	(6,824)	(9,376)	(6,161)
Interest paid	(1,436)	(2,047)	(2,087)
Dividends declared and paid	(2,612)	(1,344)	(945)
Acquisition of noncontrolling interests	(282)	-	(223)
Other liabilities	(108)	97	(164)
Net cash flows from financing activities	(2,011)	(6,029)	(5,261)
Increase (decrease) in cash and cash equivalents	5,314	1,696	(812)
Translation and restatement effects	(801)	(261)	(538)
Initial cash and cash equivalents	7,627	6,192	7,542
Ending balance of cash and cash equivalents	Ps. 12,140	Ps. 7,627	Ps. 6,192

Consolidated Statements of Changes in Equity	2010	2009
Equity at the beginning of the year	Ps. 66,037	Ps. 56,468
Dividends declared and paid	(2,604)	(1,344)
Cumulative other comprehensive (loss) income:		
Cumulative translation adjustment	(2,084)	3,085
(Losses) gains on cash flow hedges	(56)	147
Reversal of inflation effects for inflationary subsidiaries	(692)	(1,172)
Total other comprehensive (loss) income	(2,832)	2,060
Net income	10,225	8,853
Equity at the end of the year	Ps. 70,826	Ps. 66,037

Note 27. *Reconciliation of Mexican FRS to U.S. GAAP.*

a) Reconciliation of Net Income:

	2010	2009	2008
Consolidated net income under Mexican FRS	Ps. 10,299	Ps. 8,970	Ps. 5,826
U.S. GAAP adjustments:			
Reversal of inflation effects (Note 26a)	(122)	(553)	(355)
Restatement of imported equipment (Note 26e)	(184)	(195)	(193)
Capitalization of comprehensive financing result (Note 26f)	57	(29)	64
Gain on deconsolidation of Crystal operations (Note 26k)	(44)	120	-
Gain on acquisition of Brisa intangible assets (Note 26d)	-	72	-
Deferred income taxes (Note 26h)	280	469	481
Deferred employee profit sharing (Note 26h)	(163)	(83)	(95)
Pension Cost (Note 26i)	2	(1)	2
Seniority premium cost (Note 26i)	2	(2)	15
Severance indemnity cost (Note 26i)	36	36	281
Deferred promotional expenses (Note 26c)	62	49	(111)
Acquisition of non-controlling interest (Note 26j)	-	-	(113)
Total U.S. GAAP adjustments	(74)	(117)	(24)
Consolidated net income under U.S. GAAP	Ps. 10,225	Ps. 8,853	Ps. 5,802

Under U.S. GAAP, the monetary position effect of the income statement adjustments of inflationary economic environments is included in each adjustment, except for the capitalization of interest expenses, intangible assets as well as pension plan liabilities, which are non-monetary.

b) Reconciliation of Equity:

	2010	2009
Total equity under Mexican FRS	Ps. 73,882	Ps. 68,472
U.S. GAAP adjustments:		
Reversal of inflation effects	(5,188)	(4,325)
Intangible assets (Note 26d)	46	46
Restatement of imported equipment (Note 26e)	366	594
Capitalization of comprehensive financing result (Note 26f)	184	132
Gain on deconsolidation of Crystal operations (Note 26k)	75	120
Gain on acquisition of Brisa intangible assets (Note 26d)	72	72
Deferred income taxes (Note 26h)	1,404	1,127
Deferred employee profit sharing (Note 26h)	195	24
Deferred promotional expenses (Note 26c)	(43)	(105)
Pension liability (Note 26i)	(84)	2
Seniority premiums (Note 26i)	(11)	(12)
Severance indemnities (Note 26i)	(72)	(110)
Total U.S. GAAP adjustments	(3,056)	(2,435)
Equity under U.S. GAAP	Ps. 70,826	Ps. 66,037

c) Reconciliation of Comprehensive Income:

	2010	2009	2008
Consolidated comprehensive income under Mexican FRS	Ps. 8,296	Ps. 12,200	Ps. 8,003
U.S. GAAP adjustments:			
Net income (Note 27a)	(74)	(117)	(24)
Cumulative translation adjustment	(137)	(59)	(29)
Reversal of inflation effects	(692)	(1,171)	(1,556)
Labor obligations	-	60	(106)
Consolidated comprehensive income under U.S. GAAP	Ps. 7,393	Ps. 10,913	Ps. 6,288

Note 28. Future Impact of Recently Issued Accounting Standards Not Yet in Effect.

a) Mexican FRS:

The following accounting standards have been issued under Mexican FRS. The application of which is required as indicated. The Company is in the process of assessing the effect of adopting the new standards:

NIF C-4, "Inventories":

In November 2010, the CINIF issued Mexican FRS C-4, which will be effective for fiscal years beginning on or after January 1, 2011 and will replace Mexican accounting Bulletin C-4, *Inventories*. Any accounting changes resulting from the adoption of this standard related to changes in the formula for assigning inventory costs are to be recognized retrospectively. Changes in valuation methods must be recognized prospectively.

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. Mexican FRS C-4 also establishes the standards for service supplier inventory valuations.

NIF C-5, "Prepaid Expenses":

In November 2010, the CINIF issued Mexican FRS C-5, which will be effective for fiscal years beginning on or after January 1, 2011. Mexican FRS C-5 will replace Mexican accounting Bulletin B-5. Any accounting changes resulting from the adoption of this standard shall be recognized retrospectively.

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 prepaid expenses made for goods or services whose inherent benefits and risks have already been transferred to the entity must be carried to the appropriate caption.

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

Mexican FRS C-6 was issued by the CINIF in December 2010 to replace Mexican accounting Bulletin C-6, Property, Machinery and Equipment, and will be effective for fiscal years beginning on or after January 1, 2011, except for the changes related to the segregation of property, plant and equipment into separate components for those assets with different useful lives. For entities that have not performed this component segregation, the provisions of this new standard will be effective as of January 1, 2012.

Unlike Mexican accounting Bulletin C-6, this standard includes within its scope the tax treatment for assets acquired to develop or maintain biological assets and assets related to the mining industry. Among other points, it 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, Mexican FRS C-6 requires entities to determine the commercial substance of the transaction and the depreciation of these 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. Prepaid expenses for the acquisition of assets are to be recognized as a component of the asset as of the time the benefits and risks inherent to such assets are transferred. In the case of retirement of assets, income is recognized when the requirements for income recognition outlined under the standard have been met. There are specific disclosures for public entities.

NIF C-18, "Obligations related to retirement of property, plant and equipment":

In December 2010, the CINIF issued Mexican FRS C-18, which came into force for fiscal years beginning on or after January 1, 2011.

This standard establishes the accounting treatment for the initial and subsequent recognition of a liability for provision for legal obligations or assumed related to the retirement of property, plant and equipment recognized as a result of the acquisition, construction, development and/or normal operating 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.

b) U.S. GAAP:
There are no significant accounting standards effective in year 2011, impacting the Company.

Note 29. Subsequent events.

On February 18, 2011, the Company's Board of Directors agreed to propose an ordinary dividend of Ps. 4,358 million and represents an increase of 67.4% as compared to the dividend was paid on April, 2010. This dividend is subject to approval in the Annual Shareholders meeting on March 23, 2011.

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

The *Comisión Nacional Bancaria y de Valores* (Mexican National Banking and Securities Commission, or CNBV) announced that from 2012, all Mexican public companies must report their financial information in accordance with International Financial Reporting Standards ("IFRS"). Since 2006, the *Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera* (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.

Coca-Cola FEMSA will adopt IFRS in 2012. The consolidated financial statements of the Company as of December 31, 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 US GAAP.

The estimated amount assessed by the Company that will cause the IFRS adoption is as follows (non audited):

Total Assets	Ps.	(13,600)
Total Liabilities		(5,300)
Total Shareholders' Equity		(8,300)

Glossary

The Coca-Cola Company: Founded in 1886, The Coca-Cola Company is the world's leading manufacturer, marketer and distributor of non-alcoholic beverage concentrates and syrups that are used to produce more than 3,300 beverages. The Coca-Cola Company's corporate headquarters are in Atlanta with local operations in more than 200 countries around the world.

Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA): 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.

Conventional Sales System: The person in charge of delivery makes immediate sales from inventory available on the truck.

Consumer: Person who consumes Coca-Cola FEMSA products.

Customer: Retail outlet, restaurant or other operation that sells or serves the company's products directly to consumers.

Emerging categories: includes new beverage categories such as hydro-tonics, energy drinks, isotonics, etc.

Hot Fill: the procedure of filling beverage containers at higher temperatures. This process has the benefit of eliminating the need to add conservatives to beverages.

Per Capita Consumption: The average number of eight-ounce servings consumed per person, per year in a specific market. To calculate per capita consumption, the company multiplies its unit case volume by 24 and divides by the population.

Pre-sale System: Separates the sales and delivery functions and allows sales people to sell products prior to delivery, and the delivery trucks are loaded with the mix of products that clients have previously ordered.

Serving: Equals eight fluid ounces of a beverage.

Sparkling beverage: A non-alcoholic carbonated beverage containing flavorings and sweeteners. It excludes flavored waters and carbonated or non-carbonated tea, coffee and sports drinks.

Still beverage: Non-carbonated beverages excluding non-flavored water.

Unit Case: Unit of measurement that equals 24 eight fluid ounce servings.

Board Practices

1. Finance and Planning Committee. The Finance and Planning Committee works with the management to set annual and long-term strategic and financial plans of the company and monitors adherence to these plans. It is responsible for setting our optimal capital structure of the company and recommends the appropriate level of borrowing as well as the issuance of securities. Financial risk management is another responsibility of the Finance and Planning Committee. Irial Finan is the President of the Finance and Planning Committee. The members include: Javier Astaburuaga Sanjines, Federico Reyes García, Ricardo Guajardo Touché and Enrique Senior Hernández. The Secretary of the Finance and Planning Committee is Héctor Treviño Gutiérrez, our Chief Financial Officer.

2. Audit Committee. The Audit Committee is responsible for reviewing the accuracy and integrity of quarterly and annual financial statements in accordance with accounting, internal control and auditing requirements. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the independent auditor, who reports directly to the Audit Committee. 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 is the President of the Audit Committee. The members include: Alfonso González Migoya, Charles H. McTier, José Manuel Canal Hernando, who is the audit committee financial expert, and Francisco Zambrano Rodríguez. Each member of the Audit Committee is an independent director, as required by the Mexican Securities Market Law and applicable New York Stock Exchange listing standards. The Secretary of the Audit Committee is José González Ornelas, head of FEMSA's auditing and operating control area.

3. Corporate Practices Committee. The Corporate Practices Committee, exclusively integrated by independent directors, 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 related party transactions, approve the compensation of the Chief Executive Officer and relevant officers and support our Board of Directors in the elaboration of certain reports. The chairman of the Corporate Practices Committee is Daniel Servitje Montul. The members include: Helmut Paul and Karl Frei Buechi. The secretaries of the Corporate Practices Committee are Gary Fayard and Alfonso Garza Garza, head of Human Resources, Procurement and IT at FEMSA.

Executive officers

Carlos Salazar Lomelín
Chief Executive Officer
10 years as an Officer

Héctor Treviño Gutiérrez
Chief Financial and Administrative Officer
17 years as an Officer

John Santa María Otazúa
Strategic Planning and Commercial Development Officer
14 years as an Officer

Ernesto Silva Almaguer
Chief Operating Officer – Mexico
13 years as an Officer

Rafael Suárez Olaguibel
Chief Operating Officer – Latincentro
16 years as an Officer

Miguel Angel Peirano
Chief Operating Officer – Mercosur
2 years as an Officer

Eulalio Cerda Delgadillo
Human Resources Director
9 years as an Officer

Alejandro Duncan Ancira
Technical Officer
8 years as an Officer

Hermilo Zuart Ruíz
Strategic Supply Officer
7 years as an Officer

Juan Ramón Félix
New Business Officer
1 year as an Officer

Directors

Directors Appointed by Series A Shareholders.

José Antonio Fernández Carbajal
Chairman of the Board, Coca-Cola FEMSA
Chairman of the Board and Chief Executive Officer, FEMSA
18 years as a Board Member
Alternate: Alfredo Livas Cantú

Alfonso Garza Garza
Human Resources, procurement and IT Officer, FEMSA
15 years as a Board Member
Alternate: Eva María Garza Lagüera Gonda

Carlos Salazar Lomelín
Chief Executive Officer of Coca-Cola FEMSA
9 years as a board Member
Alternate: Max Michel Suberville

Ricardo Guajardo Touché
President of SOLFI, S.A.
18 years as a Board Member
Alternate: Eduardo Padilla Silva

Paulina Garza Lagüera Gonda
Private Investor
2 years as a Board Member
Alternate: Mariana Garza Lagüera Gonda

Federico Reyes García
Corporate Development Officer, FEMSA
18 years as a Board Member
Alternate: Alejandro Bailleres Gual

Javier Astaburuaga Sanjines
Chief Financial & Strategic Development Officer, FEMSA
5 years as a Board Member
Alternate: Francisco José Calderón Rojas

Alfonso González Migoya[1]
Chairman of the Board and Chief Executive Officer, Grupo Industrial Saltillo
5 years as a Board Member
Alternate: Francisco Garza Zambrano[1]

Daniel Servitje Montul[1]
Chief Executive Officer, Bimbo
13 years as a Board Member
Alternate: Sergio Deschamps Ebergenyi[1]

Enrique Senior Hernández
Managing Director, Allen & Company, Inc.
7 years as a Board Member
Alternate: Herbert Allen III

José Luis Cutrale
Chief Executive Officer, Sucocitrico Cutrale, Ltda
7 years as a Board Member
Alternate: José Luis Cutrale Jr.

Directors Appointed by Series D Shareholders.

Gary Fayard
Chief Financial Officer, The Coca-Cola Company
8 years as a Board Member
Alternate: David Taggart

Irial Finan
President of Bottling Investments Group, The Coca-Cola Company
7 years as a Board Member
Alternate: Marie Quintero-Johnson

Charles H. McTier[1]
Trustee, Robert W. Woodruff Foundation
13 years as a Board Member

Bárbara Garza Lagüera Gonda
Private Investor
2 years as a Board Member
Alternate: Geoffrey J. Kelley

Directors Appointed by Series L Shareholders.

Alexis E. Rovzar de la Torre[1]
Executive Partner, White & Case
18 years as a Board Member
Alternate: Arturo Estrada Treanor[1]

José Manuel Canal Hernando[1]
Private Consultant
8 years as a Board Member
Alternate: Helmut Paul[1]

Francisco Zambrano Rodríguez[1]
Chief Executive Officer, Desarrollo de Fondos Inmobiliarios
8 years as a Board Member
Alternate: Karl Frei Buechi[1]

Secretary

Carlos Eduardo Aldrete Ancira
General Counsel, FEMSA
18 years as a Board Member
Alternate: Carlos Diaz Saenz

Relation: [1]Independent

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Stock Exchange Information
Coca-Cola FEMSA's common stock is traded on the Bolsa Mexicana de Valores, (the Mexican Stock Exchange) under the symbol KOF L and on the New York Stock Exchange, Inc. (NYSE) under the symbol KOF

Transfer agent and registrar
Bank of New York
101 Barclay Street 22W New York, New York 10286 U.S.A.
Phone: (212) 815 2206

KOF
New York Stock Exchange
Quarterly ADS Information

U.S. Dollars per ADS — **2010**

Quarter ended	High	Low	Close
December 31	$ 83.61	$ 76.96	$ 82.43
September 30	81.26	62.76	78.22
June 30	70.99	62.59	62.59
March 31	69.67	57.67	66.45

U.S. Dollars per ADS — 2009

Quarter ended	High	Low	Close
December 31	$ 66.87	$ 47.75	$ 65.72
September 30	49.47	39.03	48.10
June 30	43.09	35.16	40.12
March 31	45.13	26.41	34.06

KOF L
Mexican Stock exchange
Quarterly Stock Information

Mexican Pesos per share — **2010**

Quarter ended	High	Low	Close
December 31	$ 103.36	$ 92.25	$ 102.08
September 30	103.37	81.83	98.30
June 30	94.00	79.90	81.13
March 31	88.07	74.24	82.50

Mexican Pesos per share — 2009

Quarter ended	High	Low	Close
December 31	$ 86.52	$ 65.90	$ 86.17
September 30	65.75	53.07	64.76
June 30	56.80	48.24	52.92
March 31	62.90	40.96	48.33

Coca-Cola FEMSA, S.A.B. de C.V.

Coca-Cola FEMSA, S.A.B. de C.V. (BMV: KOF L; NYSE: KOF) is the largest public Coca-Cola bottler in the world, accounting for approximately 10% of The Coca-Cola Company's global sales volume. KOF is the largest Coca-Cola bottler in Latin America, delivering 2.5 billion unit cases a year.

The company produces and distributes Coca-Cola, Sprite, Fanta, and other trademark beverages of The Coca-Cola Company in Mexico (a substantial part of central Mexico, including Mexico City and Southeast Mexico), Guatemala (Guatemala City and surrounding areas), Nicaragua (nationwide), Costa Rica (nationwide), Panama (nationwide), Colombia (most of the country), Venezuela (nationwide), Brazil (greater São Paulo, Campinas, Santos, the state of Mato Grosso do Sul, part of the state of Goias, and part of the state of Minas Gerais), and Argentina (federal capital and surrounding areas), along with bottled water, beer, and other beverages in some of these territories.

The company's capital stock is owned 53.7% by Fomento Económico Mexicano S.A.B. de C.V. (FEMSA), 31.6% by a wholly-owned subsidiary of The Coca-Cola Company, and 14.7% by the public. The publicly traded shares of KOF are Series L shares with limited voting rights that are listed on the Bolsa Mexicana de Valores (BMV: KOF L) and as American Depositary Shares (ADSs) on the New York Stock Exchange (NYSE: KOF). Each ADS represents 10 Series L shares.

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