flexibility

Coca-Cola FEMSA

2011 Annual Report

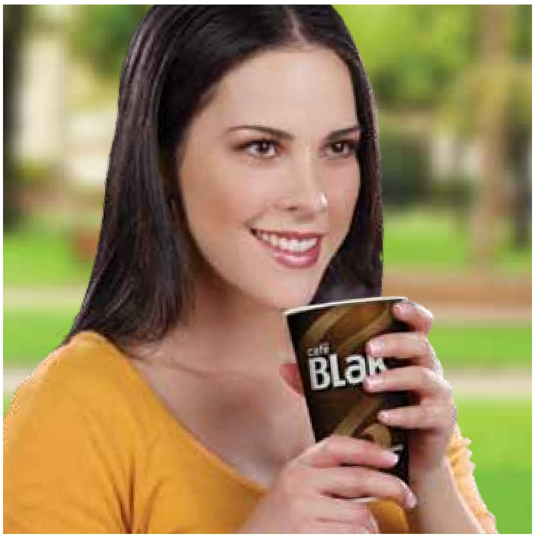

flexi
Coca-Cola

bility

to satisfy our consumers' evolving needs

...to maximize our operations' potential:

Over the past several years, we have incorporated new businesses, products, knowledge, and best practices with one goal in mind: to satisfy a growing base of consumers more efficiently and prepare our company for the future



...to satisfy our consumers' evolving needs:

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

…to embrace our industry's growth opportunities: On top of all of our past transactions—which transformed our company into a leading multi-category beverage player—2011 marked another transformational year for our company, inviting and incorporating into our multinational beverage platform four complementary businesses in only one year

…to foster sustainability: Our flexibility and adaptability allow us to integrate sustainability into every aspect of our daily operations—founded on our commitment to do the right thing, always. We are committed to ensure that our actions contribute to the social and economic development of the numerous communities in which we do business and minimize the impact of our operations on the environment

flexibility

financial highlights

Millions of Mexican pesos and U.S. dollars as of December 31, 2011
(except volume and per share data) 2

	(U.S.$) 2011(1)	(Ps.) 2011	(Ps.) 2010	change
Sales Volume (millions of unit cases)		2,648.7	2,499.5	6.0%
Total Revenues	8,940	124,715	103,456	20.5%
Income from Operations	1,444	20,152	17,079	18.0%
Controlling Interest Net Income	761	10,615	9,800	8.3%
Total Assets	10,867	151,608	114,061	32.9%
Long-Term Bank Loans and Notes Payable	1,221	17,034	15,511	9.8%
Controlling Interest	7,002	97,691	71,279	37.1%
Capital Expenditures	561	7,826	7,478	4.7%
Book Value per Share(2)	3.75	52.37	38.60	35.7%
Controlling Interest Net Income per Share (EPS)(2)	0.41	5.69	5.31	7.2%

(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, 2011, which exchange rate was Ps. 13.951 to U.S.$1.00.
(2) Based on 1,865.3 million weighted average outstanding ordinary shares.

to deliver consistent growth

20.5%

revenue growth

Sales Volume
millions of unit cases

Total Revenue
millions of Mexican pesos

Income from Operations
millions of Mexican pesos

Dividend per Share
Mexican pesos per share

flexibility

José Antonio Fernández
Chairman of the Board

Carlos Salazar
Chief Executive Officer

Dear Fellow Shareholders:
In an ever-changing environment, we must constantly challenge our objectives and embrace the flexibility to adopt new goals.

2011 was a transformational year for our company. We advanced on the precise execution of our strategic framework for growth, capitalizing on our organization's flexibility to reconfigure our business' structure, leveraging our capabilities to convert thousands of customers to our value-based commercial model, fostering innovation through new products and packages and business models, achieving four accretive transactions, and continuing on our path of sustainable development. We welcome our future as a company that is passionately dedicated to serve and satisfy more consumers and to generate sustainable value for our customers, our consumers, our new business partners, and our shareholders.

In the face of a challenging commodity cost environment and global market volatility, our balanced portfolio of franchises across Latin America delivered double-digit top- and bottom-line growth. For the year, our total sales volume grew 6% to 2.6 billion unit cases. Our consolidated revenues rose 21% to Ps. 125 billion. Our consolidated operating income improved 18% to Ps. 20 billion, and our consolidated controlling interest net income increased 8% to close to Ps. 11 billion, resulting in earnings per share of Ps. 5.69.

Flexibility to maximize our operations' potential
As we continue our transformation into a global multi-category beverage industry leader, we increase our operations' flexibility to maximize the full potential of our business and successfully meet our industry's challenges.

In August 2011, we reconfigured our business under two new divisions: Mexico & Central America, comprised of our Mexico, Guatemala, Nicaragua, Costa Rica, and Panama territories; and South America, comprised of our operations in Colombia, Venezuela, Brazil, and Argentina—creating a more flexible structure to execute our strategies and extend our track record of growth. This agile business structure aligns our business strategies more efficiently, enabling an empowered operation that ensures faster introduction of new products and categories and designs and deploys new marketing and commercial models more rapidly and effectively to capture the industry's value potential.

With respect to our commercial initiatives, in 2011, we continued to evolve from a volume-driven to a value-driven commercial model to capture the full potential of the non-alcoholic beverage industry. Indeed, since 2010, we have converted close to 90% of our volume to our new Gestión de Valor del Cliente (GVC or Client Value Management) commercial model.

to transform complex challenges into new opportunities

Close to

90%

of our volume converted to the new GVC commercial model

This model segments our customers in the traditional sales channel based on their potential to generate value for themselves, our company, and the industry as a whole.

Through our use of advanced information technology, we collect customer and consumer data that provides us with the flexibility to tailor our commercial strategies to better serve the ever-changing needs of our clients and consumers. For example, in 2011, we built a new state-of-the-art call center in Tlalnepantla, Mexico, that employs 250 people and serves more than 28,000 accounts in the traditional sales channel. Through such initiatives, we not only enable a more efficient sales process, but also save our clients' time.

In summary, in 2011, we achieved important growth; we converted thousands of clients to our new value-based commercial model; we reconfigured our business structure; and we utilized the latest in information technology. In short, we capitalized on our flexibility to maximize our operations' potential and, most importantly, demonstrated our ability to create value across the value chain.

Flexibility to satisfy our consumers' evolving needs

Through our devotion to innovation, a key element of our DNA, we capitalize on our flexibility to serve the diverse, constantly evolving preferences and practices of more than 215 million consumers across Latin America each and every day.

In 2011, Jugos del Valle became The Coca-Cola Company's 15th brand to reach the US$1 billion revenue mark and the first billion-dollar brand with roots in Latin America. Since we started this joint venture with our partner, The Coca-Cola Company, and the rest of the bottling system in Mexico and Brazil, the performance of this platform has proved exceptionally successful. It exemplifies our shared flexibility to align roles and responsibilities to significantly develop this beverage category. Through this platform, in 2011, we launched Reserva del Valle, a premium line of fruit juices that responds to consumers' growing desire for anti-oxidant beverages; we recently capitalized on the remarkable success of our Valle Frut orangeade—which is now the fourth largest brand in Mexico, with sales of close to 40 million unit cases in 2011—to add two new flavors, grape and apple; and we started to participate significantly in new categories such as dairy and value-added dairy products. Indeed, the HUGO brand, a distinctive blend of milk and juice, is gaining popularity in Argentina, capturing an important share of its market segment in less than one year.

Furthermore, we continued to leverage our sparkling beverages returnable presentations portfolio across our territories. For example, in 2011, returnable packages gained more than 80 basis points in this catego-

157

million transactions in Coca-Cola 200ml PET bottles in Mexico

ry's mix, mainly based on the successful performance of brand Coca-Cola in Mexico, Argentina, Colombia, Brazil, and Costa Rica. Moreover, these packages represented 45% of our consolidated incremental sparkling beverage volumes in 2011.

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

Flexibility to embrace our industry's growth opportunities

In 2011, we demonstrated our flexibility to identify and embrace new ways of complementing our business' organic growth with accretive transactions. We were privileged to invite and incorporate into our multinational beverage platform four complementary businesses in only one year.

In March 2011, together with our partner, The Coca-Cola Company, we successfully closed the acquisition of Grupo Industrias Lacteas, a leading company with a more than 50-year tradition in the Panamanian dairy and juice-based beverage categories. This transaction, which marked our first incursion into dairy products, represents a learning journey into producing, marketing, selling, and distributing dairy and value-added dairy products.

In Mexico, we moved faster than ever to reach three merger agreements with prominent and respected, family-owned Coca-Cola bottling operations, with whom we share an aligned entrepreneurial vision for economic and social value creation, creating an even larger and stronger beverage company. Our mergers with the beverage divisions of Grupo Tampico, Grupo CIMSA, and Grupo Fomento Queretano will contribute more than 425 million unit cases to our existing Mexican operations, increasing its volumes, revenues, and EBITDA by approximately 30% and generating opportunities to capture significant synergies.

As our new reinforced company capitalizes on the incorporation of new partners and talent and the growth prospects that we envision in our industry, we feel stronger and more prepared to continue growing through mergers, acquisitions, joint ventures, and other transaction structures in the global beverage industry to generate more value for our stakeholders.

Flexibility to foster sustainability

As we continue to grow, our flexibility enables us to integrate sustainability into all aspects of our daily operations—founded on our commitment to do the right thing, always.

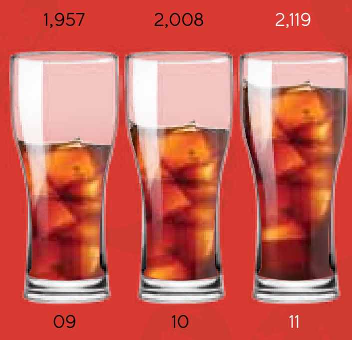
Our devotion to implement ethical, sustainable development initiatives begins at home and extends across our entire value chain. Indeed, in 2011, our commitment was evaluated by international and local organizations at the request of the Mexican Stock Exchange in conjunction with the launch of its first sustainability index. Based on these organizations' thorough and comprehensive analysis, Coca-Cola FEMSA was included in this index in November 2011.

We recognize that the appropriate balance between nutrition and physical activity is the right formula for maintaining a healthy lifestyle. To this end, we conduct and promote a variety of programs—such as "Together for Your Wellness" in Mexico—which has benefited more than 670,000 children, parents, and teachers since 2009.

With respect to our environmental strategy, we join our partner, The Coca-Cola Company, in the global goal of returning to nature the same amount of water we use to produce our beverages, guaranteeing a more efficient use of this resource. Over the past five years, together with The Coca-Cola Company and various social organizations, we have planted 31 million trees in Mexico, surpassing our goal by 1 million trees. In the process, we have replenished and supported the availability of water in our communities.

During 2011, we performed transactions worth more than Ps. 28 billion, representing a record investment for our company since our acquisition of Panamco in 2003

Sparkling beverage volume
millions of unit cases



Consistent with our explicit commitment to "grow the business, not its carbon footprint," our objective is to ensure that our carbon dioxide (CO_2) emissions in 2015 are no more than those emitted in 2004. The use of alternative sources of energy is another pillar of our strategy and an important means to achieve greater efficiency. In 2010, we joined FEMSA's commitment to ensure that renewable sources of energy, such as wind power, will cover 85% of our Mexican operations' energy requirements.

In the area of sustainable packaging, we have invested in technologies that allow us to produce increasingly ecologically friendly presentations. From 2007 through 2011, we saved 60,000 tons of plastic materials through our light-weighting and packaging films optimization programs. Also, by fostering returnable presentations—which in 2011 reached 27% of our consolidated sparkling beverages volume—we preserve the environment.

At Coca-Cola FEMSA, sustainable development is an integral part of our strategic framework for business growth. Our flexibility to implement all of these initiatives enables us to generate economic and social value for our stakeholders and, simultaneously, lays the foundation for future generations to make a responsible difference in our world.

With the creation of shareholder value as a key long-term objective, we are encouraged to see that—as the execution of our strategy has generated strong operational and financial results—our performance is being recognized over time and reflected in the ultimate measure of economic value creation for a corporation: the performance of our shares. Today, Coca-Cola FEMSA's market capitalization is commensurate with its role as a leading enterprise not just in Mexico, but across Latin America. Moreover, consistent with our growing financial flexibility, so too has grown our ability to return cash to our shareholders in the form of incremental dividends. During 2012, we intend to pay in ordinary dividends an amount representing more than four times the amount we paid in 2009.

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

On behalf of every employee who proudly and passionately works for our company daily, we would like to thank you for your continued confidence and support. We look forward to extending our track record of sustainable value creation for you.

José Antonio Fernández Carbajal
Chairman of the Board

Carlos Salazar Lomelín
Chief Executive Officer

In 2011, Jugos del Valle became The Coca-Cola Company's first billion-dollar brand with roots in Latin America


flexibility

As we continue our journey of transformation into a global multi-category industry leader, we increase our operations' flexibility to maximize the full potential of our business and successfully meet our industry's continuous challenges.

Over the past several years, we have incorporated new businesses, products, knowledge, and best practices with one goal in mind: to satisfy a growing base of consumers more efficiently and prepare our company for the future.

To this end, in August 2011, we reconfigured our business under two new divisions: Mexico & Central America and South America, creating a more flexible structure to execute our strategies and extend our track record of growth. Previously, we managed our business under three divisions: Mexico, Latincentro, and Mercosur, with senior managers directing each division. Our Central American franchises, comprised of Guatemala, Nicaragua, Costa Rica, and Panama, were part of our former Latincentro division; now, these territories are grouped with our former Mexico division to form our new Mexico & Central America division. We added our Colombian and Venezuelan franchises to our former Mercosur division, comprised of Brazil and Argentina, to form our new South America division. This agile business structure will align our business strategies more efficiently, enabling an empowered operation that ensures a faster introduction of new products and categories and designs and deploys new marketing and commercial models more rapidly and effectively.

to maximize our operations' potential

Points of sale
per country

1. 44% Mexico
2. 6% Central America
3. 23% Colombia
4. 12% Venezuela
5. 11% Brazil
6. 4% Argentina

5%

volume growth in flavored sparkling beverages

During 2011, we deployed 3,200 additional Blak coffee machines, reaching more than 8,000 across our operations

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

In addition, we continued to leverage our wide portfolio of beverages to foster top- and bottom-line growth: from growing our returnable base of core sparkling beverages across our territories—through such brands as Coca-Cola and Fanta—to significantly expanding our non-carbonated beverage platform. For example, in 2011, returnable packages gained 80 basis points in our sparkling beverage portfolio mix. In non-carbonated beverages, among other successful initiatives, we extended our innovative Blak brand coffee venture from Mexico to other countries, including Costa Rica and Colombia, highlighting the dynamic potential of this beverage platform. Indeed, we deployed

Through our use of advanced information technology, such as our contact centers in Mexico and Brazil, we are not only more efficient in our sales process, but also save our clients' time

more than 3,200 additional dispensing machines to provide our clients in the traditional sales channel with the flexibility to complement their beverage offering, satisfy a significant consumption occasion, and create a new source of revenue for this important distribution channel.

Through our use of advanced information technology, we collect customer and consumer data that provides us with the flexibility to tailor our commercial strategies to suit the ever-changing needs of our clients and consumers. For example, in 2011, we built a new state-of-the-art call center in Tlalnepantla, Mexico, to serve our accounts in the traditional sales channel. This new facility, in which we invested more than US$3 million, employs 250 people who serve more than 28,000 clients. Through such initiatives, we are not only more efficient in our sales process, but also save our clients' time.

In summary, in 2011, we achieved important growth; we converted thousands of clients to our new value-based commercial model; we continued to introduce new product platforms; and we significantly invested in information technology. In short, we capitalized on our flexibility to maximize our operations' potential and, most importantly, demonstrated our ability to create value for our customers, our consumers, our company, and our shareholders now and into the future.

In 2011, Schweppes volumes grew 75% in Brazil

flexibility

Innovation is a key element of our company's DNA. Through our devotion to innovation, we capitalize on our flexibility to serve the diverse, constantly evolving preferences and practices of our more than 215 million consumers across Latin America each and every day.

In 2011, we introduced a number of new products and presentations to satisfy consumer demand in multiple beverage categories. In the process, we leveraged our flexibility to test and learn from product launches in one of our operations, measured their success, and tactically migrated these initiatives to other territories. For example, among our array of innovative new products, we launched Reserva del Valle, a premium line of fruit juices that responds to consumers' growing desire for anti-oxidant beverages. Available in one-liter and 300-milliliter PET bottles, this niche product complements our regular juice offering. Reserva del Valle is currently marketed in all of our Mexican franchise territories, and we expect to take advantage of opportunities to offer this product in other countries, especially Brazil, where consumer demand for such functional beverages is significant.

In the non-carbonated beverage category, we worked with The Coca-Cola Company to leverage the remarkable success of our Valle Frut orangeade, which is now the fourth largest brand in Mexico—with sales of approximately 40 million unit cases in 2011. Given this category's

to satisfy our consumers' evolving needs

Consumers
per country

1	28%	Mexico
2	9%	Central America
3	22%	Colombia
4	14%	Venezuela
5	21%	Brazil
6	6%	Argentina

Non-carbonated beverages
millions of unit cases

While we roll out beverages tailor-made to suit the needs of specific market segments and capitalize on an increasing number of consumption occasions, we increase our market share in non-carbonated beverages

Energy, sports, and functional beverages grew 18% in 2011

ample potential, as well as consumers' demonstrated demand for natural alternatives to flavored sparkling beverages, we extended this brand by adding two new flavors, grape and apple. Altogether, Valle Frut grape, apple, and orangeade accounted for the majority of our non-carbonated beverage volumes in Mexico for 2011. Furthermore, since we can produce these beverages on any of our bottling lines, these products provide us with immense flexibility to reinforce our presence in the flavor side of our portfolio, while increasing our market share in this category.

Demonstrating our capacity to capitalize on an increasing number of consumption occasions, we roll out beverages tailor-made to suit the needs of specific market segments. On the one hand, PowerAde ION4, our reformulated sports drink, keeps our consumers' hydrated and helps replenish four electrolytes—sodium, potassium, calcium, and magnesium—that are typically lost through perspiration during exercise. On the other hand, HUGO, our distinctive blend of milk and juice, is gaining popularity in Argentina, capturing an important share of its market segment in less than one year. From our Reserva del Valle super fruit drink to our Valle Frut grape, apple, and orangeade to our PowerAde ION4 to our HUGO milk and juice product, we work closely with our partner, The Coca-Cola Company, to design, develop, and deploy innovative new products that anticipate and satisfy our consumers' ever-changing needs.

On the packaging front, we continued to provide our consumers with a growing array of imaginative alternatives. For Frutsi, a fruit based drink for children to consume with lunch at school, we introduced a

+170,000

additional cooler
doors installed in 2011

novel 200-milliliter HDPE bottle in the shape of a Lego® block. This new presentation is designed to further enhance this product's appeal as the leader in Mexico's children's drink segment. Moreover, for our bottled water products, we recently began offering a new eco-friendly 20-ounce extra light PET container for our customers and consumers in Brazil and Mexico. This environmentally attractive presentation is 75% of the weight of a regular sparkling beverage PET bottle.

Furthermore, to reinforce our presence in Costa Rica's sparkling beverage category, we rolled out a compelling new 12-ounce PET bottle for brand Coca-Cola with a different shape than our traditional bottles. A considerable success among our consumers, this presentation alone was responsible for more than 25% of our sparkling beverages' volume growth in the Central America region in 2011. Additionally, in Mexico, we launched a new 200-milliliter PET bottle to complement our broad array of presentations for brand Coca-Cola, providing an attractive value proposition for our consumers to enjoy. During 2011, this presentation generated 157 million transactions in Mexico.

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

During 2011, we rolled out a compelling new 12-ounce PET bottle for brand Coca-Cola in Costa Rica


Coca-Cola
refresco
cont. net. 3 L
flexibility

Over the past several years, we have devoted considerable time, resources, patience, and discipline to execute one of the pillars of our strategic framework for growth: to grow through mergers and acquisitions.

We have demonstrated our flexibility to identify and embrace new ways of complementing our business' organic growth with accretive transactions, including acquisitions, joint ventures, and merger agreements.

On top of all of our past transactions—which transformed our company into a leading multi-category beverage player—2011 marked another transformational year for our company. We were privileged to invite and incorporate into our multinational beverage platform four complementary businesses in only one year. These transactions, worth more than Ps. 28 billion, represent a record investment for our company since our acquisition of Panamco in 2003 and underscore our flexibility to react quickly to opportunities arising from our industry's consolidation.

In March 2011, together with our partner, The Coca-Cola Company, we successfully closed the acquisition of Grupo Industrias Lacteas ("Estrella Azul"), a leading company with a more than 50-year tradition in the Panamanian dairy and juice-based beverage categories. Through this transaction, which marked our first incursion into dairy products, we started a learning journey into producing, marketing, selling, and distributing milk and value-added dairy products—one of the most dynamic categories in terms of growth, scale, and

to embrace our industry's growth opportunities

Investments in 2011

1. 4% Estrella Azul
2. 33% Grupo Tampico
3. 39% Grupo CIMSA
4. 24% Grupo Fomento Queretano

In 2011, we amended our company's by-laws to increase the number of board members from 18 to 21. This increase provided us with the flexibility to accommodate new shareholders

We incorporated relevant local brands into our portfolio due to mergers in Mexico

value in the worldwide non-alcoholic beverage industry. This transaction also presented us with the opportunity to develop the capabilities to manage a cold distribution system and expand our horizons to other value segments.

In Mexico, we moved faster than ever, reaching three different merger agreements with prominent and respected, family-owned Coca-Cola bottling operations. Through these mostly equity-based mergers, we created an even larger and stronger beverage company, achieving an unmatched leadership position in the Mexican Coca-Cola bottling system. We further demonstrated our flexibility to join forces with three respected families, with whom we share an aligned entrepreneurial vision for economic and social value creation and a passion to serve more consumers. In October 2011, we successfully completed our merger with Grupo Tampico's beverage division. In December 2011, we successfully closed our merger with the strategically contiguous Grupo CIMSA. Furthermore, in December 2011, we reached an agreement to merge with Grupo Fomento Queretano's beverage division, which represented another key geographic link for our organization.

Importantly, we are viewed as an increasingly attractive investment vehicle for family-owned enterprises within the beverage industry. Among our attributes, we offer a wide geographic exposure, a diversified multi-category portfolio of products, an unwavering commitment to value creation, a skilled group of professionals, and an ability to integrate and develop talent from recently consolidated operations.

We identified best practices including our new partners' expertise with home delivery routes in connection with their large and well executed jug water businesses

Our recent and past transactions further underscore our flexibility to adopt and incorporate not only new businesses, categories, and products, but also, more importantly, talent. For example, in 2011, we amended our company's by-laws to increase the number of board members from 18 to 21. This increase provided us with the flexibility to accommodate new shareholders in connection with future transactions. Indeed, the major shareholders of Grupo Tampico now serve on our Board of Directors, sharing their expertise in the Mexican Coca-Cola bottling system with us.

Through our recent mergers, we welcome fresh new talent to reinforce our operations, while providing them with more professional alternatives; together, we will capitalize on the important growth prospects that we envision for our industry. With respect to best practices, we detect ample opportunities to exchange market and commercial experience. From our new partners' expertise with home delivery routes in connection with their large and well executed jug water businesses to our GVC commercial model, we generate more value together for our new combined entity.

The global beverage industry offers opportunities for continued growth through mergers, acquisitions, joint ventures, and other transaction structures. Our strong cash position and high credit ratings provide us with the necessary flexibility to continue generating value for our stakeholders, while we capitalize on the incorporation of new partners and talent.

30%

volume, revenue, and EBITDA increase in Mexico with the 3 mergers

flexibility

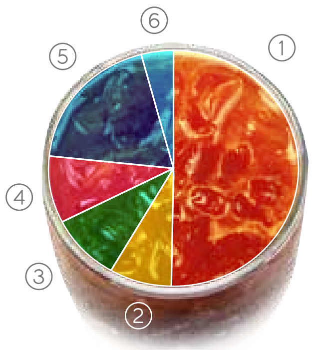
At Coca-Cola FEMSA, we embrace sustainability as an integral part of our business strategy. We are dedicated to the long-term generation of economic and social value for every stakeholder of our company.

As we continue to grow, our flexibility and adaptability help enable us to integrate sustainability into all aspects of our daily operations—founded on our commitment to do the right thing, always.

Our devotion to ethical, sustainable development begins at home. We are dedicated to providing our more than 85,000 employees with a safe, healthy, and satisfying workplace, based on the respect for human rights. We not only operate in accordance with the local regulations of every country in which we do business, but also seize every opportunity to develop initiatives to further improve our company's labor conditions. Ultimately, we foster an inclusive environment where employees feel motivated to excel in a productive, goal-oriented organization.

The appropriate balance between nutrition and physical activity is the right formula for maintaining a healthy lifestyle. As we focus on serving more consumers through our wide portfolio of beverages, we develop solutions for their healthy hydration. Accordingly, we concentrate our efforts on promoting wholesome behavior, while informing society about the benefits of our beverages. To this end, we conduct and promote a variety of physical education programs among children and young people. In Mexico, we created the "Together for Your Wellness" program to promote healthy lifestyles. Benefiting more than 670,000 children, parents, and teachers since 2009, this program features a variety of activities to help students learn about the advantages derived from exercise, balanced nutrition, and hydration. During 2011, we also directly benefited more than 40,700 children through different local pro-

to foster sustainability

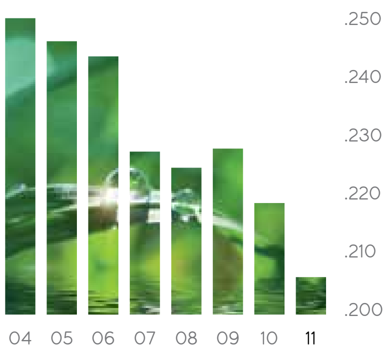


Employees
per country

1. 50% Mexico
2. 8% Central America
3. 10% Colombia
4. 9% Venezuela
5. 19% Brazil
6. 4% Argentina

Over the past five years, in partnership with The Coca-Cola Company and various social organizations, we have planted 31 million trees in Mexico, surpassing our goal by 1 million trees

Energy efficiency in manufacturing facilities
Mega joules per liter produced



In addition to our achieved energy efficiencies, our water usage ratio has improved 19% since 2004, to 1.7 liters of water used per liter of beverage produced

grams together with our partner, The Coca-Cola Company, and with governmental organizations in Central America, Colombia, and Venezuela.

At Coca-Cola FEMSA, we are committed to ensure that our actions contribute to the social and economic development of the numerous communities in which we do business. Therefore, we partner with local governments and social organizations to cultivate education and create development opportunities. During 2011, more people benefited from our community engagement programs.

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

We join our partner, The Coca-Cola Company, in the global goal of returning to nature the same amount of water we use to produce our beverages in our bottling facilities, and guaranteeing a more efficient use of water across our entire value chain. Indeed, our efforts to reduce our net consumption of water drove us to reach a system benchmark. As of the end of 2011, our performance is 19% more efficient than the average recorded in 2004. Through improvements to our plants, over the past six years, we have saved 15 billion gallons of water, equal to the annual consumption of more than 2.74 million people. Beyond our increasingly efficient use of water, we conduct conservation initiatives as part of our strategy to replenish and support the availability of water in our communities. Over the past five years, in partnership with The Coca-Cola Company and various social organi-

Visit our Social Responsibility Report at: www.coca-colafemsa.com/

556

million unit cases of sparkling beverages sold in returnable packages

zations, we have planted 31 million trees in Mexico, surpassing our goal by 1 million trees.

Consistent with our explicit commitment to "grow the business, not its carbon footprint," our objective is to ensure that our carbon dioxide (CO_2) emissions in 2015 are no more than those emitted in 2004. To achieve this aim, we will reduce our emissions of CO_2 by 690,000 tons per year. Consistent with this objective, in 2011, the amount of energy used per liter of beverage produced was 18% lower than the average recorded in 2004.

The use of alternative sources of energy is a pillar of our sustainability strategy and an important means to achieve greater efficiency. In 2010, our company joined FEMSA's commitment to ensure that renewable sources of energy, such as eolic energy, cover 85% of our Mexican operations' requirements. As a result of this initiative, we expect to save 50,000 tons of CO_2 emissions per year—equal to the annual CO_2 emissions of 8,600 cars.

In the area of sustainable packaging, we have invested in technologies that allow us to produce increasingly ecologically friendly presentations. From 2007 through 2011, we saved 60,000 tons of plastic materials through our light-weighting and packaging films optimization programs. Also, our large returnable base for sparkling beverages represents not only a competitive advantage for our company and a powerful tool to offer our consumers attractive price points for their consumption, but also an important mechanism to preserve the environment. In 2011, 27% of our sparkling beverage volume was sold in these presentations, amounting to 556 million unit cases of beverages.

At Coca-Cola FEMSA, sustainable development is an integral part of our strategic framework for business growth. Our flexibility to implement all of these initiatives enables us to generate economic and social value for our stakeholders and, simultaneously, lays the foundation for future generations to make a responsible difference in our world.

ESR

Empresa Sustentable

operating highlights

	Population Served (millions)	Total Beverage per Capita Consumption	Points of Sale	Plants	Distribution Centers
Mexico	61.8	632	767,836	14	126
Central America	19.3	179	95,573	5	26
Colombia	46.8	129	395,331	6	32
Venezuela	30.3	150	209,597	4	32
Brazil	44.6	261	190,997	4	28
Argentina	12.8	395	77,350	2	5
Total	215.6	324	1,736,684	35	249

Total Volume
(mm unit cases)

1. 1,367 Mexico
2. 144 Central America
3. 252 Colombia
4. 190 Venezuela
5. 485 Brazil
6. 211 Argentina

Total 2,649

Product Mix by Category[1]

	Sparkling	Water[4]	Jug Water[5]	Still
Mexico	73.7%	4.9%	16.3%	5.0%
Central America	85.8%	5.0%	0.2%	9.0%
Colombia	74.4%	8.3%	10.8%	6.5%
Venezuela	91.7%	4.4%	1.0%	2.9%
Brazil	90.2%	4.8%	0.5%	4.5%
Argentina	89.8%	5.8%	0.4%	4.1%

sparkling beverages
2,119.2
mm unit cases

5.5%
growth vs. 2010

water & bulk water
395.3
mm unit cases

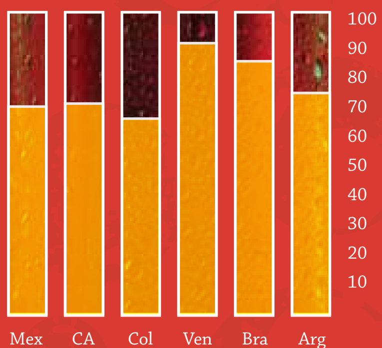
6.1%
growth vs. 2010

still beverages
134.2
mm unit cases

12.9%
growth vs. 2010

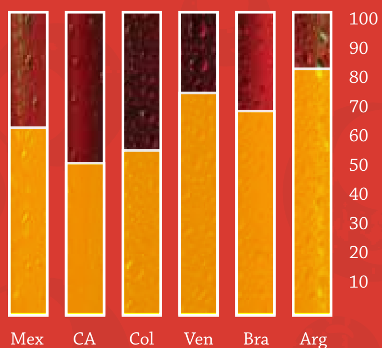
Product Mix by Package[1]

Returnable
Non-Returnable



Product Mix by Size[1]

Single-Serve
Multi-Serve



(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. Includes flavored water
(5) Bulk Water - still water in presentations of 5.0 Lt. or larger. Includes flavored water

balanced geographic footprint

flexibility

Héctor Treviño Gutiérrez
Chief Financial Officer

18%
EBITDA growth

Dear Shareholders:
In 2011, our portfolio of franchise territories across Latin America delivered double-digit top- and bottom-line growth in the face of a challenging commodity cost environment and global market volatility. The main drivers of our performance for the year were our revenue management initiatives—implemented over the past several months throughout our franchise territories—and the solid performance of our sparkling and still beverage portfolio. In 2011, we produced the following results:

- Consolidated revenues grew 21% to Ps. 124.7 billion.
- Consolidated operating income increased 18% to Ps. 20.2 billion.
- Consolidated controlling interest net income rose 8% to Ps. 10.6 billion, resulting in earnings per share of Ps. 5.69 or Ps. 56.91 per ADR.
- Total net debt at year-end was approximately Ps. 10 billion.

Our strong balance sheet, along with our high investment-grade credit ratings, underscores the financial strength and flexibility of our company. As of December 31, 2011, we had a cash balance of Ps. 12.7 billion, and our total debt was Ps. 22.6 billion. Year over year, we increased our EBITDA by 19% to Ps. 25.0 billion. In 2011, our net-debt-to-EBITDA coverage ratio was 0.4 times, and our EBITDA-to-net interest coverage ratio was 22 times. During the second quarter of 2011, we made a dividend payment in the amount of Ps. 4.4 billion, which represented a significant increase as compared with the dividend payment made in the previous year.

For our company, 2011 marked a historic year in which we leveraged our financial and operating flexibility to firmly advance on our strategy to grow through accretive mergers and acquisitions: from our incursion into the dairy segment through our joint acquisi-

to deliver growth and generate value

+60%

of incremental volume in 2011 from brand Coca-Cola

tion, with The Coca-Cola Company, of Grupo Industrias Lacteas in Panama to our merger agreements with the beverage divisions of Grupo Tampico, Grupo CIMSA, and Grupo Fomento Queretano in Mexico. Through these mergers, we are privileged to enrich our organization with the track record, talented team of professionals, and entrepreneurial legacy of three of Mexico's most respected family-owned Coca-Cola bottlers—with whom we share our principles and values.

Our shareholders' equity is stronger than ever as a result of the stock issuances in connection with these transactions. Furthermore, as a result of these mergers, we will leverage important production capacity that will provide us with the flexibility to balance our production runs among our Mexican bottling facilities and postpone additional capital investments.

Additionally, to meet the growth we envision in our industry, during 2011, we installed six new production lines across our territories: two in Mexico, two in Brazil, one in Venezuela, and one in Panama. With this additional capacity, in which we invested approximately US$70 million, we will be able to produce an additional 165 million unit cases of beverages annually, using the latest technology available in the market.

For the year, our total sales volume grew 6% to more than 2.6 billion unit cases. Excluding the volume that the newly merged territories contributed in Mexico, sales volume grew 4%. The sparkling beverage category—driven mainly by the 4% growth of brand Coca-Cola primarily in Mexico, Argentina, and Colombia—grew 4%. The still beverage category grew 11%, driven mainly by the performance of the Jugos del Valle line of business, as well as the Cepita juice and Hi-C orangeade brands in Argentina and the Nestea and PowerAde brands in Mexico. Our bottled water portfolio, including bulk water, grew 2%.

In 2011, our Mexico & Central America division delivered positive results, advancing on many fronts. The brand equity of Coca-Cola and its wide preference across our franchise territories allowed us to implement selective price increases—targeted to mitigate the increased cost of raw materials. Moreover, our initiatives to foster the availability of sparkling beverages in returnable presentations, combined with our continued efforts to provide our consumers with new packaging alternatives—such as our affordable 200-milliliter and 12-ounce single-serve non-returnable presentations for brand Coca-Cola in Mexico and Costa Rica, respectively—proved successful. Furthermore, with regard to our still beverage portfolio, we incorporated

16%

volume growth in still beverages in South America

new beverage alternatives for our consumers, as exemplified by the integration of the Estrella Azul brand portfolio in our Panamanian operations through the joint venture with our partner, The Coca-Cola Company. Together, we re-launched this important brand and presented our consumers with a compelling new image.

Our Mexico & Central America division delivered more than 9% volume growth for the year, selling 1.5 billion unit cases of beverages, including the volumes from Grupo Tampico and Grupo CIMSA in Mexico, which mergers closed during the fourth quarter of 2011. Excluding these mergers, our volumes in the division grew 6%. Our Mexican operations' volumes grew 6% organically, and during the year, we posted record volumes in 10 out of 12 months. This growth was driven by the sparkling beverage category, which grew 6% supported by a 7% increase of brand Coca-Cola and 4% growth in flavored sparkling beverages; by a 5% increase in our water portfolio, including bulk water; and by 8% growth in still beverages, thanks to the strong performance of the Jugos del Valle line, along with the PowerAde and Nestea brands.

Our Central American operations achieved 5% volume growth during the year. This increase was driven mainly by brand Coca-Cola, which grew 6%, combined with 15% growth in our bottled water portfolio, including bulk water, and high single-digit volume growth in the still beverage category—supported by the performance of the Jugos del Valle line of business and the portfolio of Estrella Azul brand products, incorporated during the last few months of 2011.

Our Mexico & Central America division's total revenues grew over 15% to more than Ps. 52 billion. This increase resulted from selective price increases implemented over the past 12 months, mainly in our Mexican operations, the strong volume growth recorded in our Mexican franchise territories, and revenues generated from Grupo Tampico and Grupo CIMSA's franchise territories. Our operating income increased close to 16% to Ps. 8.9 billion. Operating leverage—achieved through higher revenues, combined with controlled operating expenses in Mexico—partially compensated for gross margin pressures across the division, mainly due to increases in resin and sweetener costs. As a result, our Mexico & Central America division's operating margin remained stable at 17.1%.

In 2011, our South America division delivered strong results. Leveraging the continued preference for brand Coca-Cola, through our growing returnable base, and the increased scale of our still beverage category, we were able to provide our consumers with more alternatives to satisfy different consumption occasions. Our strategy of reinforcing our returnable base and introducing new beverages in the marketplace over the past several months in the still beverage category—offering juices, tea, coffee, and dairy and juice drinks—proved successful. The multi-category portfolio we have developed is not only an attractive proposition for our consumers and customers, but also represents a competitive advantage for us.

Our South America division generated close to 2% volume growth for the year, reaching more than 1.1 billion unit cases of beverages. This increase was driven mainly by the volume growth that we achieved in Argentina, Brazil, and Colombia, which compensated for a volume decline in Venezuela.

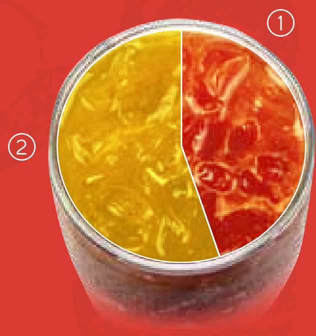
In Colombia, our volume increased 3%, resulting mainly from the solid performance of our sparkling beverage category—supported by the 9% growth of brand Coca-Cola in combination with increases in flavored sparkling beverages—which more than compensated for a volume decline in our water portfolio, including bulk water.

Moving to Venezuela, operating disruptions we faced at the beginning of the year, in combination with a tough consumer environment, resulted in a 10% volume decline for 2011. Growth in our still beverage portfolio and stable volumes in our flavored sparkling beverage portfolio were outpaced by declines in the rest of our beverage categories.

In Brazil, our operations' volume grew 2%, successfully building on the more than 12% volume growth

Revenue breakdown
per division

1 42% Mexico & Central America
2 58% South America



EBITDA breakdown
per division

1 45% Mexico & Central America
2 55% South America

achieved in 2010. Our sparkling beverage category grew 1%, driven mainly by the Schweppes and Fanta brands. Our still beverage category, supported by the Sucos del Valle line of business and the Matte Leao tea product line, grew 22%.

Our Argentine operations recorded strong volume growth, leveraging solid consumer momentum. For the year, we grew volumes more than 11%, mainly driven by brand Coca-Cola and the Crush brand, combined with 54% growth in still beverages, resulting from the performance of Cepita juice, the successful introduction of our Hi-C orangeade, and HUGO, our new juice-dairy brand. Our water portfolio, including bulk water, grew 8%, mainly driven by Aquarius flavored water.

Our South America division's total revenues rose more than 24% to Ps. 72.5 billion, resulting from double-digit revenue growth in every territory. Excluding beer, which accounted for Ps. 3.9 billion, our total revenues reached Ps. 68.6 billion. Selective price increases implemented over the past several months across the division and volume growth from Argentina, Brazil, and Colombia accounted for our incremental revenues.

Our South America division's operating income grew 20% to Ps. 11.2 billion. Operating leverage, achieved through higher revenues, was offset by higher costs of raw materials and higher labor costs in Venezuela, higher labor and freight costs in Argentina, and increased marketing expenses in the division. Consequently, our operating margin declined 60 basis points to 15.5% in 2011.

Overall, our operations delivered strong results for the year. Our operators' effective execution of strategies designed to foster our portfolio's volume growth—coupled with their implementation of refined revenue management strategies across our territories—enabled us to foster organic growth and gain important operating leverage to compensate for the increased cost of raw materials and protect our profitability. As we begin another year, our business is more solid than ever, and our operators are eager to capitalize on the opportunities that our industry presents to us.

Thank you for your continued trust and support. We are confident that the strong brand equity of our multi-category portfolio of beverages, our operators' relentless pursuit of optimal execution at the point of sale, the innovation capabilities of our talented team of professionals, the incorporation of new businesses into our company, and the financial flexibility that we have achieved over the past several years will enable us to continue growing our business and delivering increased value for our shareholders now and into the future.

Héctor Treviño Gutiérrez
Chief Financial Officer

4.4
billion pesos dividends paid in 2011

financial section

five-year summary

Millions of Mexican Pesos, except data per share.
Figures of 2007 are expresed with purchasing power as of December 31, 2007

Income Statement	2011[2]	2010	2009	2008[1]	2007
Total revenues	124,715	103,456	102,767	82,976	69,251
Cost of goods solds	67,488	55,534	54,952	43,895	35,876
Gross profit	57,227	47,922	47,815	39,081	33,375
Operating expenses	37,075	30,843	31,980	25,386	21,889
Income from operations	20,152	17,079	15,835	13,695	11,486
Other expenses, net	2,326	1,292	1,449	1,831	702
Comprehensive financing cost	1,058	1,228	1,373	3,552	345
Income taxes	5,599	4,260	4,043	2,486	3,336
Net income for the year	11,169	10,299	8,970	5,826	7,103
Controlling interest net income	10,615	9,800	8,523	5,598	6,908
Non-controlling interest net income	554	499	447	228	195
RATIOS TO REVENUES (%)					
Gross margin (gross profit/total revenues)	45.9	46.3	46.5	47.1	48.2
Operating margin	16.2	16.5	15.4	16.5	16.6
Net income	9.0	10.0	8.7	7.0	10.3
CASH FLOW					
Gross cash flow (EBITDA) [3]	24,998	21,022	19,746	17,116	14,434
Capital expenditures [4]	7,826	7,478	6,282	4,802	3,682
Cash and cash equivalents	12,331	12,534	7,841	6,583	7,780
Marketable securities	330	-	2,113	-	-
Total cash, cash equivalents and marketable securities	12,661	12,534	9,954	6,583	7,780
BALANCE SHEET					
Current assets	32,074	26,436	23,639	17,992	17,461
Investment in shares	3,656	2,108	2,170	1,797	1,476
Property, plant and equipment, net	41,502	31,874	31,007	28,157	23,662
Intangible assets, net	70,675	51,213	50,898	47,453	42,458
Deferred charges and other assets, net	3,701	2,430	2,947	2,559	2,121
Total Assets	151,608	114,061	110,661	97,958	87,178
Liabilities					
Short-term bank loans and notes payable	5,540	1,840	5,427	6,119	4,814
Interest payable	206	151	61	267	274
Other current liabilities	19,331	15,655	17,960	14,947	11,222
Long-term bank loans and notes payable	17,034	15,511	10,498	12,455	14,102
Other long-term liabilities	8,717	7,023	8,243	6,554	5,985
Total Liabilities	50,828	40,180	42,189	40,342	36,397
Stockholders' Equity	100,780	73,881	68,472	57,616	50,781
Non-controlling interest in consolidated subsidiaries	3,089	2,602	2,296	1,703	1,641
Controlling interest	97,691	71,279	66,176	55,913	49,140
FINANCIAL RATIOS (%)					
Current	1.28	1.50	1.01	0.84	1.07
Leverage	0.50	0.54	0.62	0.70	0.72
Capitalization	0.19	0.19	0.20	0.27	0.29
Coverage	22.02	14.37	12.27	9.65	9.46
DATA PER SHARE					
Book Value [5]	49.203	38.602	35.838	30.280	26.612
Controlling interest net income [6]	5.691	5.307	4.616	3.032	3.741
Dividends paid [7]	2.364	1.410	0.728	0.512	0.450
Headcount [8]	78,979	68,449	67,502	65,021	58,126

(1) Information considers full-year of KOF's territories and seven months of Remil.
(2) Information considers full-year of KOF's territories, three months of Administradora de Acciones del Noreste, S.A. de C.V. ("Grupo Tampico") and one month of Corporación de los Angeles, S.A. de C.V ("Grupo CIMSA").
(3) Income from operations plus non-cash charges.
(4) Includes investments in property, plant and equipment, refrigeration equipment and returnable bottles and cases, net of retirements of property, plant and equipment.
(5) 2011 was based on 1,985.45 million oustanding ordinary shares and prior years on 1,846.53 million.
(6) Computed on the basis of the weighted average of outstanding shares during the period, which was 1,865.34 million in 2011 and 1,846.53 million in prior years.
(7) Dividends paid during the year based on the prior year's net income. Computed on the basis of 1,846.53 million outstanding ordinary shares.
(8) Includes third-party.

management's discussion and analysis

Results from Operations for the Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

Consolidated Results from Operations

Total Revenues
Consolidated total revenues increased 20.5% to Ps. 124,715 million in 2011, as compared to 2010, driven by double-digit total revenue growth in our South America division, including Venezuela, and the Mexico & Central America division, including the integration of Grupo Tampico and Grupo CIMSA in our Mexican operations during the fourth quarter of 2011. Excluding the integration of the newly merged territories in Mexico, total revenues grew approximately 19%. On a currency neutral basis and excluding the territories of Grupo Tampico and Grupo CIMSA in Mexico, total revenues increased approximately 16%.

Total sales volume increased 6.0% to 2,648.7 million unit cases in 2011, as compared to 2010. The integration of Grupo Tampico and Grupo CIMSA in Mexico in the fourth quarter of 2011 accounted for 48.9 million unit cases, of which 63% is sparkling beverages, 5% is water, 27% is bulk water and 5% is still beverages. Excluding this non-comparable effect, volumes grew 4.0% to 2,599.7 million unit cases. Organically, the sparkling beverage category grew 4% mainly driven by the Coca-Cola brand in Mexico, Argentina and Colombia, accounting for approximately 80% of incremental volumes. The still beverage category grew 11%, mainly driven by the performance of the Jugos del Valle line of business in Mexico, Brazil and Venezuela, and Hi-C orangeade and the Cepita juice brand in Argentina, representing close to 15% of incremental volumes. Our bottled water portfolio, including bulk water, grew 2%, and contributed the balance.

Consolidated average price per unit case incremented 13.8%, reaching Ps. 45.38 in 2011, as compared to Ps. 39.89 in 2010. 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
Our gross profit increased 19.4% to Ps. 57,227 million in 2011, as compared to 2010. Cost of goods sold increased 21.5% mainly as a result of higher sweetener and PET costs across our operations, which were partially offset by the appreciation of the average exchange rate of the Brazilian real, the Colombian peso and the Mexican peso as applied to our U.S. dollar-denominated raw material costs. Gross margin reached 45.9% in 2011 as compared to 46.3% in 2010.

The components of cost of goods sold include raw materials (principally soft drink concentrate and sweeteners), packaging materials, depreciation costs attributable to our production facilities, wages and other employment costs associated with the labor force employed at our production facilities and certain overhead costs. 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 remained flat at 29.7% in 2011 as compared to 29.8% in 2010. Operating expenses in absolute terms increased 20.2%, mainly as a result of higher labor costs in Venezuela, higher labor and freight costs in Argentina and continued marketing investment to reinforce our execution in the marketplace, widen our cooler coverage and broaden our returnable base availability.

Income from Operations
Our consolidated operating income increased 18.0% to Ps. 20,152 million in 2011, as compared to 2010. Our South America division, including Venezuela, accounted for more than 60% of this growth. Our operating margin was 16.2% in 2011, as compared to 16.5% in 2010.

Other Expenses, Net
During 2011, we recorded Ps. 2,326 million in other expenses, net. These expenses were mainly composed of employee profit sharing, the loss on sale of fixed assets and the write-off of certain non-productive assets.

Comprehensive Financing Result
The term "comprehensive financing result" refers to the combined financial effects of net interest expense, net foreign exchange gains or

losses, and net gains or losses on monetary position from our countries which qualify as inflationary economies. Net foreign exchange gains or losses represent the impact of changes in foreign-exchange rates on assets or liabilities denominated in currencies other than local currencies and gains or losses resulting from derivative financial instruments. A foreign exchange loss arises if a liability is denominated in a foreign currency that appreciates relative to the local currency between the date the liability is incurred or the beginning of the period, whichever comes first, and the date it is repaid or the end of the period, whichever comes first, as the appreciation of the foreign currency results in an increase in the amount of local currency, which must be exchanged to repay the specified amount of the foreign currency liability.

Comprehensive financing results in 2011 recorded an expense of Ps. 1,058 million, as compared to an expense of Ps. 1,228 million in 2010, mainly due to lower net interest cost.

Income Taxes

Income taxes increased to Ps. 5,599 million in 2011 from Ps. 4,260 million in 2010. During 2011, taxes as a percentage of income before taxes were 33.4% as compared to 29.3% in the previous year.

Controlling Interest Net Income

Our consolidated net controlling interest income increased 8.3% to Ps. 10,615 million in 2011 as compared to 2010. Earnings per share (EPS) in 2011 were Ps. 5.69 (Ps. 56.91 per ADS) computed on the basis of 1,865.3 million shares outstanding as of December 31, 2011 (each ADS represents 10 local shares).

Consolidated Results from Operations by Reporting Segment

Mexico and Central America

Total Revenues

Total revenues from our Mexico and Central America division increased 15.4% to Ps. 52,196 million in 2011, as compared to 2010, including the integration of Grupo Tampico and Grupo CIMSA in our Mexican operations during the fourth quarter of 2011. Higher volumes, including the recently merged franchises in Mexico, accounted for approximately 65% of incremental revenues during the year, and increased average price per unit case represented the balance. Average price per unit case reached Ps. 34.39, an increase of 5.2%, as compared to 2010, mainly reflecting selective price increases across our product portfolio implemented in Mexico and Central America over the year. Excluding the integration of Grupo Tampico and Grupo CIMSA in Mexico, total revenues grew approximately 12%. On a currency neutral basis and excluding the new territories in Mexico, total revenues increased approximately 11%.

Total sales volume increased 9.5% to 1,510.8 million unit cases in 2011, as compared to 2010. Excluding the integration of Grupo Tampico and Grupo CIMSA in Mexico, volumes grew 6.0% to 1,461.8 million unit cases. Organically, sparkling beverage volume increased 6%, driven by a 7% growth of the Coca-Cola brand and a 3% increase in flavored sparkling beverages, accounting for approximately 75% of incremental volumes. Our bottled water portfolio, including bulk water, grew 6%, representing more than 15% of incremental volumes. Still beverages grew 8% mainly driven by the Jugos del Valle line of products, Nestea and PowerAde, contributing the balance.

Operating Income

Gross profit increased 12.4% to Ps. 24,775 million in 2011, as compared to 2010. Cost of goods sold increased 18.3% mainly as a result of higher sweetener and PET costs, which were partially offset by the appreciation of the average exchange rate of the Mexican peso as applied to our U.S. dollar-denominated raw material costs. Gross margin decreased from 48.7% in 2010 to 47.5% in 2011.

Operating income increased 15.5% to 8,906 million in 2011, compared to Ps. 7,714 million in 2010. Operating expenses grew 10.8%. Operating leverage achieved through higher revenues, in combination with controlled operating expenses in Mexico, resulted in an operating margin of 17.1% in 2011, remaining flat as compared with 2010.

South America (excluding Venezuela)

Total Revenues

Total revenues were Ps. 52,408 million in 2011, an increase of 18.5% as compared to 2010 as a result of double-digit total revenue growth in every territory. Excluding beer, which accounted for Ps. 3,868 million during the year, revenues increased 18.6% to Ps. 48,540 million. Excluding beer, higher average prices per unit case across our operations accounted for close to 75% of incremental revenues and volume growth in every territory contributed the balance. On a currency neutral basis, total revenues increased approximately 15%.

Total sales volume in our South America division, excluding Venezuela, increased 4.3% to 948.1 million unit cases in 2011 as compared to 2010, as a result of growth in every operation. Our sparkling beverage portfolio grew 5%, driven by the strong performance of the Coca-Cola brand in Argentina and Colombia, which grew 11% and 9%, respectively and a 6% growth in flavored sparkling beverages. The still beverage category grew 16%, mainly driven by the Jugos del Valle line of business and the Matte Leao brand in Brazil and the Cepita juice brand and Hi-C orangeade in Argentina. These increases compensated for a 5% decline in the bottled water portfolio, including bulk water.

Operating Income

Gross profit reached Ps. 22,498 million, an increase of 15.9% in 2011, as compared to 2010. Cost of goods sold increased 20.6% mainly driven by higher year-over-year PET and sweetener costs across these territories, which were partially compensated by the appreciation of the average exchange rate of the Brazilian real and the Colombian peso as applied to our U.S. dollar-denominated raw material costs. Gross profit reached 42.9% in 2011, as compared to 43.9% in 2010.

Our operating income increased 14.8% to Ps. 7,943 million in 2011, compared to 2010. Operating expenses increased 16.5%, mainly as a result of higher labor and freight costs in Argentina in combination with normalized marketing expenses in Colombia. Our operating margin was 15.2% in 2011, a decline of 50 basis points as compared to the same period of 2010, due to gross margin pressures.

Venezuela

Total Revenues

Total revenues in Venezuela reached Ps. 20,111 million in 2011, an increase of 43.3% as compared to 2010, due to increased average per unit case. Average price per unit case was Ps. 105.84 in 2011, representing an increase of 59.4% as compared to 2010. 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 41%.

Total sales volume decreased 10.0% to 189.8 million unit cases in 2011, as compared to 211.0 million unit cases in 2010. The sales volume in the sparkling beverage category declined 10%, while the bottled water category, including bulk water, declined 25%. The still beverage category increased 15%, due to the introduction of the Hi-C orangeade and Kapo, and partially compensated for the volume decline.

Operating Income

Gross profit was Ps. 9,954 million in 2011, an increase of 53.8% compared to 2010. Cost of goods sold increased 34.3% mainly due to higher sweetener costs. Gross margin expanded 340 basis points to 49.5% in 2011, as compared to 46.1% in 2010.

Operating income increased 35.1% to Ps. 3,303 million in 2011 compared to the previous year. Operating expenses incremented 65.1%, principally due to higher labor costs and increased marketing and administrative expenses. Operating margin was 16.4% in 2011, as compared to 17.4% in 2010.

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. For more information on our commitment to sustainable development, visit www.coca-colafemsa.com.

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

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

INTERNAL CONTROL

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

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

RISK ASSESSMENT

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

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

EXTERNAL AUDITING

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

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

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

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

INTERNAL AUDITING

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

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

We received periodical reports regarding the progress of the approved work program, any deviations 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 performed by the responsible person of each business units and the Audit Committee.

FINANCIAL INFORMATION, ACCOUNTING POLICIES AND REPORTS TO THIRD PARTIES

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

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

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

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

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

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS, LEGAL ISSUES AND CONTINGENCIES

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

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

CODE OF CONDUCT

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

We went over the complaints recorded in the Company's Whistle-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 management of the Company and of any relevant or unusual activities and events. We also met with external and internal auditors to comment on their work, the problems that might have arisen and to facilitate any private communication they might wish to have with the Committee.

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

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

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

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

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

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

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

Sincerely,

THE MEMBERS OF THE AUDIT COMMITTEE

Charles H. McTier | **José Manuel Canal Hernando** | **Alfonso González Migoya** | **Francisco Zambrano Rodríguez**

February 24, 2012

independent auditors' report

The Board of Directors and Shareholders 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, 2011 and 2010, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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, 2011 and 2010, and the consolidated results of their operations, changes in shareholders' equity and cash flows, for each of the three years in the period ended December 31, 2011, 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 Hernandez
Mexico City, Mexico.
March 2, 2012

consolidated balance sheets

At December 31, 2011 and 2010.
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.).

		2011		2011		2010
Assets						
Current Assets:						
Cash and cash equivalents	$	883	Ps.	12,331	Ps.	12,534
Marketable securities (Note 4c)		24		330		–
Accounts receivable, net (Note 6)		619		8,634		6,363
Inventories, net (Note 7)		543		7,573		5,007
Recoverable taxes		110		1,529		1,658
Other current assets (Note 8)		120		1,677		874
Total current assets		2,299		32,074		26,436
Investment in shares (Note 9)		262		3,656		2,108
Property, plant and equipment, net (Note 10)		2,975		41,502		31,874
Intangible assets, net (Note 11)		5,066		70,675		51,213
Deferred tax asset (Note 23d)		32		451		345
Other assets, net (Note 12)		233		3,250		2,085
TOTAL ASSETS	**$**	**10,867**	**Ps.**	**151,608**	**Ps.**	**114,061**

Carlos Salazar Lomelín
Chief Executive Officer

Héctor Treviño Gutiérrez
Chief Financial and Administrative Officer

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

		2011		2010
Liabilities and shareholders' equity				
Current Liabilities:				
Bank loans and notes payable (Note 17)	$ 46	Ps. 638	Ps. 1,615
Current portion of long-term debt (Note 17)	351	4,902	225
Interest payable	15	206	151
Suppliers	850	11,852	8,988
Accounts payable	262	3,661	3,743
Taxes payable	200	2,785	1,931
Other current liabilities (Note 24a)	74	1,033	993
Total current liabilities	1,798	25,077	17,646
Long-Term Liabilities:			
Bank loans and notes payable (Note 17)	1,221	17,034	15,511
Labor liabilities (Note 15b)	110	1,537	1,210
Deferred tax liability (Note 23d)	250	3,485	1,901
Contingencies and other liabilities (Note 24b)	264	3,695	3,912
Total long-term liabilities	1,845	25,751	22,534
Total liabilities	3,643	50,828	40,180
Shareholders' Equity:			
Non-controlling interest in consolidated subsidiaries (Note 20)	221	3,089	2,602
Controlling interest:			
Capital stock (Note 21)	228	3,178	3,116
Additional paid-in capital (Note 21)	2,146	29,936	13,239
Retained earnings from prior years (Note 21)	3,552	49,550	44,108
Net income (Note 21)	761	10,615	9,800
Cumulative other comprehensive income (Note 21)	316	4,412	1,016
Total controlling interest	7,003	97,691	71,279
Total shareholders' equity	7,224	100,780	73,881
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 10,867**	**Ps. 151,608**	**Ps. 114,061**

consolidated income statements

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

	2011		2010	2009
Net sales	$ 8,893	Ps. 124,066	Ps. 102,988	Ps. 102,229
Other operating revenues	47	649	468	538
Total revenues	8,940	124,715	103,456	102,767
Cost of goods sold	4,838	67,488	55,534	54,952
Gross profit	4,102	57,227	47,922	47,815
Operating expenses:				
Administrative	372	5,184	4,449	5,308
Selling	2,285	31,891	26,394	26,672
Operating expenses	2,657	37,075	30,843	31,980
Income from operations	1,445	20,152	17,079	15,835
Other expenses, net (Note 18)	167	2,326	1,292	1,449
Comprehensive financing result:				
Interest expense	124	1,736	1,748	1,895
Interest income	(43)	(601)	(285)	(286)
Foreign exchange (gain) loss, net	(4)	(62)	423	370
Gain on monetary position in inflationary subsidiaries	(11)	(155)	(414)	(488)
Market value loss (gain) on ineffective portion of derivative financial instruments	10	140	(244)	(118)
Comprehensive financing result	76	1,058	1,228	1,373
Income before income taxes	1,202	16,768	14,559	13,013
Income taxes (Note 23e)	401	5,599	4,260	4,043
Consolidated net income	**$ 801**	**Ps. 11,169**	**Ps. 10,299**	**Ps. 8,970**
Controlling interest net income	$ 761	Ps. 10,615	Ps. 9,800	Ps. 8,523
Non-controlling interest net income	40	554	499	447
Consolidated net income	**$ 801**	**Ps. 11,169**	**Ps. 10,299**	**Ps. 8,970**
Net controlling income (U.S. dollars and Mexican pesos):				
Data per share	**$ 0.41**	**Ps. 5.69**	**Ps. 5.31**	**Ps. 4.62**

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

consolidated statements of cash flows

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

	2011		2010	2009
Operating Activities:				
Income before income taxes	$ 1,202	Ps. 16,768	Ps. 14,559	Ps. 13,013
Non-cash operating expenses	21	287	208	170
Equity in earnings associated companies	(6)	(86)	(217)	(142)
Unrealized gain on marketable securities	-	(4)	-	(112)
Adjustments regarding investing activities:				
Depreciation	298	4,163	3,333	3,472
Amortization	28	396	694	307
Loss on sale of long-lived assets	7	98	231	186
Disposal of long-lived assets	43	606	47	124
Interest	(43)	(601)	(285)	(286)
Adjustments regarding financing activities:				
Interest	116	1,616	1,579	1,850
Foreign exchange loss, net	(4)	(62)	424	370
Monetary position gain, net	(11)	(155)	(413)	(488)
Derivative financial instruments loss (gain)	-	2	(468)	(318)
	1,651	23,028	19,692	18,146
Increase in accounts receivable	(118)	(1,640)	(1,092)	(394)
(Increase) decrease in inventories	(128)	(1,782)	10	(90)
Decrease (increase) in other assets	72	1,002	(562)	(153)
(Decrease) increase in suppliers and other accounts payable	(21)	(301)	585	2,808
Decrease in other liabilities	(15)	(205)	(209)	(424)
Decrease in labor liabilities	(16)	(230)	(192)	(169)
Income tax paid	(327)	(4,565)	(3,882)	(3,061)
Net cash flows from operating activities	1,097	15,307	14,350	16,663
Investing Activities:				
Acquisition of Grupo Tampico business (Note 5)	(173)	(2,414)	-	-
Acquisition of Grupo CIMSA business (Note 5)	(137)	(1,912)	-	-
Acquisition of Brisa business (Note 5)	-	-	-	(717)
Purchases of investment available-for-sale	(23)	(326)	-	(2,001)
Proceeds from investment available-for-sale	-	-	1,108	-
Interest received	43	601	285	286
Acquisition of long-lived assets	(526)	(7,344)	(6,845)	(5,883)
Proceeds from the sale of long-lived assets	27	377	477	638
Other assets	(111)	(1,546)	(545)	132
Investment in shares Grupo Estrella Azul (Note 9)	(45)	(620)	-	-
Intangible assets	(69)	(956)	(1,325)	(1,355)
Net cash flows from investing activities	(1,014)	(14,140)	(6,845)	(8,900)
Net cash flows available for financing activities	84	1,167	7,505	7,763
Financing Activities:				
Bank loans obtained	497	6,934	9,251	6,641
Bank loans repaid	(198)	(2,755)	(6,824)	(9,376)
Interest paid	(112)	(1,567)	(1,436)	(2,047)
Dividends paid	(313)	(4,366)	(2,612)	(1,344)
Acquisition of non-controlling interests	(8)	(114)	(282)	-
Other liabilities	(24)	(338)	(108)	97
Net cash flows from financing activities	(158)	(2,206)	(2,011)	(6,029)
(Decrease) increase in cash and cash equivalents	(74)	(1,039)	5,494	1,734
Translation and restatement effects	60	836	(801)	(476)
Initial balance of cash and cash equivalents	898	12,534	7,841	6,583
Ending balance of cash and cash equivalents	884	Ps. 12,331	Ps. 12,534	Ps. 7,841
Ending balance of cash and cash equivalents	884	Ps. 12,331	Ps. 12,534	Ps. 7,841
Marketable securities	24	330	-	2,113
Total cash, cash equivalent and marketable securities	**$ 908**	**Ps. 12,661**	**Ps. 12,534**	**Ps. 9,954**

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, 2011, 2010 and 2009.
Amounts expressed in millions of Mexican pesos (Ps.).

		Capital Stock		Additional Paid-in Capital		Retained Earnings from Prior Years
Balances at December 31, 2008	Ps.	3,116	Ps.	13,220	Ps.	33,935
Transfer of prior year net income		–		–		5,598
Dividends declared (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 (Note 21)		–		–		(2,604)
Acquisitions of non-controlling interest		–		19		–
Comprehensive income		–		–		–
Balances at December 31, 2010		3,116		13,239		44,108
Transfer of prior year net income		–		–		9,800
Dividends declared (Note 21)		–		–		(4,358)
Acquisitions of non-controlling interest		–		(86)		–
Acquisition of Grupo Tampico		28		7,799		–
Acquisition of Grupo CIMSA		34		8,984		–
Comprehensive income		–		–		–
Balances at December 31, 2011	**Ps.**	**3,178**	**Ps.**	**29,936**	**Ps.**	**49,550**

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	Non-controlling Interest in Consolidated Subsidiaries	Total shareholders' Equity
Ps. 5,598	Ps. 44	Ps. 55,913	Ps. 1,703	Ps. 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
9,800	1,016	71,279	2,602	73,881
(9,800)	–	–	–	–
–	–	(4,358)	(8)	(4,366)
–	–	(86)	(28)	(114)
–	–	7,827	1	7,828
–	–	9,018	–	9,018
10,615	3,396	14,011	522	14,533
Ps. 10,615	**Ps. 4,412**	**Ps. 97,691**	**Ps. 3,089**	**Ps. 100,780**

notes to the consolidated financial statements

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

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 at December 31, 2011 holds 50% of its capital stock and 63% of its voting shares and The Coca-Cola Company ("TCCC"), which at December 31, 2011 indirectly owns 29.4% of its capital stock and 37% of the voting shares. The remaining 20.6% of Coca-Cola FEMSA's shares trade on the Bolsa Mexicana de Valores, S.A.B. de C.V. (BMV: KOFL) and 0.00002% is owned by other individuals. Its American Depositary Shares (ADS) trade on 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, 2011 and 2010, the most significant companies over which the Company exercises control are:

			Ownership Percentage	
Company		Activity Country	**2011**	2010
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%
Spal Industria Brasileira de Bebidas, S.A.	Manufacturing and distribution	Brazil	97.93%	97.71%
Coca-Cola Femsa de Venezuela, S.A.	Manufacturing and distribution	Venezuela	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, Ps. 13.9510 per U.S. dollar as of December 31, 2011, the last day in 2011 for which information is available, according to the U.S. Federal Reserve Board.

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 and Administrative Officer on March 2, 2012 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 Shareholders meeting in March 20, 2012. The Company´s Shareholders have the faculty to approve or modify the Company´s consolidated financial statements.

On January 1, 2011, 2010 and 2009 several new NIF's came into effect. Such changes and their application are described as follows:

New NIF's adopted in 2011:

a) NIF B-5 "Financial Information by Segment"

In 2011, the Company adopted NIF B-5 "Financial Information by Segment", which superseded Bulletin B-5. NIF B-5 establishes that an operating segment shall meet the following criteria: i) the segment engages in business activities from which it earns, or is in the process of obtaining revenues, and incurs related costs and expenses; ii) the operating results are reviewed regularly by entity's primary decision maker; and iii) specific financial information is available. NIF B-5 also requires disclosures related to operating segments subject to reporting, including details of earnings, assets and liabilities, reconciliations, information about products and services, and geographical areas. This pronouncement was applied retrospectively for comparative purposes, although it had no impact, on the key segment indicators already disclosed in Note 25.

b) NIF B-9 "Interim Financial Reporting"

The Company adopted NIF B-9 "Interim Financial Reporting", which prescribes the content to be included in a complete or condensed set of financial statements for an interim period. The adoption of NIF B-9 did not impact the Company's annual financial statements.

c) NIF C-4 "Inventories"

In 2011, the Company adopted NIF C-4 "Inventories", which replaces Mexican accounting Bulletin C-4, Inventories. NIF C-4, does not allow the use of direct costs as the inventory valuation method nor does it allow the use of the LIFO cost method. NIF C-4 establishes that inventories must be valued at the lower of acquisition cost or net realizable value. This standard also establishes that advances to suppliers for the acquisition of merchandise must be classified as inventories provided the risks and benefits of the inventories are transferred to the Company. The application of this standard did not impact the actual inventory valuation of the Company. NIF C-4 was applied retrospectively causing a reclassification between the advances to suppliers and inventory balances reported as of December 31, 2010 of Ps. 123. Similar reclassifications were made in the 2010 consolidated statement of cash flows.

d) NIF C-5 "Prepaid Expenses"

In 2011, the Company adopted NIF C-5 "Prepaid Expenses", which replaced Mexican accounting Bulletin C-5, Prepaid Expenses. 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´s classification in the statement of financial position. Moreover, NIF 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. The accounting changes resulting from the adoption of this standard were recognized retrospectively, causing a reclassification between the "other current assets" caption (see Note 8) and "other assets" (see Note 12). They also resulted in reclassifications to prepaid expenses of Ps. 349 which were reclassified from "inventories" of Ps. 123, and property, plant, and equipment of Ps. 226, as of December 31, 2010. Similar reclassifications were made in the 2010 statement of cash flows.

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

In 2011, the Company adopted NIF C-6 "Property, Plant and Equipment", which replaced Mexican accounting Bulletin C-6, Property, Machinery and Equipment. This new standard was effective for fiscal years beginning on or after January 1, 2011. The component of the new standard related to the segregation of property, plant and equipment into separate components for those assets with different useful lives could optionally have been deferred until 2012, although this requirement has been applied by the Company since prior years and will not impact the consolidated financial statements.

In the case of asset exchanges, NIF C-6 requires entities to determine the commercial substance of the transaction, and the depreciation of all assets must be applied against the components of the assets, and the amount to be depreciated is the cost of acquisition less the asset's residual value. Moreover, NIF C-6 clarifies that regardless of whether the use or non-use of the asset is temporary or indefinite, it should not cease the depreciation charge. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. There are also specific disclosures for public entities such as: additions, disposals, depreciation, impairments, among others. This standard was adopted and did not impact the Company´s financial statements, except for reclassification to property, plant and equipment as of December 31, 2010 as a result of the presentation of prepaid expenses (see Note 2 d) and additional disclosures, and the incremental disclosures presented in Note 10.

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

On January 1, 2011, the Company adopted NIF C-18, which establishes the accounting treatment for the initial and subsequent recognition of a liability for legal obligations related to the retirement of property, plant and equipment recognized as a result of the acquisition, construction, development and/or normal operation of such components.

This standard also establishes that an entity must initially recognize a provision for obligations related to retirement of property, plant and equipment based on its best estimate of the disbursements required to settle the present obligation at the time it is assumed, provided a reliable estimate can be made of the amount of the obligation. The best estimate of a provision for an obligation associated with the retirement of property, plant and equipment components should be determined using the expected present value method. The adoption of NIF C-18 did not impact the Company's financial statements.

New NIF's adopted in 2010:

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

In 2010, the Company adopted NIF C-1 "Cash and Cash Equivalents", which superseded Bulletin C-1 "Cash". NIF C-1 establishes that cash shall be measured at nominal value, and cash equivalents shall be measured at acquisition cost for initial recognition. Subsequently, cash equivalents should be measured according to its designation: precious metals shall be measured at fair value, foreign currencies shall be translated to the functional and reporting currency applying the closing exchange rate. Cash and cash equivalents are 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 as of December 31, 2010 (see Note 4 b).

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

On September 30, 2010, the Consejo Mexicano de Normas de Información Financiera (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 statements based on Mexican FRS that are issued within the IFRS period adoption. The adoption of this INIF resulted in additional disclosures regarding IFRS adoption, such as date of adoption, significant financial impact, significant changes in accounting policies, among others (see Note 28).

New NIF's adopted in 2009:

i) 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.

j) 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 was applied prospectively beginning on January 1, 2009.

k) 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.

l) 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.

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

In 2009, the Company adopted NIF D-8 "Share-Based Payments" which establishes the recognition of share-based payments. When an entity purchases goods or pays 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. The adoption of NIF D-8 did not have an impact on the Company's consolidated financial statements.

Adoption of IFRS

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

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

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**	**2011**	**2010**	**2009**	**2011** (1)	**2010** (1)
Mexico	Mexican peso	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00
Guatemala	Quetzal	1.59	1.57	1.66	1.79	1.54
Costa Rica	Colon	0.02	0.02	0.02	0.03	0.02
Panama	U.S. dollar	12.43	12.64	13.52	13.98	12.36
Colombia	Colombian peso	0.01	0.01	0.01	0.01	0.01
Nicaragua	Cordoba	0.55	0.59	0.67	0.61	0.56
Argentina	Argentine peso	3.01	3.23	3.63	3.25	3.11
Venezuela (2)	Bolivar	2.89	2.97	6.29	3.25	2.87
Brazil	Reais	7.42	7.18	6.83	7.45	7.42

(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.

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. 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 existence of other exchange rates 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 as a component of other comprehensive income (cumulative translation adjustment), in accordance with MFRS B-15 "Translation of Foreign Currencies", 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 rate of 2.60 bolivars to one U.S. dollar 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 shareholders' 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, 2011, the operations of the Company are classified as follows considering the cumulative inflation of the three preceding years. The following classification also applies to 2010:

	Inflation **2011**	Cumulative Inflation 2008-2010	Type of Economy
Mexico	3.8%	15.2%	Non-Inflationary
Guatemala	6.2%	15.0%	Non-Inflationary
Colombia	3.7%	13.3%	Non-Inflationary
Brazil	6.5%	17.4%	Non-Inflationary
Panama	6.3%	14.1%	Non-Inflationary
Venezuela	27.6%	108.2%	Inflationary
Nicaragua (1)	7.6%	25.4%	Inflationary
Costa Rica (1)	4.7%	25.4%	Inflationary
Argentina	9.5%	28.1%	Inflationary

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

b) Cash and Cash Equivalents
Cash and Cash Equivalents:
Cash consists of bank deposits. Cash equivalents consist principally of short-term bank deposits and highly liquid investments, for example those with purchased maturities of three months or less and are recorded at their acquisition cost plus interest income not yet received, which is similar to market prices. As of December 31, 2011, and 2010, cash equivalents were Ps. 8,773 and Ps. 9,938, respectively.

Restricted Cash:
Additionally, as of December 31, 2011 and 2010, the Company has restricted cash as collateral against accounts payable in different currencies.

		2011		2010
Venezuelan bolivars	Ps.	324	Ps.	143
Brazilian reais		164		249
Argentinian Pesos		–		2
	Ps.	488	Ps.	394

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, 2011		Cost		Gross unrealized gain		Fair Value
Debt securities, USD denominated	Ps.	326	Ps.	4	Ps.	330

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, 2011 and 2010.

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. Inventories are measured at the lower of cost or net realizable value. Advances to suppliers of raw materials that do not transfer the risks and benefits to the Company are included as part of other current assets. Advances from prior years that met this feature have been reclassified from inventories to other current assets for comparison purposes.

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

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

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

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

Returnable bottles are recorded at acquisition cost 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:

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

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

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

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

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 related to the acquisition or construction of qualifying asset is capitalized as part of the cost of that asset.

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

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

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

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
Returnable bottles	1.5–4
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, 2011, 2010 and 2009, such amortization aggregated to Ps. 803, Ps. 553 and Ps. 604, 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, 2011, 2010 and 2009 was Ps. 18, Ps. 19 and Ps. 20, 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. Intangible assets with indefinite life also include goodwill. Distribution rights are contained in agreements that are standard contracts that The Coca-Cola Company has with its bottlers. In Mexico, the Company has seven bottler agreements; the agreements for two territories expire in June 2013, for other two territories expire in May 2015 and, additionally, three contracts that arose from the acquisition of Grupo Tampico and Grupo CIMSA businesses, which expire in September 2014, April 2016 and July 2016. 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 the Company's business, financial conditions, results from operations and prospects.

Goodwill represents the excess of the acquisition cost over the fair value of the Company's share in identifiable net assets of the territory on the acquisition date. It equates to synergies both existing in the acquired operations and those further expected to be realized upon integration. Goodwill recognized separately is tested annually for impairment and is carried at cost, less accumulated impairment losses. Gains and losses on the sale of an entity include the carrying amount of the goodwill related to that entity. Goodwill is allocated to cash-generating units (CGU) in order to test for impairment losses. The allocation is made to CGUs that are expected to benefit from the business combination that generated the goodwill.

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, 2011, 2010 and 2009, 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. 2,561, Ps. 2,386 and Ps. 1,945; during the years ended December 31, 2011, 2010 and 2009, 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, 2011 and 2010 amounted to Ps. 302 and Ps. 547, respectively. The short-term portions of such amounts are presented as other current liabilities, amounted Ps. 197 and Ps. 276 at December 31, 2011 and 2010, 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, depreciation of returnable bottles, depreciation and maintenance of trucks and other distribution facilities and equipment. For the years ended December 31, 2011, 2010 and 2009, these distribution costs amounted to Ps. 15,125, Ps. 12,774 and Ps. 13,395, respectively;
- Sales: labor costs (salaries and other benefits) and sales commissions paid to sales personnel;
- 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 became 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.

- During the year ended December 31, 2011, the Company capitalized Ps. 156 in comprehensive financing result. Capitalization of comprehensive financing result is based on a capitalization rate of 5.8%, 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 years ended December 31, 2010 and 2009, the Company capitalized Ps. 12 and Ps. 55, based on a capitalization rate of 5.3% and 7.2%, respectively.

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 U.S. dollar denominated 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, 2011 and 2010, the balance in other current assets of derivative financial instruments was Ps. 345 and Ps. 16 (see Note 8), and in other assets Ps. 1 at December 31, 2010 (see Note 12). The Company recognized liabilities regarding derivative financial instruments in other current liabilities of Ps. 8 and Ps. 19, at December 31, 2011 and 2010, respectively (see note 24a), and other liabilities of Ps. 424 and Ps. 498 as of the same dates (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 shareholders' 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:

		2011		2010
Cumulative translation adjustment	Ps.	4,364	Ps.	1,000
Unrealized gain on marketable securities		4		–
Unrealized loss on cash flow hedges		44		16
	Ps.	4,412	Ps.	1,016

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

		2011		2010		2009
Initial balance	Ps.	1,000	Ps.	3,055	Ps.	118
Translation effect		3,343		(2,078)		2,877
Foreign exchange effect from intercompany long-term loans		21		23		60
Ending balance	Ps.	4,364	Ps.	1,000	Ps.	3,055

x) Issuance of Stock:
The Company recognizes the issuance of own or a subsidiary's stock as a capital transaction. The difference between the book value of the shares issued and the amount contributed by the non-controlling interest holder or 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 has 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 such acquisitions are not comparable with previous periods.

i) On October 10, 2011, the Company completed the acquisition of 100% of Administradora de Acciones del Noreste, S.A. de C.V. ("Grupo Tampico"), a bottler of Coca-Cola trademark products in the states of Tamaulipas, San Luis Potosí, and Veracruz, as well as in parts of the states of Hidalgo, Puebla and Queretaro. This acquisition was made so as to reinforce the Company's leadership position in Mexico and Latin America. The transaction involved: (i) the issuance of 63,500,000 shares of previously unissued Company L shares and (ii) the assumption of previous intercompany debt of Ps. 2,436, in exchange for 100% share ownership of Grupo Tampico, which was accomplished through a merger. The total purchase price was Ps. 10,264, based on a share price of Ps. 123.27 per share on October 10, 2011. Transaction related costs of Ps. 20 were expensed by the Company as incurred as required by Mexican FRS, and recorded as a component of administrative expenses in the accompanying consolidated statements of income. Grupo Tampico was included in operating results from October, 2011.

The Company's preliminary estimate of fair value of the Grupo Tampico's net assets acquired is as follows:

Balance Sheet		
Total current assets, including cash acquired of Ps. 22	Ps.	461
Total non-current assets		2,529
Distribution rights		4,800
Total assets		7,790
Total liabilities		(804)
Net assets acquired		6,986
Goodwill		3,278
Total purchase price	Ps.	10,264

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

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

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

ii) On December 9, 2011, the Company completed the acquisition of 100% of Corporación de los Angeles, S.A. de C.V ("Grupo CIMSA") a bottler of Coca-Cola trademark products which operates mainly in the states of Morelos and Mexico, as well as in parts of the states of Guerrero and Michoacan, Mexico. This acquisition was also made so as to reinforce the Company's leadership position in Mexico and Latin America. The transaction involved the issuance of 75,423,728 shares of previously unissued Company L shares along with the cash payment prior to closing of Ps. 2,100 in exchange for 100% share ownership of Grupo CIMSA, which was accomplished through a merger. The total purchase price was Ps. 11,117 based on a share price of Ps. 119.55 per share on December 9, 2011. Transaction related costs of Ps. 24 were expensed by the Company as incurred as required by Mexican FRS, and recorded as a component of administrative expenses in the accompanying consolidated statements of income. Grupo CIMSA was included in operating results from December, 2011.

The Company's preliminary estimate of fair value of the Grupo CIMSA's net assets acquired is as follows:

Balance Sheet		
Total current assets, including cash acquired of Ps. 188	Ps.	737
Total non-current assets		2,802
Distribution rights		6,228
Total assets		9,767
Total liabilities		(586)
Net assets acquired		9,181
Goodwill		1,936
Total purchase price	Ps.	11,117

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

The condensed income statement of Grupo CIMSA for December, 2011 is as follows:

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

iii) 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.

iv) Unaudited Pro Forma Financial Data.

The following unaudited consolidated pro forma financial data represent the Company's historical financial statements, adjusted to give effect to (i) the acquisition of Grupo Tampico and Grupo CIMSA mentioned in the preceding paragraphs; and (ii) certain accounting adjustments mainly related to the pro forma depreciation of fixed assets of the acquired companies.

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

	Unaudited pro forma consolidated financial data for the period January 1 - December 31,			
		2011		**2010**
Total revenues	Ps.	132,552	Ps.	111,710
Income before taxes		17,866		15,454
Net income	Ps.	12,019	Ps.	10,968
Earnings per share	Ps.	6.15	Ps.	5.67

Brisa business is not included for this pro forma consolidated financial data since it was acquired in 2009.

Note 6. Accounts Receivable, net.

		2011		**2010**
Trade receivables	Ps.	6,533	Ps.	4,616
Short-term trade customer notes receivable		74		232
Allowance for doubtful accounts		(298)		(223)
The Coca-Cola Company (related party) (Note 13)		1,157		1,030
FEMSA and subsidiaries (Note 13)		314		161
Other related parties (Note 13)		157		114
Other		697		433
	Ps.	8,634	Ps.	6,363

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

		2011		2010		2009
Opening balance	Ps.	223	Ps.	215	Ps.	185
Allowance for the year		153		113		78
Charges and write-offs of uncollectible accounts		(86)		(95)		(73)
Restatement of beginning balance in inflationary economies		8		(10)		25
Ending balance	Ps.	298	Ps.	223	Ps.	215

Note 7. Inventories, net.

		2011		2010
Finished products	Ps.	2,559	Ps.	1,732
Raw materials		2,835		2,032
Spare parts		626		596
Packing material		153		128
Inventories in transit		1,428		422
Allowance for obsolescence		(106)		(105)
Other		78		202
	Ps.	7,573	Ps.	5,007

Note 8. Other Current Assets.

		2011		2010
Prepaid expenses	Ps.	1,070	Ps.	528
Long-lived assets available for sale		25		123
Agreements with customers		194		90
Derivative financial instruments (Note 19)		345		16
Other		43		117
	Ps.	1,677	Ps.	874

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

		2011		2010
Advances for inventories	Ps.	449	Ps.	124
Advertising and promotional expenses paid in advance		209		200
Advances to service suppliers		220		147
Prepaid insurance		47		20
Other		145		37
	Ps.	1,070	Ps.	528

Advertising and deferred promotional expenses recorded in the consolidated income statements for the years ended December 31, 2011, 2010 and 2009 amounted to Ps. 4,508, Ps. 3,979 and Ps. 3,278, respectively.

Note 9. Investment in Shares.

Investee	Ownership%		2011		2010
Industria Envasadora de Queretaro, S.A. de C.V.("IEQSA") (1)(3)	19.2%	Ps.	100	Ps.	67
Jugos del Valle, S.A.P.I. de C.V. (1)(3)	24.0%		819		603
KSP Partiçipações, LTDA (1)	38.7%		102		93
Sistema de Alimentos e Bebidas Do Brasil, LTDA (SABB) (1)(3)	19.7%		931		–
Sucos del Valle do Brasil, LTDA (1)(3)	19.9%		–		340
Mais Industria de Alimentos, LTDA (1)(3)	19.9%		–		474
Estancia Hidromineral Itabirito, LTDA (1)	50.0%		142		87
Holdfab2 Partiçipações Societárias, LTDA ("Holdfab2") (1)	27.7%		262		300
Industria Mexicana de Reciclaje, S.A. de C.V. (1)	35.0%		70		69
Beta San Miguel, S.A. de C.V. ("Beta San Miguel") (2)	2.5%		69		69
Compañía Panameña de Bebidas, S.A.P.I., S.A. de C.V. (1)	50.0%		703		–
Dispensadoras de Café, S.A.P.I. de C.V. (1)	50.0%		161		–
Promotora Industrial Azucarera, S.A. de C.V. (2)	13.2%		281		–
Other	Various		16		6
		Ps.	3,656	Ps.	2,108

Accounting method:

(1) Equity method. The date of the financial statements of the investees used to account for the equity method is December 2011 and 2010.

(2) Lower of acquisition cost and estimated fair value.

(3) The Company has significant influence due to the fact that it has representation on the Board of Directors and the ability to influence 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 production company in Brazil.

During 2010, the shareholders of Jugos del Valle, including the Company, agreed to a restructuring which resulted in a spin-off the distribution rights to the various shareholders. This reorganization 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. During 2011, the Company increased its ownership percentage in Jugos del Valle from 19.8% to 24% as a result of the holdings of the acquired companies disclosed in Note 5.

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

During June 2011, a reorganization of the Brazilian investments occurred by way of a merger of the companies Sucos del Valle do Brasil, LTDA and Mais Industria de Alimentos, LTDA giving rise to a new company by the name of Sistema de Alimentos e Bebidas do Brasil, LTDA.

Note 10. Property, Plant and Equipment, net

2010	Land	Buildings, machinery and equipment	Refrigeration equipment	Construction in progress	Assets stated at net realizable value	Bottles	Others	Total
Balance at January 1, 2010	Ps. 3,661	Ps. 40,469	Ps. 9,173	Ps. 2,364	Ps. 288	Ps. 2,024	Ps. 527	Ps. 58,506
Purchases	–	1,286	977	3,454	–	1,013	115	6,845
Transfer (to)/from assets classified as held for sale	(64)	28	–	–	71	–	–	35
Disposals	(27)	(1,451)	(540)	–	(30)	(612)	(32)	(2,692)
Effects of changes in foreign exchange rates	(269)	(5,094)	(730)	(496)	(140)	–	(214)	(6,933)
Changes in value on the recognition of inflation effects	98	1,508	249	47	–	14	64	1,980
Transfer of completed projects in progress	–	1,937	700	(3,046)	–	409	–	–
Capitalization of comprehensive financing result	–	–	–	(33)	–	–	–	(33)
Balance at December 31, 2010	Ps. 3,399	Ps. 38,683	Ps. 9,829	Ps. 2,290	Ps. 189	Ps. 2,848	Ps. 460	Ps. 57,698

2011	Land	Buildings, machinery and equipment	Refrigeration equipment	Construction in progress	Assets stated at net realizable value	Bottles	Others	Total
Balance at January 1, 2011	Ps. 3,399	Ps. 38,683	Ps. 9,829	Ps. 2,290	Ps. 189	Ps. 2,848	Ps. 460	Ps. 57,698
Purchases and acquired in business combination	598	4,000	1,788	3,866	–	1,441	184	11,877
Transfer (to)/from assets classified as held for sale	125	114	–	–	(42)	–	–	197
Disposals	(51)	(1,731)	(572)	–	(89)	(694)	(114)	(3,251)
Effects of changes in foreign exchange rates	183	1,862	481	107	20	110	44	2,807
Changes in value on the recognition of inflation effects	113	1,916	301	83	–	31	11	2,455
Transfer of completed projects in progress	23	2,532	380	(3,333)	–	398	–	–
Capitalization of comprehensive financing result	–	–	–	(14)	–	–	–	(14)
Balance at December 31, 2011	Ps. 4,390	Ps. 47,376	Ps. 12,207	Ps. 2,999	Ps. 78	Ps. 4,134	Ps. 585	Ps. 71,769

Depreciation -2010	Buildings, machinery and equipment	Refrigeration equipment	Bottles	Others	Total
Balance as at 1 January 2010	Ps. (21,186)	Ps. (6,016)	Ps. (166)	Ps. (195)	Ps. (27,563)
Transfer from assets classified as held for sale	64	–	–	–	64
Disposals	1,196	528	215	1	1,940
Depreciation for the period	(1,763)	(826)	(700)	(44)	(3,333)
Effects of changes in foreign exchange rates	3,233	642	56	85	4,016
Changes in value on the recognition of inflation effects	(756)	(177)	–	(15)	(948)
Balance at 31 December 2010	Ps. (19,212)	Ps. (5,849)	Ps. (595)	Ps. (168)	Ps. (25,824)

Depreciation -**2011**	Buildings, machinery and equipment	Refrigeration equipment	Bottles	Others	Total
Balance as at 1 January 2011	Ps. (19,212)	Ps. (5,849)	Ps. (595)	Ps. (168)	Ps. (25,824)
Transfer to/(from) assets classified as held for sale	(39)	–	–	–	(39)
Disposals	1,704	206	201	64	2,175
Depreciation for the period	(2,143)	(1,080)	(894)	(46)	(4,163)
Effects of changes in foreign exchange rates	(946)	(340)	22	(18)	(1,282)
Changes in value on the recognition of inflation effects	(951)	(166)	–	(17)	(1,134)
Balance at 31 December 2011	Ps. (21,587)	Ps. (7,229)	Ps. (1,266)	Ps. (185)	Ps. (30,267)

Carrying Amount	Land	Buildings, machinery and Equipment	Refrigeration Equipment	Construction in progress	Assets Stated in Net Realizable Value	Bottles and Cases	Others	Total
As at 1 January 2010	Ps. 3,661	Ps. 19,283	Ps. 3,157	Ps. 2,364	Ps. 288	Ps. 1,858	Ps. 332	Ps. 30,943
As at 31 December 2010	3,399	19,471	3,980	2,290	189	2,253	292	31,874
As at 1 January 2011	3,399	19,471	3,980	2,290	189	2,253	292	31,874
As at 31 December 2011	4,390	25,788	4,979	2,999	78	2,868	400	41,502

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:

	2011	**2010**
Brazil	Ps. –	Ps. 33
Venezuela	55	96
Panama	17	37
Costa Rica	3	12
Nicaragua	3	9
Guatemala	–	2
	Ps. 78	Ps. 189
Land	Ps. 38	Ps. 100
Buildings, machinery and equipment	40	89
	Ps. 78	Ps. 189

As a result of selling certain long-lived assets, the Company recognized losses (gains) of Ps. 5, Ps. 41 and Ps. (8), for the years ended December 31, 2011, 2010 and 2009, respectively.

The estimated total amount of the construction projects in process is Ps. 2,007, which is expected to be completed within a period not exceeding one year.

As mentioned in Note 4 u), during the years ended December 31, 2011, 2010 and 2009 the Company capitalized Ps. 156, Ps. 12 and Ps. 55, respectively in comprehensive financing costs in relation to Ps. 3,748, Ps. 1,929 and Ps. 845 in qualifying assets. Amounts were capitalized assuming an annual capitalization rate of 5.8%, 5.3%, and 7.2%, respectively and an estimated life of the qualifying assets of seven years. For the years ended December 31, 2011, 2010 and 2009 the comprehensive financing result is analyzed as follows:

	2011	**2010**	**2009**
Comprehensive financing result	Ps. 1,214	Ps. 1,240	Ps. 1,428
Amount capitalized	156	12	55
Net amount in income statements	Ps. 1,058	Ps. 1,228	Ps. 1,373

Note 11. Intangible Assets, net.

		2011		2010
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.	46,413	Ps.	44,157
Argentina, Buenos Aires		339		297
Mexico, Tapachula, Chiapas		132		132
Costa Rica, Compañía Latinoamericana de Bebidas		142		148
Argentina (CICAN)		16		14
Mexico (Agua de los Angeles)		18		18
Brazil (REMIL)		2,880		2,866
Colombia (Brisa) (Note 5)		786		705
Distribution rights of Jugos del Valle trademark products		886		735
Distribution rights of Mundet trademark beverages in Puebla, Mexico		97		97
Distribution rights of Grupo Tampico (Note 5)		4,800		–
Distribution rights of Grupo CIMSA (Note 5)		6,228		–
Goodwill from Grupo Tampico acquisition - Mexico (Note 5)		3,278		–
Goodwill from Grupo CIMSA acquisition - Mexico (Note 5)		1,936		–
Other		85		–
Amortized intangible assets:				
Systems in development costs		1,743		1,788
Cost of systems implementation, net		891		248
Other		5		8
	Ps.	70,675	Ps.	51,213

[1] Territories in the table above are grouped based upon their specific acquisition transaction. For example, production and distribution rights in 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.

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

		2011		2010		2009
Beginning balance	Ps.	49,169	Ps.	49,520	Ps.	46,892
Acquisitions		16,478		832		695
Translation adjustment of foreign currency denominated intangible assets		2,389		(1,183)		1,933
Ending balance	Ps.	68,036	Ps.	49,169	Ps.	49,520

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

		Investments Accumulated at the Beginning of the Year		Additions		Transfer to completed projects		Amortization Accumulated at the Beginning of the Year		For the Year		Net		Estimated Amortization Per Year
2011														
Systems in development costs	Ps.	1,788	Ps.	419	Ps.	(464)	Ps.	-	Ps.	–	Ps.	1,743	Ps.	-
Cost of systems implementation, net		882		326		464		(634)		(147)		891		425
Other		15		-		-		(7)		(3)		5		3
2010														
Systems in development costs	Ps.	1,188	Ps.	751	Ps.	(151)	Ps.	-	Ps.	–	Ps.	1,788	Ps.	-
Cost of systems implementation, net		694		37		151		(515)		(119)		248		306
Other		15		–		-		(4)		(3)		8		3
2009														
Systems in development costs	Ps.	333	Ps.	855	Ps.	-	Ps.	–	Ps.	–	Ps.	1,188	Ps.	170
Cost of systems implementation, net		558		136		-		(344)		(171)		179		18
Other		15		–		-		(1)		(3)		11		3

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

		2012		2013		2014		2015		2016
Systems amortization	Ps.	425	Ps.	365	Ps.	333	Ps.	314	Ps.	285
Others		3		2		–		–		–

Note 12. Other Assets.

		2011		2010
Agreements with customers, net (Note 4j)	Ps.	256	Ps.	186
Leasehold improvements, net		309		267
Long-term accounts receivable to Grupo Estrella Azul, due 2021 (Note 13)		785		–
Long-term accounts receivable		20		15
Derivative financial instruments (Note 19)		–		1
Loan fees, net		57		56
Long-term prepaid advertising expenses		113		125
Guarantee deposits		942		893
Advances for acquisitions of property, plant and equipment		296		226
Prepaid bonuses		97		84
Other		375		232
	Ps.	3,250	Ps.	2,085

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:

Balances		2011		2010
Assets (short-term included in accounts receivable)				
FEMSA and subsidiaries	Ps.	314	Ps.	161
The Coca-Cola Company		1,157		1,030
Others		163		134
Assets (long-term included in other assets):				
Grupo Estrella Azul		785		–
	Ps.	2,419	Ps.	1,325

Liabilities (included in suppliers and other liabilities and loans)				
FEMSA and subsidiaries	Ps.	753	Ps.	603
The Coca-Cola Company		2,853		1,911
BBVA Bancomer, S.A. (1)		1,000		1,000
Banco Nacional de Mexico, S.A. (1)		–		500
Grupo Tampico		8		–
Other		704		388
	Ps.	5,318	Ps.	4,402

Balances due from related parties are considered to be recoverable. Accordingly, for the years ended December 31, 2011, 2010 and 2009, there was no expense resulting from the uncollectibility of balances due from related parties.

Transactions		2011		2010		2009
Income:						
Sales to affiliated parties	Ps.	2,186	Ps.	1,665	Ps.	1,300
Expenses:						
Purchases of raw material, beer, assets and operating expenses with FEMSA and subsidiaries		3,665		5,412		5,941
Purchases of concentrate from The Coca-Cola Company		21,183		19,371		16,863
Purchase of beer from Heineken Group		3,343		2,619		–
Advertisement expenses refunded to The Coca-Cola Company		874		1,117		780
Purchases of sugar from Beta San Miguel		1,398		1,307		713
Purchase of sugar, cans and caps from Promotora Mexicana de Embotelladores, S.A. de C.V.		701		684		783
Purchases from Jugos del Valle, S.A.P.I. de C.V.		1,248		1,206		1,044
Purchase of canned products from IEQSA		262		196		208
Interest paid to The Coca-Cola Company		7		5		25
Purchase of plastic bottles from Embotelladora del Atlantico, S.A. (formerly Complejo Industrial Pet, S.A.)		61		52		54
Interest expenses related to debt with BBVA Bancomer, S.A. (1)		51		52		65
Interest expenses related to debt with Banco Nacional de Mexico, S.A. (1)		6		26		33
Donations to Instituto Tecnologico y de Estudios Superiores de Monterrey, A.C. (1)		37		–		38
Insurance premiums for policies with Grupo Nacional Provincial, S.A.B. (1)		20		29		39
Purchases from affiliated companies of Grupo Tampico		175		–		–
Other expenses with related parties		40		16		17

(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:

		2011		2010		2009
Short- and long-term benefits paid	Ps.	743	Ps.	748	Ps.	762
Severance indemnities		10		31		41

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, 2011 and 2010, assets, liabilities and transactions denominated in foreign currencies, expressed in Mexican pesos are as follows:

	2011						2010					
Balances		U.S. Dollars		Euros		Total		U.S. Dollars		Euros		Total
Assets												
Short-term	Ps.	5,167	Ps.	–	Ps.	5,167	Ps.	7,154	Ps.	–	Ps.	7,154
Long-term		785		–		785		20		–		20
Liabilities												
Short-term		1,964		41		2,005		1,250		245		1,495
Long-term		7,199		–		7,199		6,401		–		6,401

Transactions		2011 U.S. Dollars		2010 U.S. Dollars		2009 U.S. Dollars
Revenues	Ps.	418	Ps.	429	Ps.	571
Expenses:						
Purchases of raw materials	Ps.	8,753	Ps.	5,197	Ps.	6,907
Interest expense		338		282		148
Assets acquisitions		226		258		173
Other		623		651		682
	Ps.	9,940	Ps.	6,388	Ps.	7,910

As of March 2, 2012, the issuance date of these consolidated financial statements, the exchange rate published by "Banco de México" was Ps. 12.7723 Mexican pesos per one U.S. Dollar, and the foreign currency position was similar to that as of December 31, 2011.

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:

	2011 Real rates for inflationary countries	2011 Nominal rates for noninflationary countries	2010 Real rates for inflationary countries	2010 Nominal rates for noninflationary countries	2009 Real rates for inflationary countries	2009 Nominal rates for noninflationary countries
Annual discount rate	1.5%-2.2%	5.5%-9.7%	1.5% - 2.6%	5.5% - 9.7%	1.5% - 3.0%	6.5% - 9.8%
Salary increase	1.0%-1.5%	4.0%-6.5%	1.5%	4.0% - 6.5%	1.5%	4.5% - 8.0%
Estimated return on plan assets	0.5%	7.0%-9.7%	0.5%	7.0% - 11.2%	1.5% - 3.0%	8.2% - 9.8%

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
2012	Ps. 194	Ps. 10	Ps. 108
2013	119	9	98
2014	98	10	94
2015	98	11	92
2016	95	11	88
2017 to 2021	640	71	415

b) Balances of the Liabilities:

	2011	2010
Pension and retirement plans:		
Vested benefit obligation	Ps. 586	Ps. 569
Non-vested benefit obligation	702	671
Accumulated benefit obligation	1,288	1,240
Projected benefit obligation	2,160	1,636
Pension plan funds at fair value	(1,068)	(774)
Unfunded projected benefit obligation	1,092	862
Unrecognized past services	(188)	(198)
Unamortized actuarial net loss	(5)	115
Total	Ps. 899	Ps. 779
Seniority premiums:		
Vested benefit obligation for personnel with more than 15 years seniority	7	7
Non-vested benefit obligation for personnel with less than 15 years seniority	81	57
Accumulated benefit obligation	88	64
Projected benefit obligation	167	94
Seniority premium funds at fair value	(19)	–
Unfunded projected benefit obligation	148	94
Unamortized actuarial net loss	(7)	(11)
Total	Ps. 141	Ps. 83
Severance indemnities:		
Accumulated benefit obligation	483	560
Projected benefit obligation	534	421
Unrecognized net transition obligation	(37)	(73)
Total	Ps. 497	Ps. 348
Total labor liabilities	Ps. 1,537	Ps. 1,210

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	2011	2010
Fixed Return:		
Traded securities	2%	3%
Bank instruments	1%	3%
Federal government instruments of the respective countries	84%	76%
Variable Return:		
Publicly-traded shares	13%	18%
	100%	100%

The Company has a policy of maintaining at least 30% of trust assets in treasury bills and/or fixed income investment companies. 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:

		2011		2010
Debt:				
Grupo Industrial Bimbo, S.A.B. de C.V.	Ps.	2	Ps.	2
Grupo Televisa, S.A.B. de C.V.		3		–
Coca-Cola FEMSA, S.A.B. de C.V.		2		2
Grupo Financiero BBVA Bancomer, S.A.		17		–
Grupo Financiero Banorte, S.A.B. de C.V.		7		–
Capital:				
Fomento Económico Mexicano, S.A.B. de C.V.		1		–
Coca-Cola FEMSA, S.A.B. de C.V.		5		–

During the years ended December 31, 2011, 2010 and 2009, 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:

		2011		2010		2009
Pension and retirement plans:						
Service cost	Ps.	103	Ps.	85	Ps.	88
Interest cost		137		119		115
Expected return on trust assets		(83)		(60)		(51)
Amortization of prior year services		11		11		1
Amortization of actuarial loss		2		(3)		11
	Ps.	170	Ps.	152	Ps.	164
Seniority premiums:						
Service cost	Ps.	15	Ps.	11	Ps.	11
Interest cost		8		7		6
Amortization of net actuarial loss		2		3		–
	Ps.	25	Ps.	21	Ps.	17
Severance indemnities:						
Service cost	Ps.	59	Ps.	52	Ps.	47
Interest cost		26		23		26
Amortization of unrecognized transition obligation		38		36		36
Amortization of net actuarial loss		28		49		23
		151		160		132
	Ps.	346	Ps.	333	Ps.	313

e) Changes in the Balance of the Obligations:

		2011		2010
Pension and retirement plans:				
Initial balance	Ps.	1,636	Ps.	1,424
Service cost		103		85
Interest cost		137		119
Actuarial loss		61		102
Foreign exchange rate valuation loss (gain)		50		(3)
Benefits paid		(77)		(91)
Acquisitions		250		–
Ending balance	Ps.	2,160	Ps.	1,636
Seniority premiums:				
Initial balance	Ps.	94	Ps.	85
Service cost		15		11
Interest cost		8		6
Actuarial (gain) loss		(1)		3
Benefits paid		(11)		(11)
Acquisitions		62		–
Ending balance	Ps.	167	Ps.	94
Severance indemnities:				
Initial balance	Ps.	421	Ps.	426
Service cost		59		52
Interest cost		26		23
Actuarial loss		11		49
Benefits paid		(96)		(129)
Acquisitions		113		–
Ending balance	Ps.	534	Ps.	421

f) Changes in the Balance of the Trust Assets:

		2011		2010
Pension and retirement plans:				
Initial balance	Ps.	774	Ps.	727
Actual return on trust assets		40		69
Foreign exchange rate valuation loss (gain)		5		(5)
Benefits paid		(12)		(17)
Acquisitions		229		–
Life annuities		32		–
Ending balance	Ps.	1,068	Ps.	774

		2011		2010
Seniority premiums:				
Initial balance	Ps.	–	Ps.	–
Actual return on trust assets		(1)		–
Acquisitions		20		–
Ending balance	Ps.	19	Ps.	–

Following is presented the annual information relative to the different defined benefit obligations, for the year ended December 31, 2011 and the 4 preceding years:

	2011	2010	2009	2008	2007
Pension and retirement plans at December 31:					
Projected benefit obligation	Ps. 2,160	Ps. 1,636	Ps. 1,424	Ps. 1,351	Ps. 1,188
Pension plan funds at fair value	(1,068)	(774)	(727)	(517)	(566)
Unfunded projected benefit obligation	Ps. 1,092	Ps. 862	Ps. 697	Ps. 834	Ps. 622

	2011	2010	2009	2008	2007
Seniority premiums at December 31:					
Projected benefit obligation	Ps. 167	Ps. 94	Ps. 85	Ps. 79	Ps. 77
Seniority premium funds at fair value	(19)	–	–	–	–
Unfunded projected benefit obligation	Ps. 148	Ps. 94	Ps. 85	Ps. 79	Ps. 77

	2011	2010	2009	2008	2007
Severance indemnities at December 31:					
Projected benefit obligation	Ps. 534	Ps. 421	Ps. 426	Ps. 392	Ps. 308

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

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, 2011, 2010 and 2009, the bonus expense recorded amounted to Ps. 599, Ps. 547 and Ps. 630, respectively.

Note 17. Bank Loans and Notes Payable.

	At December 31, 2011							
	2012	2013	2014	2015	2016	Thereafter	Carrying Value	December 31,2010
Short-term debt:								
Argentine pesos								
Bank loans	Ps. 325	Ps. –	Ps. –	Ps. –	Ps. –	Ps. –	Ps. 325	Ps. 507
Interest rate (1)	14.9%	–	–	–	–	–	14.9%	15.3%
Colombian pesos								
Bank loans	295	–	–	–	–	–	295	1,072
Interest rate (1)	6.8%	–	–	–	–	–	6.8%	4.4%
Brazilian reais								
Notes payable	–	–	–	–	–	–	–	36
Interest rate (1)	–	–	–	–	–	–	–	Various
Mexican pesos								
Bank loans	18	–	–	–	–	–	18	–
Interest rate (1)	6.9%	–	–	–	–	–	6.9%	–
Subtotal	Ps. 638	Ps. –	Ps. –	Ps. –	Ps. –	Ps. –	Ps. 638	Ps. 1,615
Long-term debt:								
Fixed rate debt:								
U.S. dollars								
Senior Notes	Ps. –	Ps. –	Ps. –	Ps. –	Ps. –	Ps. 6,990	Ps. 6,990	Ps. 6,179
Interest rate (1)	–	–	–	–	–	4.6%	4.6%	4.6%
Capital leases		–	–	–	–	–	–	4
Interest rate (1)	–	–	–	–	–	–	–	3.8%
Mexican pesos								
Domestic Senior Notes (Certificados Bursatiles) (2)	–	–	–	–	–	2,500	2,500	–
Interest rate (1)	–	–	–	–	–	8.3%	8.3%	–
Argentine pesos								
Bank loans	514	81	–	–	–	–	595	684
Interest rate (1)	16.4%	15.7%	–	–	–	–	18.5%	16.5%
Brazilian reais								
Notes payable	9	15	15	14	10	36	99	102
Interest rate (1)	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Variable rate debt:								
U.S. dollars								
Bank loans	42	209	–	–	–	–	251	222
Interest rate (1)	0.7%	0.7%	–	–	–	–	0.7%	0.6%
Mexican pesos								
Bank loans	67	266	1,392	2,825	–	–	4,550	4,550
Interest rate (1)	5.0%	5.0%	5.0%	5.0%	–	–	5.0%	5.1%
Domestic senior notes (Certificados bursatiles) (2)	3,000	–	–	–	2,500	–	5,500	3,000
Interest rate (1)	4.7%	–	–	–	4.9%	–	4.8%	4.8%
Colombian pesos								
Bank loans	1,140	181	–	–	–	–	1,321	994
Interest rate (1)	6.2%	6.6%	–	–	–	–	6.3%	4.7%
Argentine pesos								
Bank loans	130	–	–	–	–	–	130	–
Interest rate (1)	27.3%	–	–	–	–	–	27.3%	–
Brazilian reais								
Notes payable	–	–	–	–	–	–	–	1
Interest rate (1)	–	–	–	–	–	–	–	Various
Long term debt	4,902	752	1,407	2,839	2,510	9,526	21,936	15,736
Current portion of long term debt	4,902	–	–	–	–	–	4,902	225
Total long term debt	Ps. –	Ps. 752	Ps. 1,407	Ps. 2,839	Ps. 2,510	Ps. 9,526	Ps. 17,034	Ps. 15,511

(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, 2011, 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
2011	2016	2,500	28-day TIIE[(1)] – 13 bps
2011	2021	2,500	8.27%

(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.

On April 18, 2011, the Company issued Ps. 2,500 in Domestic Senior Notes, bearing interest at a fixed rate of 8.27%. These Domestic Senior Notes are due on April 5, 2021.

On April 18, 2011, the Company issued Ps. 2,500 in Domestic Senior Notes, bearing interest at a floating rate of TIIE + 13 bps. These Domestic Senior Notes are due on April 11, 2016.

As of December 31, 2011, out of KOF's total outstanding debt of Ps. 22,574 million, Ps. 19,791 was guaranteed by Propimex, the main operating subsidiary in Mexico, and all of the outstanding debt was unsecured.

Note 18. Other Expenses.

	2011	2010	2009
Employee profit sharing (see Note 4s)	Ps. 1,060	Ps. 672	Ps. 792
Loss on sale of fixed assets	98	231	187
Provision for contingencies from past acquisitions	112	104	152
Brazil tax amnesty (see Note 23a)	–	(179)	(311)
Severance payments from restructuring	217	470	113
Equity method in earnings associated companies	(86)	(217)	(142)
Vacation provision – Initial recognition	–	–	236
Loss on the retirement of long-lived assets	606	7	124
Other	319	204	298
Total	Ps. 2,326	Ps. 1,292	Ps. 1,449

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, 2011 and December 31, 2010:

	2011		2010	
	Level 1	Level 2	Level 1	Level 2
Pension plan trust assets (Note 15f)	Ps. 1,068	Ps. –	Ps. 774	Ps. –
Derivative financial instruments asset (Note 4v)	–	345	–	16
Derivative financial instruments (liability) (Note 4v)	–	(432)	–	(517)
Marketable securities (Note 4c)	330	–	–	–

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.

		2011		2010
Carrying value	Ps.	22,574	Ps.	17,351
Fair value		23,290		17,350

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

Maturity Date		Notional Amount		Fair Value Liability
2012	Ps.	1,600	Ps.	(12)
2013		1,312		(43)
2014		575		(43)
2015 to 2018		1,963		(184)

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 or cost of goods sold, depending on the nature of the hedge.

At December 31, 2011, the Company had the following outstanding forwards agreements to purchase foreign currency:

Maturity Date		Notional Amount		Fair Value Asset
2012	Ps.	1,161	Ps.	33

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

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

At December 31, 2011, the Company had the following outstanding collars to purchase foreign currency (composed of a call and a put option with different strike levels with the same notional amount and maturity):

Maturity Date		Notional Amount		Fair Value Asset
2012	Ps.	1,901	Ps.	300

e) 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 loss/gain on the ineffective portion of derivative financial instruments" as part of the consolidated results.

At December 31, 2011, the Company had the following outstanding cross currency swap agreements:

Maturity Date		Notional Amount		Fair Value Liability
2012	Ps.	357	Ps.	(130)

f) 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 materials. 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.

At December 31, 2011, the Company had the following commodity price contracts:

Maturity Date		Notional Amount		Fair Value Liability
2012	Ps.	427	Ps.	(14)
2013		327		(5)

g) Embedded Derivative Financial Instruments:

The Company has determined that its leasing contracts denominated in U.S. dollars host embedded derivative financial instruments. The fair value is estimated based on formal technical models. Changes in 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".

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

Derivatives designated as hedging instruments		**2011**		2010		2009
Cash flow hedges:						
Assets (Liabilities):						
Interest rate swaps	Ps.	(282)	Ps.	(263)	Ps.	(133)
Forward Agreements to Purchase Foreign Currency		33		(16)		–
Options to Purchase Foreign Currency		300		–		–
Commodity price contracts		(19) [(1)]		445 [(1)]		133 [(1)]

[(1)] Commodity Price Contracts with maturity dates ending in 2012 and 2013.

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

Types of derivatives	Impact in Income Statement		**2011**		2010		2009
Interest rate swaps	Interest expense	Ps.	120	Ps.	169	Ps.	46
Forward agreements to purchase foreign currency	Foreign exchange/Interest expense		–		27		–
Commodity price contracts	Cost of goods sold		(257)		(393)		(247)

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

Types of derivatives	Impact in Income Statement		**2011**		2010		2009
Options to purchase foreign currency	Market value gain/loss on	Ps.	(6)	Ps.	–	Ps.	–
Forward agreements to purchase foreign currency	ineffective portion of		–		–		63
Cross-currency swaps	derivative financial instruments		(95)		(256)		(220)

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

Types of derivatives	Impact in Income Statement		**2011**		2010		2009
Embedded derivative financial instruments	Market value gain/loss on ineffective	Ps.	2	Ps.	(38)	Ps.	(12)
Cross-currency swaps	portion of derivative financial instruments		239		50		51

Note 20. Non-controlling Interest in Consolidated Subsidiaries.

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

	2011	2010
Mexico	Ps. 2,595	Ps. 2,147
Colombia	27	25
Brazil	467	430
	Ps. 3,089	Ps. 2,602

In October, 2011 the Company bought-out a non-controlling interest shareholder of its Brazil operations through a payment of Ps. 114.

Note 21. Shareholders' Equity.

As of December 31, 2011, the capital stock of Coca-Cola FEMSA is represented by 1,985,453,929 common shares, with no par value. Fixed capital stock is Ps. 821 (nominal value) and the rest is variable capital, which 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, 2011 and 2010, 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"	409,830
Total	1,985,454

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

2011	Historical Value	Restatement	Restated Value
Capital stock	Ps. 882	Ps. 2,296	Ps. 3,178
Additional paid-in capital	26,309	3,627	29,936
Retained earnings from prior years	42,404	7,146	49,550
Net controlling income	10,444	171	10,615
Cumulative other comprehensive income	4,412	–	4,412

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 income	9,324	476	9,800
Cumulative other comprehensive income	1,016	–	1,016

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, 2011 and 2010, 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, 2011 and 2010, the Company's balance of CUFIN is Ps. 549 and Ps. 1,242, respectively.

As of December 31, 2011, 2010 and 2009 the dividends declared by the Company are as follows:

Series of shares		2011 (1)		2010 (2)		2009 (3)
"A"	Ps.	2,341	Ps.	1,399	Ps.	722
"D"		1,377		823		425
"L"		640		382		197
Total	Ps.	4,358	Ps.	2,604	Ps.	1,344

(1) At an ordinary shareholders' meeting of Coca-Cola FEMSA held on March 23, 2011, the shareholders declared a dividend of Ps. 4,358 that was paid in April 2011.

(2) 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.

(3) 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.

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 1,865,342,044 and 1,846,530,201 common shares for the years ended December 31, 2011, and 2010 respectively. During the periods presented herein, no common stock equivalents were outstanding.

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, 2011 are as follows:

	Statutory Tax Rate	Expiration (Years)	Open Period (Years)
Mexico	30%	10	5
Guatemala	31%	N/A	4
Nicaragua	30%	3	4
Costa Rica	30%	3	4
Panama	25%	5	3
Colombia	33%	Indefinite	2-5
Venezuela	34%	1-3	4-6
Brazil	34%	Indefinite	6
Argentina	35%	5	5

In Colombia, tax losses may be carried forward for an indefinite number of years and carry-forwards are limited to 25% of the taxable income of each year.

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 2010 and 2009, Brazil adopted new laws providing for certain tax amnesties. The tax amnesty programs offer 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 year ended, December 31, 2010 the Company de-recognized indirect tax contingency accruals of Ps. 333 (see Note 24d), making payments of Ps. 118, recording a credit to other expenses of Ps. 179 (see Note 18), reversing previously recorded Brazil valuation allowances against NOL's in 2009, and recording certain taxes recoverable. During 2011, there were no tax amnesty programs applied by the Company.

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 the Asset Tax. IETU essentially works 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 was 16.5% and 17.0%, respectively and is 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 (asset) liability		2011		2010
Inventories	Ps.	(58)	Ps.	26
Property, plant and equipment		1,898		1,519
Investment in shares		(10)		(7)
Intangibles and other assets		2,431		1,887
Labor obligations		(349)		(260)
Tax loss carry-forwards		(340)		(347)
Other deferred assets		(538)		(1,262)
Deferred income tax liability, net	Ps.	3,034	Ps.	1,556

Deferred Income Taxes (asset) liability [1]		2011		2010
Deferred income tax asset recoverable	Ps.	(451)	Ps.	(345)
Deferred income tax payable		3,485		1,901
Deferred income tax liability, net	Ps.	3,034	Ps.	1,556

(1) For disclosure purposes.

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

		2011		2010		2009
Initial balance	Ps.	1,556	Ps.	1,640	Ps.	434
Provision for the year		(93)		481		267
Deferred income tax from business combinations		186		–		–
Restatement effect in inflationary subsidiaries		40		244		453
Cumulative other comprehensive income (loss) items		1,345		(809)		486
Ending balance	Ps.	3,034	Ps.	1,556	Ps.	1,640

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:

		2011		2010		2009
Current-year income tax	Ps.	5,692	Ps.	3,779	Ps.	3,776
Deferred income tax (benefit) expense		(74)		474		309
Effect of change in the statutory income tax rate		(19)		7		(42)
Income taxes	Ps.	5,599	Ps.	4,260	Ps.	4,043

An analysis of the domestic and foreign components of pre-tax income and income tax for the years ended December 31, 2011, 2010 and 2009 is as follows:

2011		Mexico		Foreign		Total
Income before income taxes	Ps.	5,968	Ps.	10,800	Ps.	16,768
Current-year income tax		2,009		3,683		5,692
Deferred income tax (benefit) expense		(219)		126		(93)
Total income tax	Ps.	1,790	Ps.	3,809	Ps.	5,599

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) expense		(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.	7,434	Ps.	13,013
Current-year income tax		1,585		2,191		3,776
Deferred income tax (benefit) expense		(16)		283		267
Total income tax	Ps.	1,569	Ps.	2,474	Ps.	4,043

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.	749	Ps.	41
No expiration (Brazil - see Note 23a)		342		–
	Ps.	1,091	Ps.	41

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

		2011		2010		2009
Beginning balance	Ps.	–	Ps.	1	Ps.	45
Reversal of valuation allowance		–		–		(57)
Restatement of beginning balance in inflationary subsidiaries		–		(1)		13
Ending balance	Ps.	–	Ps.	–	Ps.	1

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

	2011	2010	2009
Mexican statutory income tax rate	30.00%	30.00%	28.00%
Income tax from prior years	0.47	(0.76)	0.52
Monetary position gain	(0.28)	(0.85)	(1.05)
Annual inflation adjustment	0.99	1.15	1.31
Non-deductible expenses	1.02	0.61	0.87
Non-taxable income	(0.56)	(0.66)	(0.15)
Income taxed at a rate other than the Mexican statutory rate	2.16	1.86	2.97
Effect of restatement of tax values	(1.00)	(1.03)	(0.78)
Changes in valuation allowance for tax losses	–	–	(0.38)
Effect of change in statutory rate	0.03	0.05	(0.33)
Other	0.56	(1.11)	0.09
Consolidated effective income tax rate	33.39%	29.26%	31.07%

Note 24. Other Liabilities and Contingencies.

a) Other Current Liabilities:

		2011		2010
Derivative financial instruments (Note 19)	Ps.	8	Ps.	19
Sundry creditors		1,025		974
Total	Ps.	1,033	Ps.	993

b) Other Liabilities:

		2011		2010
Contingencies	Ps.	2,284	Ps.	2,153
Other liabilities		987		1,261
Derivative financial instruments (Note 19)		424		498
Total	Ps.	3,695	Ps.	3,912

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, 2011 and 2010:

		2011		2010
Taxes, primarily indirect taxes	Ps.	925	Ps.	799
Labor		1,128		1,134
Legal		231		220
Total	Ps.	2,284	Ps.	2,153

d) Changes in the Balance of Contingencies Recorded:

		2011		2010		2009
Initial balance	Ps.	2,153	Ps.	2,467	Ps.	2,076
Penalties and other charges		277		376		258
New contingencies		139		156		475
Contingencies added in business combinations		181		–		–
Cancellation and expiration		(353)		(205)		(241)
Payments		(175)		(211)		(190)
Brazil tax amnesty (see Note 23a)		–		(333)		(433)
Restatement of the beginning balance of inflationary subsidiaries		62		(97)		522
Ending balance	Ps.	2,284	Ps.	2,153	Ps.	2,467

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. 6,781. 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. 2,418 and Ps. 2,292 as of December 31, 2011 and 2010, respectively, by pledging fixed assets and entering into available lines of credit covering the contingencies.

g) Commitments:
As of December 31, 2011, 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, 2011, are as follows:

	Mexican Pesos	U.S. Dollars
2012	Ps. 339	Ps. 33
2013	248	29
2014	227	20
2015	161	9
2016	165	–
2017 and thereafter	690	–
Total	Ps. 1,830	Ps. 91

Rental expense charged to results of operations amounted to approximately Ps. 859, Ps. 570 and Ps. 546 for the years ended December 31, 2011, 2010 and 2009, 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 Reporting Segment.

The Company's Chief Operating Decision Maker ("CODM") is its Chief Executive Officer. Operating segments are at a country level, with the exception of Central America which is considered an operating segment by itself. Prior to 2011, the Company aggregated operating segments into the following reporting segments for the purposes of its consolidated financial statements: (i) Mexico, (ii) Latincentro, which aggregated Colombia and Central America, (iii) Venezuela, and (iv) Mercosur, which aggregated Brazil and Argentina.

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

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

2011	Total Revenues	Income from Operations	Capital Expenditures	Long-term Assets	Total Assets	Total Liabilities
Mexico and Central America (1)	Ps. 52,196	Ps. 8,906	Ps. 4,117	Ps. 81,425	Ps. 94,370	Ps. 34,245
South America (2)	52,408	7,943	3,067	30,447	44,798	13,111
Venezuela	20,111	3,303	642	7,662	12,440	3,472
Consolidated	Ps.124,715	Ps. 20,152	Ps. 7,826	Ps. 119,534	Ps.151,608	Ps. 50,828

2010	Total Revenues	Income from Operations	Capital Expenditures	Long-term Assets	Total Assets	Total Liabilities
Mexico and Central America (1)	Ps. 45,213	Ps. 7,714	Ps. 3,427	Ps. 54,593	Ps. 67,234	Ps. 24,919
South America (2)	44,210	6,921	3,547	27,560	39,048	12,829
Venezuela	14,033	2,444	504	5,472	7,779	2,432
Consolidated	Ps.103,456	Ps. 17,079	Ps. 7,478	Ps. 87,625	Ps.114,061	Ps. 40,180

2009	Total Revenues	Income from Operations	Capital Expenditures
Mexico and Central America (1)	Ps. 43,034	Ps. 7,998	Ps. 3,086
South America (2)	37,303	6,022	1,948
Venezuela	22,430	1,815	1,248
Consolidated	Ps.102,767	Ps. 15,835	Ps. 6,282

(1) Central America includes Guatemala, Nicaragua, Costa Rica and Panama. Domestic (Mexico only) revenues were Ps. 44,561, Ps. 38,782 and Ps. 36,785 during the years ended December 31, 2011, 2010 and 2009, respectively. Domestic (Mexico only) long-term assets were Ps. 72,616 and Ps. 46,847 as of December 31, 2011 and 2010, respectively.

(2) South America includes Brazil, Argentina, Colombia and Venezuela, although Venezuela is shown separately above. South America revenues include Brazilian revenues of Ps. 31,132, Ps. 26,841 and Ps. 21,456 during the years ended December 31, 2011, 2010 and 2009, respectively. Brazilian long-term assets were Ps. 14,770 and Ps. 14,026 as of December 31, 2011 and 2010 respectively. South America revenues also include Colombian revenues of Ps. 11,920, Ps. 10,850 and Ps. 9,744 during the years ended December 31, 2011, 2010 and 2009, respectively. Colombian long-term assets were Ps. 12,721 and Ps. 11,069 as of December 31, 2011 and 2010, respectively.

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.

Included in Notes 26 and 27 are references to certain U.S. GAAP Codifications ("ASC") that were adopted during the periods presented herein.

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 Securities and Exchange Commission of the United States of America ("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. 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 economic environments that are inflationary under Mexican FRS, but not hyper-inflationary under US GAAP arising in 2008 through 2011 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 108.2% for the period 2008 through 2010. The three year cumulative inflation rate for Venezuela was 102.9% as of December 31, 2011.

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 17 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:

- 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, and for U.S. GAAP purposes, restricted cash is presented in other current assets;
- Under Mexican FRS the leasehold improvements are classified as other assets, while under U.S. GAAP purposes, they are reclassified to property, plant and equipment;
- Under Mexican FRS the interest cost related to labor obligations is presented as part of the comprehensive financing result while under U.S.GAAP is classified as operating expenses.

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.

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 with 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. 92, Ps. 90 and Ps. 61 for the years ended on December 31, 2011, 2010 and 2009, 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
FASB pronouncements establish 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		2011		2010
Deferred income taxes under Mexican FRS	Ps.	3,034	Ps.	1,556
U.S. GAAP adjustments:				
Fixed assets		(130)		(33)
Intangible assets		(230)		(166)
Deferred charges		(51)		(20)
Deferred revenues		17		26
Tax deduction for deferred employee profit sharing		23		55
Deferred promotional expenses		(4)		(14)
Pension liability		(51)		(17)
Seniority premiums		(2)		(3)
Severance indemnities		(11)		(21)
Total U.S. GAAP adjustments		(439)		(193)
Net deferred income tax liability, under U.S. GAAP	Ps.	2,595	Ps.	1,363

Changes in the Balance of Deferred Income Taxes		2011		2010		2009
Beginning liability (asset) balance	Ps.	1,363	Ps.	513	Ps.	(183)
Provision for the year		(260)		327		(202)
Cumulative other comprehensive income		1,492		523		898
Ending liability balance	Ps.	2,595	Ps.	1,363	Ps.	513

Reconciliation of Deferred Employee Profit Sharing		2011		2010
Deferred employee profit sharing under Mexican FRS	Ps.	–	Ps.	–
U.S. GAAP adjustments:				
Inventories		(3)		4
Property, plant and equipment		121		(11)
Deferred charges		5		4
Labor liabilities		(108)		(84)
Severance indemnities		(31)		(18)
Other reserves		(66)		(90)
Total U.S. GAAP adjustments		(82)		(195)
Net deferred employee profit sharing asset under U.S. GAAP	Ps.	(82)	Ps.	(195)

Changes in the Balance of Deferred Employee Profit Sharing		2011		2010		2009
Beginning liability balance	Ps.	(195)	Ps.	(24)	Ps.	71
Provision for the year		133		(163)		(83)
Cumulative other comprehensive income		(20)		(8)		(12)
Ending asset balance	Ps.	(82)	Ps.	(195)	Ps.	(24)

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		2011		2010		2009
Net pension cost recorded under Mexican FRS	Ps.	170	Ps.	152	Ps.	164
U.S. GAAP adjustments:						
Amortization of unrecognized transition obligation		–		–		1
Amortization of prior service cost		1		1		1
Amortization of net actuarial loss		(3)		(3)		(1)
Net pension cost under U.S. GAAP	Ps.	168	Ps.	150	Ps.	165

Pension Liability		2011		2010
Pension liability under Mexican FRS	Ps.	899	Ps.	779
U.S. GAAP adjustments:				
Unrecognized prior service		188		199
Unrecognized net actuarial loss		5		(115)
Pension liability under U.S. GAAP	Ps.	1,092	Ps.	863

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

Net Severance Indemnity Cost		2011		2010		2009
Net severance indemnity cost under Mexican FRS	Ps.	151	Ps.	160	Ps.	132
U.S. GAAP adjustments:						
Amortization of unrecognized net transition obligation		(38)		(36)		(36)
Net severance indemnity cost under U.S. GAAP	Ps.	113	Ps.	124	Ps.	96

Severance Indemnity Liability		2011		2010
Severance indemnity liability under Mexican FRS	Ps.	497	Ps.	348
U.S. GAAP adjustments:				
Unrecognized net transition obligation		37		72
Severance indemnity liability under U.S. GAAP	Ps.	534	Ps.	420

The reconciliation of the seniority premiums liability is as follows:

Seniority Premium Cost		2011		2010		2009
Net seniority premium cost under Mexican FRS	Ps.	25	Ps.	21	Ps.	17
U.S. GAAP adjustments:						
Amortization of unrecognized net transition obligation, (gain) loss		(3)		(1)		2
Net seniority premium cost under U.S. GAAP	Ps.	22	Ps.	20	Ps.	19

Seniority premium liability		2011		2010
Seniority premium liability under Mexican FRS	Ps.	141	Ps.	83
U.S. GAAP adjustments:				
Unrecognized net actuarial loss		7		11
Seniority premium liability under U.S. GAAP	Ps.	148	Ps.	94

Estimates of the unrecognized items expected to be recognized as components of net periodic pension cost during 2012 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.	117	Ps.	(1)
Actuarial net loss and prior service cost recognized as a component of net periodic cost		12		–
Actuarial net loss, prior service cost and transition liability included cumulative other comprehensive income		(108)		(24)
Estimate to be recognized as a component of net periodic cost over the following fiscal year:				
Prior service cost		11		–
Actuarial (loss) gain		2		1

j) Deconsolidation of Crystal brand water in Brazil:

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 remained recorded for Mexican FRS purposes, and are being amortized into income along with the results from the joint venture over the following three years (through 2012) for Mexican FRS purposes.

k) Financial Information Under U.S. GAAP:

Consolidated Balance Sheets	2011	2010
ASSETS		
Current Assets:		
Cash and cash equivalents	Ps. 11,843	Ps. 12,140
Marketable securities	330	–
Accounts receivable	8,634	6,363
Inventories	7,573	5,007
Recoverable taxes	1,529	1,658
Other current assets	2,150	1,223
Deferred income tax and employee profit sharing	852	830
Total current assets	32,911	27,221
Investment in shares	3,656	2,108
Property, plant and equipment, net	41,442	32,032
Intangible assets, net	69,795	50,697
Deferred income tax and employee profit sharing	691	1,197
Other assets	2,885	1,758
TOTAL ASSETS	Ps. 151,380	Ps. 115,013
LIABILITIES AND EQUITY		
Current Liabilities:		
Bank loans	Ps. 638	Ps. 1,615
Current maturities of long-term debt	4,902	225
Interest payable	206	151
Suppliers	11,852	8,988
Accounts payable	3,661	3,743
Taxes payable	2,785	1,931
Other liabilities	1,033	993
Deferred income tax and employee profit sharing	3	10
Total current liabilities	25,080	17,656
Long-Term Liabilities:		
Bank loans and notes payable	17,034	15,511
Deferred income tax and employee profit sharing	4,053	3,185
Labor liabilities	1,774	1,378
Contingencies	2,284	2,152
Other liabilities	1,361	1,663
Total long-term liabilities	26,506	23,889
Total liabilities	51,586	41,545
Equity:		
Non-controlling interest	3,124	2,633
Controlling interest	96,670	70,835
Total equity:	99,794	73,468
TOTAL LIABILITIES AND EQUITY	Ps. 151,380	Ps. 115,013

Consolidated Income Statements and Comprehensive Income	**2011**	**2010**	**2009**
Net sales	Ps. 123,622	Ps. 102,640	Ps. 99,835
Other operating revenues	666	482	558
Total revenues	124,288	103,122	100,393
Cost of goods sold	68,240	55,944	54,335
Gross profit	56,048	47,178	46,058
Operating expenses:			
Administrative	5,380	4,555	5,341
Selling	32,686	27,253	26,514
Market value, loss (gain) of operating derivative instruments	2	(38)	(12)
	38,068	31,770	31,843
Income from operations	17,980	15,408	14,215
Comprehensive financing result:			
Interest expense	1,634	1,595	1,775
Interest income	(600)	(285)	(282)
Foreign exchange loss, net	35	384	365
Gain on monetary position	(58)	(228)	–
Market value loss (gain) on ineffective portion of derivative financial instruments	138	(206)	(106)
	1,149	1,260	1,752
Other expenses, net	480	163	226
Income before income taxes	16,351	13,985	12,237
Income taxes	5,422	4,097	3,525
Income before participation in affiliated companies	10,929	9,888	8,712
Equity interest in results of affiliated companies	86	217	141
Consolidated net income	11,015	10,105	8,853
Less: net income attributable to the non-controlling interests	(548)	(497)	(446)
Net income attributable to the controlling interests	**Ps. 10,467**	**Ps. 9,608**	**Ps. 8,407**
Consolidated net income	Ps. 11,015	Ps. 10,105	Ps. 8,853
Other comprehensive income	2,945	(70)	2,060
Consolidated comprehensive income	13,960	10,035	10,913
Less: comprehensive income attributable to the non-controlling interest	(517)	(604)	(592)
Comprehensive income attributable to the controlling interest	**Ps. 13,443**	**Ps. 9,431**	**Ps. 10,321**
Net income per share	**Ps. 5.61**	**Ps. 5.20**	**Ps. 4.55**

Consolidated Cash Flows	2011	2010	2009
Operating Activities:			
Consolidated Net Income	Ps. 11,015	Ps. 10,105	Ps. 8,853
Non-cash operating expenses	385	323	228
Equity in earnings affiliated companies	(86)	(217)	(142)
Unrealized gain on marketable securities	(4)	–	(112)
Gain on deconsolidation of Crystal brand water in Brazil	–	–	(120)
Gain on acquisition of Brisa intangible assets	–	–	(72)
Other adjustments regarding operating activities	–	–	8
Adjustments regarding investing activities:			
Depreciation	4,192	3,381	3,696
Amortization	396	694	307
Loss on sale of long-lived assets	98	231	186
Disposal of long-lived assets	606	47	124
Interest	(601)	(285)	(286)
Income tax	5,433	4,106	3,574
Adjustments regarding financing activities:			
Interest	1,616	1,579	1,850
Foreign exchange loss, net	33	424	370
Monetary position gain, net	(57)	(228)	–
Derivative financial instruments	2	(468)	(318)
Increase in accounts receivable	(1,640)	(1,092)	(394)
(Increase) decrease in inventories	(1,782)	10	(90)
Decrease (increase) in other assets	908	(743)	(191)
(Decrease) increase in suppliers and other accounts payable	(301)	585	2,808
Decrease in other liabilities	(205)	(208)	(424)
Decrease in labor liabilities	(230)	(192)	(169)
Income tax paid	(4,565)	(3,882)	(3,061)
Net cash flows from operating activities	15,213	14,170	16,625
Investing Activities:			
Acquisition of Grupo Tampico business (Note 5)	(2,414)	–	–
Acquisition of Grupo CIMSA business (Note 5)	(1,912)	–	–
Acquisition of Brisa business (Note 5)	–	–	(717)
Purchases of investment available-for-sale	(326)	–	(2,001)
Proceeds from disposal of marketable securities	–	1,108	–
Interest received	601	285	286
Acquisition of long-lived assets	(7,344)	(6,845)	(5,883)
Proceeds from the sale of long-lived assets	377	477	638
Other assets	(1,546)	(545)	132
Investment in shares Grupo Estrella Azul	(620)	–	–
Acquisition of intangible assets	(956)	(1,325)	(1,355)
Net cash flows from investing activities	(14,140)	(6,845)	(8,900)
Financing Activities:			
Bank loans obtained	6,934	9,251	6,641
Bank loans repaid	(2,755)	(6,824)	(9,376)
Interest paid	(1,567)	(1,436)	(2,047)
Dividends paid	(4,366)	(2,612)	(1,344)
Acquisition of non-controlling interests	(114)	(282)	–
Other liabilities	(338)	(108)	97
Net cash flows from financing activities	(2,206)	(2,011)	(6,029)
(Decrease) increase in cash and cash equivalents	(1,133)	5,314	1,696
Translation and restatement effects	836	(801)	(261)
Initial cash and cash equivalents	12,140	7,627	6,192
Ending balance of cash and cash equivalents	Ps. 11,843	Ps. 12,140	Ps. 7,627

Consolidated Statements of Changes in Equity	2011	2010
Equity at the beginning of the year	Ps. 73,468	Ps. 66,037
Dividends declared	(4,366)	(2,604)
Acquisition of Grupo Tampico	7,828	–
Acquisition of Grupo CIMSA	9,018	–
Acquisitions of non-controlling interest	(114)	–
Cumulative other comprehensive income (loss) :		
Cumulative translation adjustment	3,364	(2,084)
Gain (loss) on cash flow hedges and unrealized gain on marketable securities, net	32	(56)
Reversal of inflation effects for inflationary subsidiaries	(451)	2,070
Total other comprehensive income (loss)	2,945	(70)
Net income	11,015	10,105
Equity at the end of the year	**Ps. 99,794**	**Ps. 73,468**

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

a) Reconciliation of Net Income:

	2011	2010	2009
Consolidated net income under Mexican FRS	Ps. 11,169	Ps. 10,299	Ps. 8,970
U.S. GAAP adjustments:			
Reversal of inflation effects (Note 26a)	79	(116)	(553)
Restatement of imported equipment (Note 26e)	(190)	(184)	(195)
Capitalization of comprehensive financing result (Note 26f)	(129)	57	(29)
Gain on deconsolidation of Crystal brand water in Brazil (Note 26j)	(25)	(44)	120
Gain on acquisition of Brisa intangible assets (Note 26d)	–	–	72
Deferred income taxes (Note 26h)	167	154	469
Deferred employee profit sharing (Note 26h)	(133)	(163)	(83)
Pension Cost (Note 26i)	2	2	(1)
Seniority premium cost (Note 26i)	3	2	(2)
Severance indemnity cost (Note 26i)	38	36	36
Deferred promotional expenses (Note 26c)	34	62	49
Total U.S. GAAP adjustments	(154)	(194)	(117)
Consolidated net income under U.S. GAAP	**Ps. 11,015**	**Ps. 10,105**	**Ps. 8,853**

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 nonmonetary.

b) Reconciliation of Equity:

	2011	2010
Total equity under Mexican FRS	Ps. 100,780	Ps. 73,881
U.S. GAAP adjustments:		
Reversal of inflation effects	(1,675)	(1,334)
Intangible assets (Note 26d)	46	46
Restatement of imported equipment (Note 26e)	192	366
Capitalization of comprehensive financing result (Note 26f)	58	184
Gain on deconsolidation of Crystal brand water in Brazil (Note 26j)	50	75
Gain on acquisition of Brisa intangible assets (Note 26d)	72	72
Deferred income taxes (Note 26h)	439	193
Deferred employee profit sharing (Note 26h)	82	195
Deferred promotional expenses (Note 26c)	(13)	(43)
Pension liability (Note 26i)	(193)	(84)
Seniority premiums (Note 26i)	(7)	(11)
Severance indemnities (Note 26i)	(37)	(72)
Total U.S. GAAP adjustments	(986)	(413)
Equity under U.S. GAAP	**Ps. 99,794**	**Ps. 73,468**

c) Reconciliation of Comprehensive Income:

	2011	2010	2009
Consolidated comprehensive income under Mexican FRS	Ps. 14,533	Ps. 8,295	Ps. 12,200
U.S. GAAP adjustments:			
Net income (Note 27a)	(154)	(194)	(117)
Cumulative translation adjustment	102	(89)	(59)
Reversal of inflation effects	(451)	2,070	(1,171)
Labor obligations	(70)	(47)	60
Consolidated comprehensive income under U.S. GAAP	**Ps. 13,960**	**Ps. 10,035**	**Ps. 10,913**

Note 28. Implementation of International Financial Reporting Standards ("IFRS").

The Comision Nacional Bancaria y de Valores (Mexican National Banking and Securities Commission, or CNBV) announced that commencing in 2012 all public companies listed in Mexico must report their financial information in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). Accordingly, the Company will adopt IFRS beginning in January 1, 2012, with a transition date to IFRS of January 1, 2011.

The Company's transition date to IFRS will be January 1, 2011 ("Transition Date"). IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") sets mandatory exemptions and allows certain optional exemptions to the complete a retrospective application of IFRS.

The Company applied the relevant mandatory exceptions to retrospective application of IFRS as follows:

- **Estimates**
  The estimates conducted by the Company under IFRS 1 as of the Transition Date are consistent with the estimates previously recorded under MFRS at that same date.

- **Derecognition of financial assets and liabilities**
  At the Transition Date, the Company was required to apply the rules under IAS 39, *Financial Instruments: Recognition and Measurement,* and derecognize financial assets and liabilities that occurred at such date which do not comply with the classification criteria under IAS 39. However, there was no impact related to the application of this exception.

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

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

- **Non-controlling Interest**
  The Company applied the requirements under IAS 27, *Consolidated and Separate Financial Statements*, related to non-controlling interest equity prospectively beginning on the Transition Date. There was no impact related to the application of this exception.

The Company has elected the following optional exemptions to retrospective application:

- **Business Combinations:**
  According to IFRS 1, an entity may elect not to apply IFRS 3 "*Business Combinations*" retrospectively to business combinations made prior of the transition date to IFRS.

  The Company adopted this exemption and did not amend its business combination accounting prior of the Transition Date. Accordingly, it did not re-measure the values determined at the previous acquisition dates, including the amount of distribution rights previously recorded.

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

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

- **Cumulative Translation Effect:**
  A first-time adopter is neither required to recognize translation differences in other comprehensive income and accumulate these in a separate component of equity, nor on disposal of a foreign operation, to reclassify the cumulative translation difference for that foreign operation from equity to profit or loss as part of the gain or loss on disposal.

  The Company applied this exemption and consequently it reclassified the accumulated translation effect recorded under MFRS to retained earnings and beginning January 1, 2011, it will calculate the translation effect prospectively according to International Accounting Standard ("IAS") 21, *The Effects of Changes in Foreign Exchange Rates*.

- **Borrowing Costs:**
  A first-time adopter may apply the transitional provisions set out in IAS 23 related to the effective date which shall be interpreted as January 1, 2009 or of the transition date to IFRS, whichever is later.

  The Company applied the exemption set out for borrowing costs maintaining the qualifiable assets existing at the transition date and beginning January 1, 2011 it will capitalize its interest costs in accordance with IAS 23, *Borrowing Costs*.

Recording the Effects of the Transition from MFRS to IFRS:
The following disclosures provide a qualitative description of the most significant expected effects of the transition to IFRS determined as of the date of the issuance of these consolidated financial statements:

a) Inflation Effects:
For the purposes of MFRS B-10, the effects of inflation on financial information must be recognized when the economic environment of the entity is inflationary, that is, when cumulative inflation of the three preceding years is equal to or larger than the 26%. On the other hand, IAS 29 considers an economy as hyper-inflationary when the cumulative inflation over three years approaches or exceeds 100% among other indicators. The last hyperinflationary period for Mexico was 1997, for Brazil was in 1997 prior to the Company's acquisition of its Brazilian operations, and for Argentina was 1994. Accordingly, the Company has eliminated previously recorded inflationary effects in Mexico for the period 1998 through 2007. For foreign subsidiaries, the accumulated inflation from the acquisition date was eliminated (except in the case of Venezuela, which was deemed a hyperinflationary economy) from the date the Company began to consolidate them.

b) Employee Benefits:
According to MFRS D-3, a severance provision and the corresponding expenditure must be recognized as the entity intends to terminate the employment relationship before the retirement date, or intends to pay benefits as a result of an offer made to employees to encourage a voluntary termination. For IFRS purposes, this provision is recorded pursuant to IAS 19 (revised), Employee Benefits, when the actions of the Company has demonstrated commitment to end the relationship with the employee or a bid to encourage voluntary retirement. This action is shown with a formal plan that describes the characteristics of the termination of employment. Accordingly, at the Transition Date, the Company eliminated its severance indemnity liability against retained earnings.

The Company has also anticipated the application of IAS 19 (revised), which eliminates the use of the fluctuation band (i.e. corridor method), which tends to defer the actuarial gains/losses, and requires recording them in other comprehensive income. IAS 19 (revised) also eliminates the possibility of deferring the recognition of past services and requires recording them in operations. This resulted in the Company increasing in its liability for employee benefits against retained earnings at the Transition Date.

c) Bonus Program:
Under MFRS the Company recognizes its bonus program plan offered to certain key executives as a defined contribution plan, according to MFRS D-3, *Employee benefits*. Meanwhile IFRS considers this bonus program plan, shall be recorded under the principles set forth IFRS 2, *Share-based Payments*.

The Company recorded its bonus program plan according to IFRS 2 *Share-based Payment*. The most significant difference for changing the accounting treatment is related to the period during which a compensation expense is recognized, under MFRS D-3 the total amount of the share is recorded in the period in which it was granted, while in IFRS 2 it shall be recognized in the gains or losses during the period the employee vests rights related to such awards. In recording the adoption of IFRS 2, the Company applied transitional provisions whereby it did not record vested amounts prior to the Transition Date.

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

e) Retained Earnings:
All the adjustments arising from the Company's conversion to IFRS as of the Transition Date were recorded in retained earnings.

f) Other differences in presentation and disclosures in the financial statements:
Generally, IFRS disclosure requirements are more extensive than those of NIF, which will result in increased disclosures about accounting policies, significant judgments and estimates, financial instruments and management risks, among others. In addition, there may be differences in presentation.

There are other differences between MFRS and IFRS, however, the Company considers differences mentioned above describe the significant effects identified as of the Transition Date.

The effects of the foregoing are as follow:

	MFRS	IFRS Transition Effects	Preliminary IFRS
Current assets	Ps. 26,436	Ps. (38)	Ps. 26,398
Non-current assets	87,625	(10,523)	77,102
Total assets	Ps. 114,061	Ps. (10,561)	Ps. 103,500
Current liabilities	Ps. 17,646	Ps. 6	Ps. 17,652
Non-current liabilities	22,534	(1,871)	20,663
Total liabilities	40,180	(1,865)	38,315
Total equity	Ps. 73,881	Ps. (8,696)	Ps. 65,185

The above IFRS figures should be construed as "preliminary IFRS" as the Company will be adopting IFRS as of December 31, 2012 based on the IFRS that are outstanding and in-force as of that date. The information presented above has been prepared based on the IFRS that the Company believes will be effective at December 31, 2012, or issued and early adopted by the Company at the date of preparation of these consolidated financial statements. The standards and interpretations that will actually be applicable to December 31, 2012, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing the consolidated financial statements. Additionally, the accounting policies selected by the Company may change as a result of changes in the economic or industry trends that are observable after the issuance of these consolidated financial statements. Accordingly, the above disclosed information is subject to change.

The information presented above, does not intend to comply with IFRS, in that under IFRS, only one set of financial statements comprising the balance sheet, comprehensive income statement, statement of changes in equity and cash flow, together with comparative information and explanatory notes, can provide a fair presentation of the financial position of the Company, the results of its operations and cash flows. Not all such information is presented above.

Note 29. Subsequent events.

On February 24, 2012, the Company's Board of Directors agreed to propose an ordinary dividend of Ps. 5,625 million to be paid during the second quarter of 2012. This dividend is subject to approval at the Annual Shareholders meeting on March 20, 2012.

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

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

Glossary

The Coca-Cola Company: Founded in 1886, The Coca-Cola Company is the world's largest beverage company, refreshing consumers with more than 500 sparkling and still brands. 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 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.

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.

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.

Serving: Equals eight fluid ounces of a beverage.

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

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.

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 chairman of the Finance and Planning Committee. The additional 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 and Administrative 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 internal auditing function also reports 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 chairman 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, Vicepresident of Administration and Operations Control of FEMSA.

3. Corporate Practices Committee. The Corporate Practices Committee, which consists of exclusively 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 deems 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. Other members include: Helmut Paul and Karl Frei Buechi. The secretaries of the Corporate Practices Committee are Gary Fayard and Alfonso Garza Garza.

Executive officers

Carlos Salazar Lomelín
Chief Executive Officer
11 years as an Officer

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

John Santa María Otazúa
Chief Operating Officer – South America
15 years as an Officer

Ernesto Silva Almaguer
Chief Operating Officer – Mexico & Central America
14 years as an Officer

Rafael Suárez Olaguibel
Corporate Project Officer
17 years as an Officer

Eulalio Cerda Delgadillo
Human Resources Officer
10 years as an Officer

Alejandro Duncan Ancira
Technical Officer
9 years as an Officer

Hermilo Zuart Ruíz
Strategic Supply Officer
8 years as an Officer

Juan Ramón Félix Castañeda
New Business & Commercial Development Officer
2 years as an Officer

Juan Carlos Villacís Martínez
Strategic Planning 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
19 years as a Board Member
Alternate: Alfredo Livas Cantú

Alfonso Garza Garza
Chief Human Resources, Strategic Supply and Information Technology Officer, FEMSA.
16 years as a Board Member
Alternate: Bárbara Garza Lagüera Gonda

Carlos Salazar Lomelín
Chief Executive Officer, Coca-Cola FEMSA
10 years as a Board Member
Alternate: Max Michel Suberville

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

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

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

Javier Gerardo Astaburuaga Sanjines
Chief Financial and Strategic Development Officer of FEMSA
6 years as a Board Member
Alternate: Francisco José Calderón Rojas

Alfonso González Migoya[(1)]
Chairman of the Board and Chief Executive Officer of Grupo Industrial Saltillo, S.A.B. de C.V.
6 years as a Board Member
Alternate: Francisco Garza Zambrano

Daniel Servitje Montull[(1)]
Chief Executive Officer, Grupo Bimbo
14 years as a Board Member
Alternate: Sergio Deschamps Ebergenyi

Enrique F. Senior Hernández
Managing Director of Allen & Company
8 years as a Board Member
Alternate: Herbert Allen III

José Luis Cutrale
Chief Executive Officer of Sucocítrico Cutrale, Ltda.
8 years as a Board Member
Alternate: José Luis Cutrale, Jr.

Herman H. Fleishman Kahn
Chief Executive Officer, Grupo Tampico S.A. de C.V.
6 months as a Board Member
Alternate: Robert A. Fleishman Kahn

Directors Appointed by Series D Shareholders

Gary Fayard
Chief Financial Officer, The Coca-Cola Company
9 years as a Board Member
Alternate: Marie Quintero-Johnson

Irial Finan
President of Bottling Investments Group and Supply Chain, The Coca-Cola Company
8 years as a Board Member
Alternate: Mark Harden

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

Eva María Garza Lagüera Gonda
Private Investor
3 years as a Board Member
Alternate: Geoffrey J. Kelly

Directors Appointed by Series L Shareholders

Alexis E. Rovzar de la Torre[(1)]**(†)**
Executive partner, White & Case, S.C.
19 years as a Board Member
Alternate: Arturo Estrada Treanor

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

Francisco Zambrano Rodríguez[(1)]
Chief Executive Officer of Desarrollo de Fondos Inmobiliarios S.A. de C.V. (DFI) and Vice-president of Desarrollo Inmobiliarios y de Valores, S.A. de C.V. (DIV)
9 years as a Board Member
Alternate: Karl Frei Buechi

Secretary

Carlos Eduardo Aldrete Ancira
General Counsel, FEMSA
19 years as Secretary
Alternate: Carlos Luís Díaz Sáenz

(1) Relation: Independent

Shareholder and analyst information

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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 ADR Information

U.S. Dollars per ADR — ***2011***

Quarter ended	$ High	$ Low	$ Close
December 31	98.41	83.21	95.21
September 30	102.59	84.00	88.73
June 30	95.12	77.31	93.01
March 31	85.04	71.35	76.99

U.S. Dollars per ADR — ***2010***

Quarter ended	$ High	$ Low	$ Close
December 31	84.60	75.55	82.43
September 30	81.83	61.09	78.22
June 30	71.84	61.56	62.59
March 31	70.23	56.51	66.45

KOF L
Mexican Stock exchange

Quarterly Stock Information

Mexican Pesos per share — ***2011***

Quarter ended	$ High	$ Low	$ Close
December 31	136.24	115.01	132.72
September 30	128.10	104.00	122.91
June 30	111.02	91.00	108.72
March 31	104.51	87.19	92.35

Mexican Pesos per share — ***2010***

Quarter ended	$ High	$ Low	$ Close
December 31	104.78	92.25	102.17
September 30	103.88	79.51	98.75
June 30	95.50	78.61	80.93
March 31	88.45	73.00	82.52

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

(BMV: KOF L; NYSE: KOF) is the largest public Coca-Cola bottler in the world, delivering more than 2.6 billion unit cases a year.

The company produces and distributes Coca-Cola, Fanta, Sprite, Del Valle, and other trademark beverages of The Coca-Cola Company in Mexico (a substantial part of central Mexico, including Mexico City, the southeast and the northeast of 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, Campiñas, Santos, the state of Mato Grosso do Sul, part of the state of Goias, and part of the state of Minas Gerais), and Argentina (Buenos Aires and surrounding areas), along with bottled water, juices, teas, isotonics, beer, and other beverages in some of these territories.

The company's capital stock is owned 48.9% by Fomento Económico Mexicano S.A.B. de C.V. (FEMSA), 28.7% by wholly-owned subsidiaries of The Coca-Cola Company, and 22.4% 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 Depository Shares (ADSs) on the New York Stock Exchange (NYSE: KOF). Each ADS represents 10 Series L shares.

* Assuming the successful closing of the merger with Grupo Fomento Queretano

COTIZA EN BOLSA MEXICANA DE VALORES
KOF L

KOF LISTED NYSE

Empresa Sustentable

ESR EMPRESA SOCIALMENTE RESPONSABLE

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Consistent with its commitment to preserve the environment and benefit the communities where it operates, Coca-Cola FEMSA selected the materials to produce this report, using paper certified by the Forest Stewardship Council (FSC). The FSC's principles and criteria encompass economic, social, and environmental concerns, and its measures are implemented through "chain-of-custody" certification. Furthermore, the document used soy- and vegetable-based inks, and the printer's electricity is 100 percent wind-generated renewable energy, significantly reducing its carbon footprint.

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