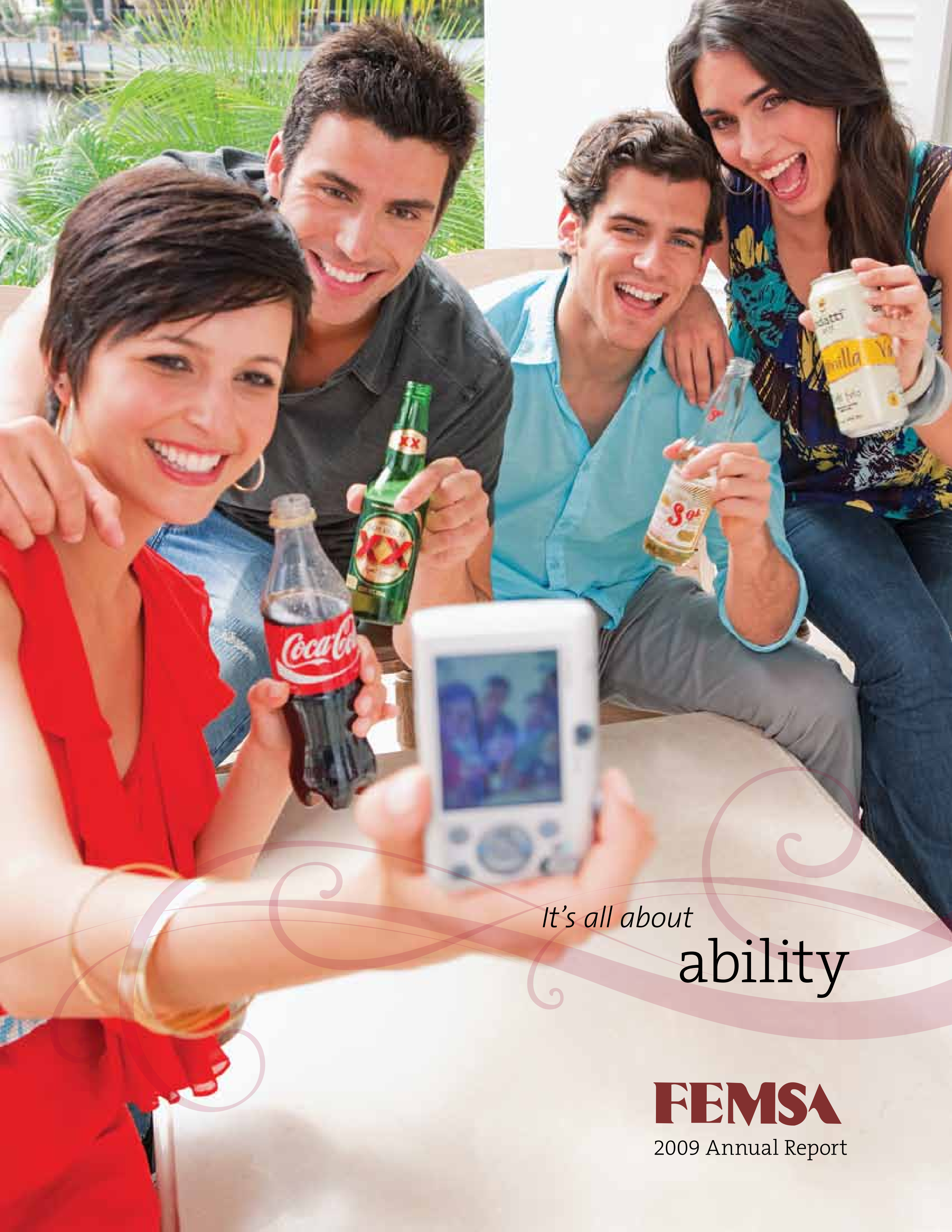


It's all about
ability

FEMSA

2009 Annual Report

We have the ability, *and we are capitalizing on it for our shareholders.*

This year, FEMSA surged forward in the face of almost unparalleled economic headwinds. The ability of our talented team to produce outstanding results was vividly on display.

We capitalized on strategic opportunities, we strengthened our competitive position, and we invested wisely in our brands. We used our commercial intelligence to identify, evaluate, and target clear market segments, and we tailored an innovative array of products and processes to suit and satisfy our customers' and consumers' ever-changing needs.

Our dedicated managers and passionate employees will continue to enhance our ability to pursue the creation of value for our stakeholders, in good times and in bad times.

Dear Shareholder:

FEMSA's Transformative Transaction

Our recent agreement to exchange our beer business for a 20 percent economic interest in Heineken underscores our ability to capitalize on strategic industry opportunities that create compelling value for our company and our shareholders. After a well thought out, almost two-year process—analyzing, exploring, and developing alternatives for our beer business—Heineken presented us with the most compelling opportunity to transform our brewing assets.

Given the ongoing reconfiguration of the global beer industry and the resulting need to increase scale and geographic reach to compete effectively, this transaction successfully transforms FEMSA's beer operations into an integral part of Heineken's leading global platform. Heineken has the footprint, scale, brand-building and innovation capabilities, as well as the only truly global beer brand, to compete and win on a global scale. Moreover, we expect FEMSA Cerveza will contribute significantly to Heineken's success globally and in Mexico particularly.

This US$7.4 billion transaction unlocks the significant value that our company has created over the past decade. The value that we will realize from this transaction is a direct result of our success in strengthening FEMSA Cerveza's competitive position, brand portfolio, and operational capabilities. Additionally, the transaction will

enhance our company's potential for long-term value creation. Our shareholders will continue to benefit from strong growth prospects in the global brewing space, as well as improved diversification across markets.

Upon its completion, this transaction will also significantly increase our corporate and financial flexibility. We will use this flexibility to pursue the significant growth opportunities that we see for Coca-Cola FEMSA and OXXO.

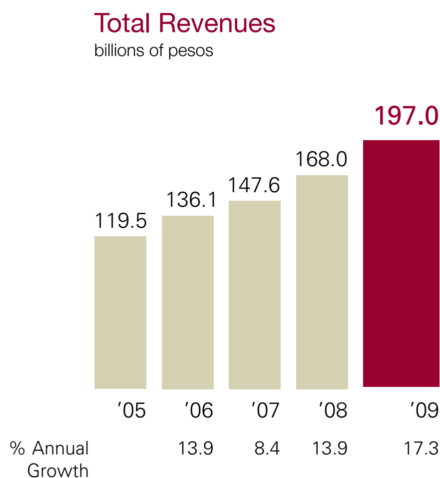
FEMSA's 2009 Results, Business Highlights

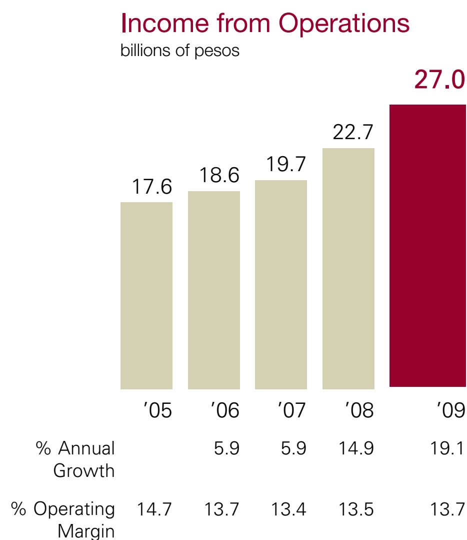
This truly transformative agreement marks the culmination of an exceptional year. In the face of an extraordinarily challenging global economic environment, our results met and exceeded our expectations. For the full year, our total revenue rose 17.3 percent to Ps. 197.0 billion (US$15.1 billion). Our income from operations grew 19.1 percent to Ps. 27.0 billion (US$2.1 billion). Our net income increased 62.6 percent to Ps. 15.1 billion (US$1.2 billion). Our earnings per unit were Ps. 2.77 (US$2.12 per ADS), up 48 percent from 2008.

I will now briefly review some of the year's highlights for each one of our three businesses.

Amid an extremely challenging economic and consumer environment—with a concurrent contraction in Gross Domestic Product (GDP)—Coca-Cola FEMSA generated strong top- and bottom-line results for the year. In 2009, our total revenues grew 23.9 percent to Ps. 102.8 billion, and our income from operations increased 15.6 percent to Ps. 15.8 billion. The main pillars of our exceptional performance during the year were our diversified portfolio of franchise territories, the wide array of value alternatives that we offered to our consumers, and the innovative beverages that we developed in new categories.

During the year, Coca-Cola FEMSA generated significant cash flow. This enabled us to advance on many fronts: we reduced our net debt; we financed our share of the Brisa water business acquisition in February; we paid dividends to our shareholders in April; and we strengthened our cash position for the year. Additionally, in February, 2010, we successfully issued a 10-year Yankee bond in the amount of US$500 million at the lowest yield ever for a Mexican issuer. This transaction underscored Coca-Cola FEMSA's solid fundamentals, investment-grade credit rating, and ability to access international





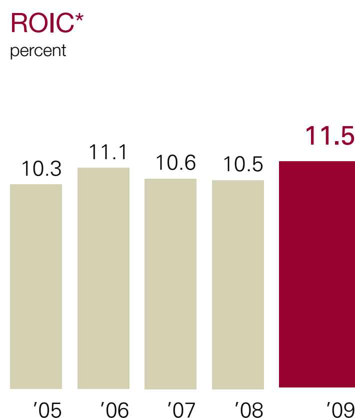
markets at very attractive rates. The proceeds from this issuance will be used to refinance and extend our debt maturity profile.

In 2009, we undertook strategic revenue-management initiatives, which enabled us to compensate for higher raw material costs due to the devaluation of our divisions' local currencies versus the U.S. dollar and increased local inflation. In addition to these initiatives, our results reflected the strong volume growth of the sparkling beverage category across our divisions and the accelerated growth of the still beverage category across our territories, supported by the Jugos del Valle joint venture platform with The Coca-Cola Company.

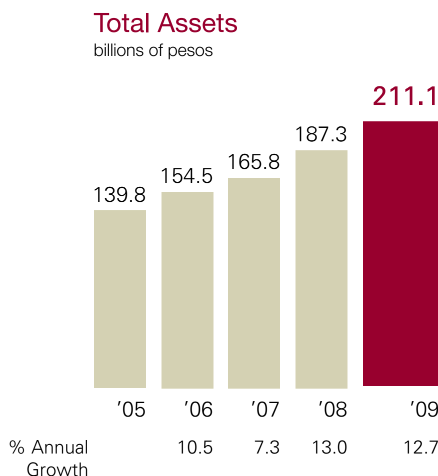
Our Mexico division's total revenues rose 8.8 percent to Ps. 36.8 billion, mainly driven by incremental volume growth—a very positive result given an almost 7 percent decline in GDP. Despite gross margin pressures derived from the effect of the devaluation of the Mexican peso on our U.S. dollar-denominated raw material costs and increased marketing support for our still beverage category, our operating income increased 2.0 percent to Ps. 6.8 billion.

Over the past year, we have bolstered our marketplace initiatives to support the growth of our Mexico division, increasing the availability of brand *Coca-Cola* in returnable multi- and single-serve presentations and providing our sparkling beverages to consumers at attractive price points. Moreover, as a result of the innovations derived from the Jugos del Valle platform, we have been able to considerably expand our still beverage category, while investing our marketing resources to capture future growth opportunities in this segment.

Coca-Cola FEMSA's Latincentro division's total revenues increased by more than 37 percent to Ps. 38.4 billion in 2009. The integration of Brisa, the growth of our sparkling beverage portfolio across the division, and the strong performance of our still beverage portfolio in Colombia and Central America contributed to our volume growth. Our Latincentro division's income from operations grew close to 30 percent to Ps. 4.8 billion. The division's higher revenues partially compensated for increased operating expenses related to higher marketing investments—which supported the continued expansion of the Jugos del Valle line of beverages in Colombia and Central America and



*Based on EVA® methodology as per Stern, Stewart & Co.



the integration of the Brisa water brand in Colombia—and increased labor costs in Venezuela.

In Coca-Cola FEMSA's Mercosur division, we have built a total beverage portfolio. This portfolio capitalizes on the value alternatives that our sparkling beverage category presents to consumers, and the opportunities that the Jugos del Valle platform provides in the underdeveloped still beverage category. The division's total revenues grew 30 percent to Ps. 27.6 billion. Despite important price increases implemented across the division, we increased volumes by 9.3 percent, including the acquisition of the REMIL franchise territory. Our Mercosur division's income from operations increased more than 27 percent to Ps. 4.2 billion. Operating leverage—driven by higher revenues—partially compensated for gross margin pressures related to the devaluation of the division's local currencies applied to our U.S. dollar-denominated raw material costs, increased sweetener costs in Brazil, and higher labor and freight costs in Argentina.

At FEMSA Cerveza, we exceeded expectations, delivering top- and bottom-line growth despite the global economic downturn—which particularly affected northern Mexico and the United States. For the year, our total revenues rose 9.3 percent to Ps. 46.3 billion, and our income from operations increased 9.3 percent to Ps. 5.9 billion. Among other factors, our performance reflected resilient consumer demand, robust pricing, the strength and effective management of our brands, and our broad expense-containment initiatives in Mexico and Brazil.

In Mexico, we experienced a positive break in the correlation between our sales volumes and GDP, as beer consumption showed remarkable resiliency during the high single-digit contraction in the country's GDP—which was accentuated in the north. During the year, we were able to increase our pricing to partially compensate for a prolonged period of high raw material costs. These increases, along with the modest growth of our domestic sales volumes, allowed us to increase our Mexico beer revenues by 4.6 percent year over year.

In Brazil, our increased revenues, coupled with our sustained expense-containment initiatives, enabled us to achieve operating breakeven for the year. In 2009, our strong pricing compensated for our lower sales volumes. Consequently, our Brazil beer revenues rose 16.4 percent from 2008.

Our beer exports worldwide delivered solid 2.6 percent volume growth, driven mainly by our *Dos Equis* and *Tecate* brands in the United States and by our *Sol* brand in other key international markets. In the important U.S. market, despite the exceptionally challenging economic environment, we generated low single-digit volume growth in a year when the overall import category contracted considerably. This growth came from the improved distribution and brand positioning of *Dos Equis*—which generated high double-digit volume growth for the year—along with the continued popularity of *Tecate* among U.S. consumers.

Innovation played a key role in the success of our beer business again this year. Through our extensive consumer and market research, we developed innovative new products, presentations, partnerships, and promotional campaigns that enabled us to attract new customers and strengthen our brands' market position. In Mexico, we launched two new editions of our premium *Bohemia* brand: *Bohemia Weizen*, the first wheat beer in the country; and *Bohemia Cavha,* a limited edition artisanal chocolate stout beer for the gourmet consumer. Also, we rolled out new primary and secondary packaging of *Indio* across Mexico. Furthermore, we partnered with the Harley Davidson Motor Company to promote the attributes of two great iconic brands—*Tecate* and *Harley Davidson*—among Mexico's consumers.

Additionally, we commissioned the world-renowned photographer David LaChapelle to develop the image of a new advertising campaign for *Dos Equis Lager,* including a special edition non-returnable bottle and six-pack.

In the U.S., the national rollout of the standout "Most Interesting Man in the World" campaign captured the imagination—and stimulated the tastes—of American consumers for *Dos Equis.* As a result of the integrated campaign's dramatic success, *Dos Equis* is uniquely positioned to capitalize on a host of national media and big-ticket events such as the NBA playoffs. *Tecate* also benefited from its ongoing brand-building initiatives in the U.S. and Mexico, including its award-winning advertising, commemorative packaging, and sponsorship of major sports events.

Indeed, through our continuing brand-building initiatives, the sales volume of our *Tecate* brand family reached more than 13 million hectoliters in 2009—making *Tecate* one of the top 20 selling brands in the world and the fastest-growing brand in the Americas. In Mexico, the brand strengthened the loyalty among our consumers in the north and northwest and attracted new consumers in territories where we are gradually penetrating the market. *Tecate Light* also remained very popular among young adults, underscoring its strong brand equity and long-term growth prospects.

For its part, FEMSA Comercio posted another remarkable year amid an exceptionally challenging economic environment. In 2009, our total revenues rose 13.6 percent, and our income from operations grew more than 25 percent for the 8th consecutive year. Consequently,

our operating margin expanded 180 basis points year over year.

On the one hand, our significant top-line growth came from our ongoing store expansion and our comparable same-store sales growth. On the other hand, our considerable bottom-line growth mainly resulted from our more effective collaboration and execution with our key suppliers and partners—combined with the more efficient use of promotion-related marketing resources—our improved mix of higher margin products and services, our broad expense-containment initiatives at our stores, and to a lesser extent, the final stages of the consumer shift to electronic recharges. Thanks to our strong corporate culture of excellence, we are well positioned for continued growth.

In 2009, we continued to build on OXXO's leadership position as Mexico's largest and fastest growing modern convenience store chain, opening 960 new stores for a total of 7,334 across the country. We also began to expand OXXO's geographic reach beyond Mexico, with our opening of 5 new stores in Bogota, Colombia. Currently, we are developing our understanding of the Colombian consumers' preferences and practices, so we can adapt these stores to serve their distinctive needs, identify the appropriate value proposition, and then proceed to expand our presence in that important market.

During the year, we drew even more shoppers to our stores and increased our average sales per store through our continually improving value proposition. On top of our convenient range of one-stop services, from mortgage and utility payments to purchases of low-cost airline tickets and electronic airtime recharges, we offered consumers a growing array of higher margin products, including our specialty beverage and fresh fast-food offerings. For example, we are now the top purveyor of freshly brewed coffee in Mexico mainly through our proprietary *andatti* brand coffee. In response to growing demand, we also provided consumers with the flexibility and convenience of paying for their purchases with credit or debit cards at any OXXO store across Mexico—which should foster our same-store traffic and average ticket going forward.

As OXXO has grown, its positive brand recognition has grown as well. OXXO has become a household name across Mexico. OXXO's strong brand recognition not only fosters our same-store traffic, but also accelerates the success of our new stores among consumers in new market locations.

Today, the success rate of our new store openings remains at an all-time high. This highlights our continually improving capacity to identify and launch new stores rapidly and profitably. Our proprietary models help us to identify appropriate store locations, store formats, and product categories. These models use location-specific demographic data and our knowledge of similar locations to tailor the store's layout, as well as its product and service offerings. In this way, OXXO is increasingly a part of the lives of consumers across Mexico and beyond—serving and satisfying their daily needs.

The number of transactions carried out at OXXO—more than 5 million a day and more than 2 billion a year—means that the chain continues to secure its position as the pre-eminent choice for consumer interface in Mexico. This increases its attractiveness for potential service-provider partners who seek a network of outlets that bring them in contact with the Mexican consumer at a regional or national level.

Given the relatively low penetration of the OXXO format across the vast majority of Mexico, we will continue our aggressive store expansion going forward, while we test the OXXO platform beyond Mexico.

In addition to our business results, we are committed to sound corporate governance practices. We comply with all applicable legal standards—including those set forth

2009 Financial Highlights

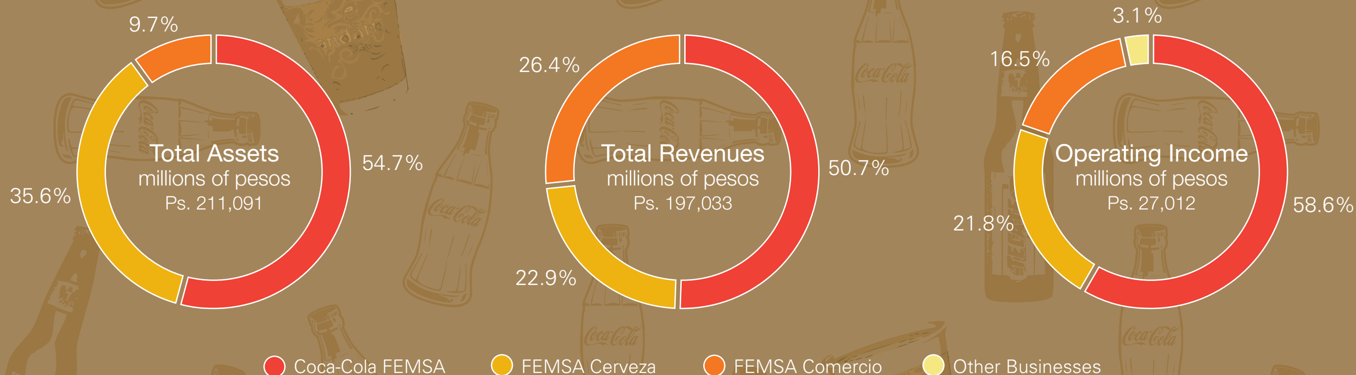
Millions of 2009 pesos	US$ millions 2009[1]	2009	2008[2]	% Change	2007	% Change
Total revenues	$15,090	Ps. 197,033	Ps. 168,022	17.3	Ps. 147,556	13.9
Income from operations	2,069	27,012	22,684	19.1	19,736	14.9
Net income	1,155	15,082	9,278	62.6	11,936	(22.3)
Net controlling interest income	759	9,908	6,708	47.7	8,511	(21.2)
Net noncontrolling interest income	396	5,174	2,570	101.3	3,425	(25.0)
Total assets	16,166	211,091	187,345	12.7	165,795	13.0
Total liabilities	7,296	95,262	90,450	5.3	76,142	18.8
Stockholders' equity	8,870	115,829	96,895	19.5	89,653	8.1
Capital expenditures	1,009	13,178	14,234	(7.4)	11,257	26.4
Book value per share[3]	0.35	4.56	3.85	18.4	3.61	6.7
Net income per share[3]	0.04	0.55	0.38	44.7	0.48	(20.8)
Personnel[4]		127,179	122,981	3.4	105,020	17.1

(1) U.S dollar figures are converted from Mexican pesos using the noon-buying rate published by Federal Reserve Bank of New York, which was Ps. 13.0576 per US$1.00 as of December 31, 2009.

(2) Data in Mexican pesos based on outstanding shares of 17,891,131,350.

(3) Beginning in 2008, we discontinued inflation accounting for our subsidiaries in Mexico, Guatemala, Panama, Colombia and Brazil. 2008 figures for these are in nominal pesos. For the rest of our subsidiaries in Nicaragua, Costa Rica, Venezuela and Argentina, we applied inflation accounting during 2008.

(4) 2009 and 2008 figures include third-party employees from FEMSA Cerveza.



in the Mexican Securities Market Law and the applicable provisions for foreign issuers in the U.S. Sarbanes-Oxley Act—and pursue a culture of transparency, accountability, and integrity.

Importantly, we are dedicated to our talented team of employees, who are the foundation for our past, present, and future success. We are committed to the personal and professional development of quality people at all levels of our organization. We offer proprietary training programs and tools to advance the capabilities of all of our people. We also foster the cross-fertilization and growth of our company's shared pool of knowledge and skills through the exchange of our executives among our international operations network.

FEMSA Going Forward

Going forward, once the transaction with Heineken closes, we will be uniquely positioned to create significant value for our shareholders through our company's investment in three fantastic brands: *Coca-Cola, Heineken,* and *OXXO.* We expect that Coca-Cola FEMSA will achieve sustained growth and leadership through further consolidation of the regional Coca-Cola bottling system and increased development of the non-alcoholic beverage business. We also anticipate growth in OXXO's store base in Mexico—while we further test, adapt, and tailor it to the needs of other markets—as we focus on improving the business's value proposition in order to drive same-store sales and expand margins. We will further benefit from our significant participation in the growth of Heineken, the leading premium global brewer.

Nevertheless, at a time of economic stress, when the public sector seeks additional revenues, we are mindful of the threat arising from governmental tax policy, including the excise tax on beer in Mexico, and its corresponding effect on our business environment.

We are confident that we have the talent and the expertise to continue on our growth trajectory by continuously improving our operational excellence in both the retail and non-alcoholic beverage areas and successfully capitalizing on the opportunities in these businesses. Our expanded partnership with Heineken will only serve to enhance this growth potential by enabling further cooperation between our respective areas of expertise.

We see a tremendously bright future for our company, driven by the two most iconic global beverage brands in the world, *Coca-Cola* and *Heineken,* and a leading regional retail distribution platform—which is a tremendous brand in its own right. On behalf of the more than 127,000 dedicated men and women across FEMSA, we thank you for your continued support. We welcome the opportunity to keep delivering on our promise to you now and into the future.

José Antonio Fernández Carbajal
Chairman of the Board and Chief Executive Officer

Sol.

Our superior value proposition, innovative marketplace execution, and talented team of professionals combine to create a strong competitive position now and into the future. We partner with our customers to achieve the optimal experience for each consumer on every occasion.

TECATE

Ps. 197.0 billion
2009 total revenue

9 countries
our products are produced

+127,000
employees worldwide

45
manufacturing plants

7,334
stores

Total Revenues

23%

Coca-Cola FEMSA

Coca-Cola FEMSA total revenues and income from operations increased 23.9% and 15.6%, respectively. Strong growth in Latincentro and Mercosur, as well as more tempered growth in Mexico, drove these results. The Company grew organically through our defensive portfolio of products as exemplified by the solid performance of the *Coca-Cola* brand, and our new lines of business, such as *ValleFrut* in the orangeade category, proving to be counter-cyclical to the prevailing economic conditions.

9%

FEMSA Cerveza

FEMSA Cerveza total revenues increased 9.3%, mainly as a result of increases in average price per hectoliter across all our operations in local currencies. Income from operations increased 9.3%, as a result of top-line growth combined with operating expense containment offsetting continued raw material cost pressures.

13%

FEMSA Comercio

FEMSA Comercio income from operations increased 44.8%, reaching an all-time-high operating margin of 8.3% and resulting in 180 basis points of expansion. For the 8th consecutive year, income from operations increased over 25%, driven by the opening of 960 new stores during the year and a 1.3% increase in same store sales.

Coca-Cola®

Results reflect continually improving

Capability

Coca-Cola
zer

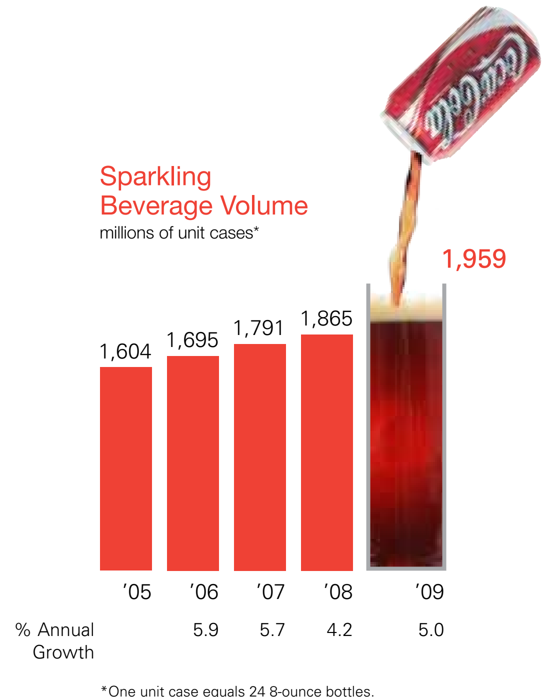
Coca-Cola FEMSA

Our talented team of professionals, our balanced geographic portfolio of franchise territories, our strong multi-category portfolio of products and presentations, our superior marketplace execution, and our new avenues of growth provide us with a powerful platform for sustainable value creation.

We offer our clients and consumers one of our industry's most complete portfolios of beverages.

In 2009, despite one of the most challenging global economic environments in recent history, our company demonstrated the defensive strength of our business profile. The main pillars of our exceptional performance during the year were our diversified portfolio of franchise territories, the wide array of value alternatives that we offered to our consumers, and the innovations that we developed in new categories. For the year, our total revenues grew 23.9 percent to Ps. 102.8 billion, and our income from operations increased 15.6 percent to Ps. 15.8 billion.

In 2009, we undertook strategic revenue-management initiatives, which enabled us to compensate for the devaluation of our operations' local currencies as applied to our U.S. dollar-denominated raw material costs and increased inflation. In addition to these initiatives, our results reflected the strong volume growth of the sparkling beverage category across our divisions and the accelerated growth of the still beverage category across our territories, supported by our Jugos del Valle joint venture platform with The Coca-Cola Company.



Major Market Performance Highlights

In our Mexico division, we offer our clients and consumers one of our industry's most complete portfolios of beverages in the world. Thus, we are able to target diverse consumption occasions successfully through our different beverage categories and presentations, while outperforming our industry under tough economic conditions.

Over the past year, we have bolstered our marketplace initiatives to support the growth of our Mexico division. Among our commercial initiatives, we have increased the availability of brand *Coca-Cola* in returnable multi- and single-serve presentations, providing our sparkling beverages to consumers at attractive price points, and we have enhanced our execution across our franchise territories. Moreover, as a result of the innovation derived from the Jugos del Valle platform, we have significantly expanded our still beverage category lineup, while investing our marketing resources to capture future growth opportunities in this segment.

In 2009, our Mexico division delivered 6.8 percent volume growth. Brand *Coca-Cola* in multi- and single-serve presentations drove the growth of the sparkling beverage category, which accounted for more than 40 percent of the division's incremental volumes for the year.

15.6%

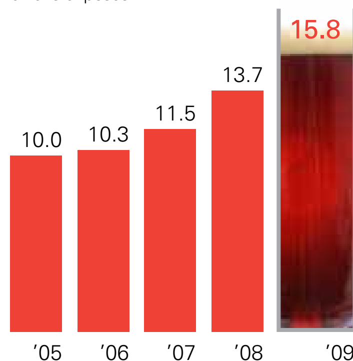
income from operations growth

Our revenues reflect the strong volume growth of the sparkling beverage category across our divisions and the accelerated growth of the still beverage category across our territories.

Driven mainly by the Jugos del Valle beverage portfolio, the still beverage category grew more than 80 percent during the year, reaching more than 62 million unit cases. Our innovative *Valle Frut* product line accounted for close to 90 percent of the incremental volume growth in this category, helping us to rapidly consolidate our leadership position in Mexico's orangeade segment. Our water business, in both the single-serve and bulk water categories, grew more than 6 percent for the year.

Our Latincentro division has evolved to become an important driver of our company's growth. Over the past 18 months, we have expanded the various beverage categories in which we participate and reinforced our position in the water segment through the joint acquisition of the Brisa bottled water business in Colombia. Additionally, we undertook revenue-management initiatives over the past year, which enabled us to compensate for the devaluation of our division's local currencies versus the U.S. dollar, higher raw material costs, and increased inflation.

Income from Operations
billions of pesos



	'05	'06	'07	'08	'09
% Annual Growth		2.8	11.6	19.2	15.6
% Operating Margin	16.8	16.1	16.6	16.5	15.4

In 2009, our Latincentro division posted 10.4 percent volume growth. This increase resulted from the integration of Brisa, the growth of our sparkling beverage portfolio across the division, and the strong performance of our still beverage portfolio in Colombia and Central America.

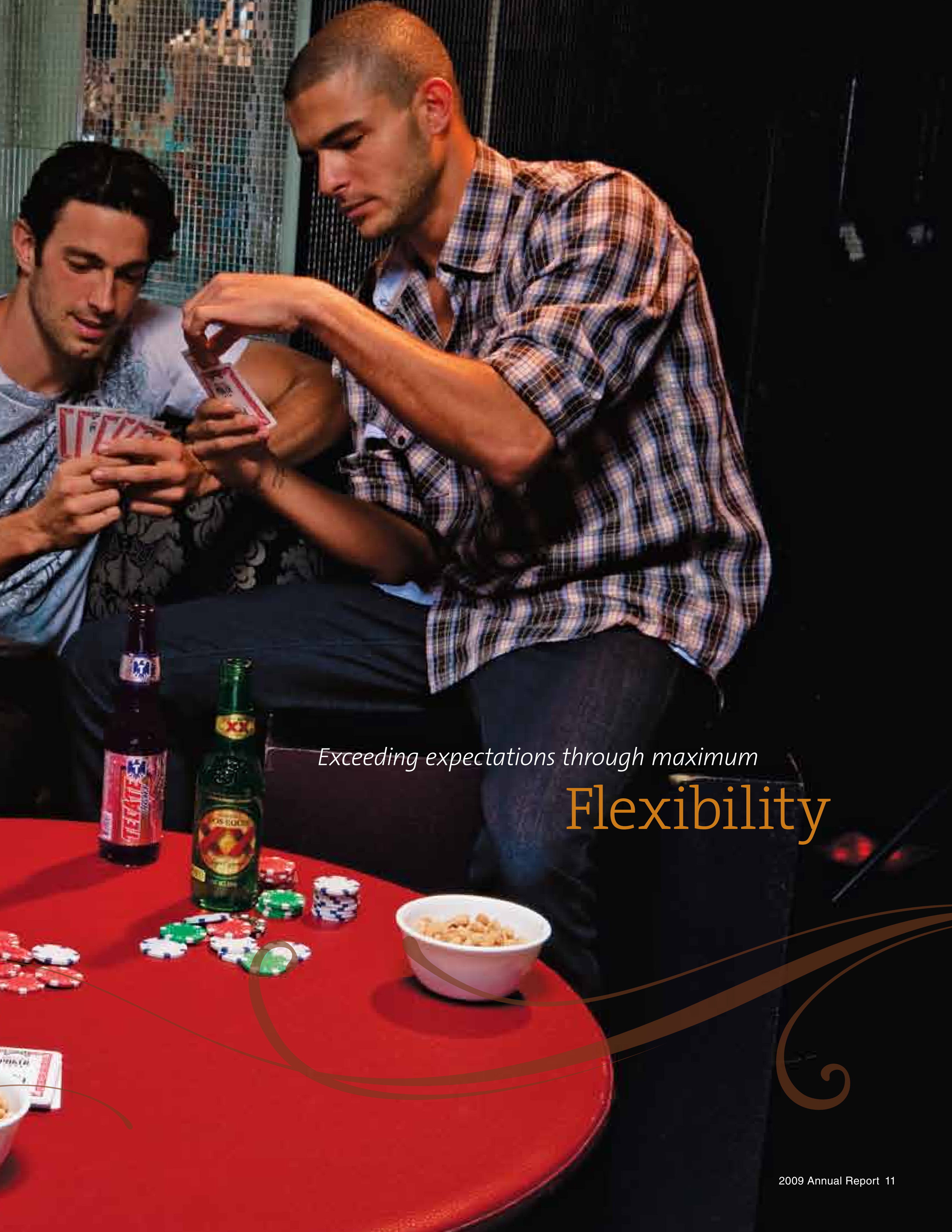
In our Mercosur division, we have built a total beverage portfolio, which capitalizes on the value alternatives that our sparkling beverage category presents to consumers and the opportunities in the underdeveloped still beverage category available through the Jugos del Valle platform.

Despite high single-digit price increases implemented over the past year in Brazil and Argentina, in 2009, our Mercosur division's volume increased 9.3 percent, including the acquisition of the REMIL franchise territory. Excluding this acquisition, our volumes in the division grew 1.3 percent. This increase resulted from the more than 60 percent growth of the still beverage category—which was mainly driven by the integration of the Jugos del Valle line of beverages in Brazil and the strong performance of *Aquarius*, our flavored water brand, in Argentina.

Last year was difficult for everyone. Our company's strong results came from our firm conviction to maximize the value potential of our multinational portfolio of assets. Once again, 2010 presents opportunities and challenges for us all. Our operating and financial flexibility positions our business to continue growing in one of the most dynamic and attractive regions in the world, Latin America.

We target diverse consumption occasions successfully through our different beverage categories and presentations.

del Valle
75%
still beverage-volume growth



Exceeding expectations through maximum

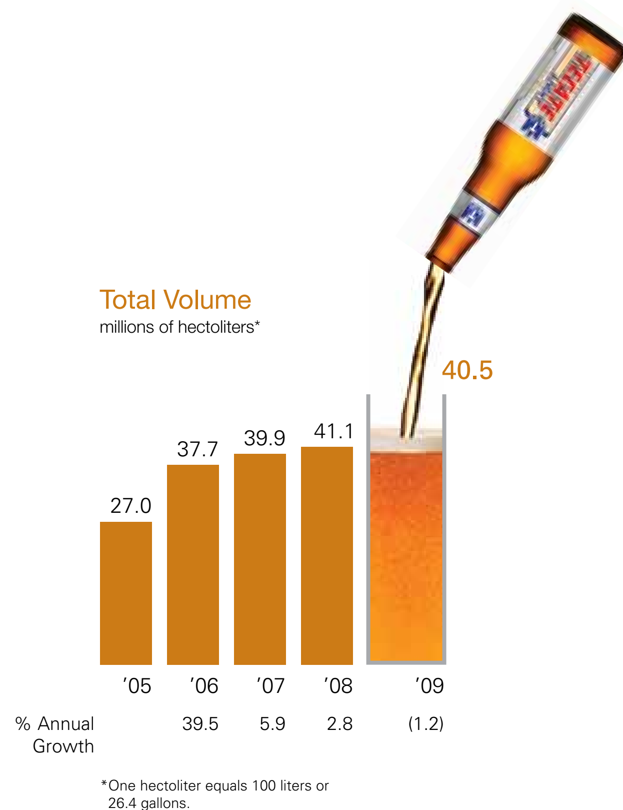
Flexibility

FEMSA Cerveza

Our strong, differentiated portfolio of brands, our innovative segmentation strategies, our broad expense-containment initiatives, and our increasingly efficient ways to go to market serve our customers' and consumers' distinctive needs, while delivering solid growth in a complex environment.

Our balanced portfolio of brands offers a range of alternatives to satisfy consumers' preferences.

In the face of contracting economic activity—particularly in northern Mexico and the United States—FEMSA Cerveza exceeded expectations in 2009, delivering top- and bottom-line growth. For the year, total revenues increased 9.3 percent to Ps. 46.3 billion, and income from operations increased 9.3 percent to Ps. 5.9 billion. Among other factors, the business's performance benefited from resilient consumer demand, robust pricing, the strength and effective management of our brands, and our broad expense-containment and productivity initiatives in Mexico and Brazil.



Major Market Performance Highlights

In Mexico, we witnessed an affirmative break in the correlation between our sales volumes and GDP, as beer consumption showed remarkable resiliency during a high single-digit contraction in the country's GDP, more accentuated in the north. During the year, we were able to increase our pricing to partially offset a prolonged period of high raw-material costs. These increases enabled us to improve our Mexico beer revenues by 4.6 percent year over year.

In both the light and dark beer subcategories, we once again delivered strong growth. In the former, *Tecate Light* advanced its position as Mexico's clear market leader—attracting new consumers to the light beer segment. In the latter, *Indio* continued to increase its market share and consolidate an increasingly important position in the dark beer segment.

In Brazil, our sales volumes decreased 1.3 percent to 10 million hectoliters. Strong pricing, however, compensated for our lower sales volumes. As a result, our Brazil beer revenues were up 16.4 percent in nominal terms from 2008. For the year, we increased revenues, continued expense-containment initiatives, and achieved better operating profitability in Brazil as a result of our growth of scale.

With our successful re-launch of *Bavaria* in 2008, we achieved an even stronger, balanced portfolio of brands in Brazil. We offer a range of alternatives to satisfy consumers' different preferences, from *Heineken* and *Xingu* to *Sol* to *Kaiser* and *Bavaria*.

Our beer exports delivered 2.6 percent volume growth, driven mainly by our *Dos Equis* and *Tecate* brands in the United States and by our *Sol* brand in other key international markets. In the U.S., despite the exceptionally challenging economic environment, we generated volume growth in a year when the overall import category contracted significantly. This growth came from the improved distribution and brand positioning of *Dos Equis*—which generated 18.4 percent volume growth for the year—along with the continued popularity of *Tecate* among consumers in the U.S.

9.3%

income from operations growth

Resilient consumer demand, robust pricing, the strength and effective management of our brands, and our broad expense-containment and productivity initiatives drove our performance.

Our innovative new products, presentations, partnerships, and promotions attract new consumers and strengthen our brands.

In 2009, *Dos Equis* captured the imagination—and stimulated the tastes—of American consumers through the national rollout of the standout "Most Interesting Man in the World" campaign, created together with Heineken USA. As a result of the momentum generated by the integrated campaign's dramatic success, *Dos Equis* is well-positioned to capitalize on a host of national media and big-ticket events such as the NBA playoffs.

Tecate also benefited from its ongoing brand-building initiatives in the U.S., including its award-winning advertising, commemorative packaging, and sponsorship of various championship boxing events. For example, in the third quarter of 2009, *Tecate* partnered with Top Rank to sponsor the welterweight world-title bout between Filipino star Manny Pacquiao and three-time world champion Miguel Cotto. Billed as "the biggest fight of the year," the event resonated not only with our consumers, but also with boxing fans around the world.

Bohemia highlighted our product innovation agenda in 2009, with the launches of *Bohemia Weizen* and *Bohemia Cavha* achieving industry-surpassing brand growth.

Continuous Innovation and Brand Development

As illustrated by the effective marketing of *Dos Equis* and *Tecate* in the United States, innovation is a key to the long-term success of our business. Through our extensive consumer and market research, we develop innovative new products, presentations, partnerships, and promotional campaigns that enable us to attract new consumers and strengthen our brands' market position.

During the year, we successfully launched two new editions of our premium *Bohemia* brand in Mexico. In August, we introduced *Bohemia Weizen*, the first wheat beer in the country. Inspired by the finest European brewing traditions, *Bohemia Weizen* is a completely new concept in Mexico's super-premium beer category. In November, we presented our limited edition *Bohemia Cavha*, an artisanal chocolate stout beer for the gourmet consumer. Also, from October 17 through November 30, we launched new primary and secondary packaging of *Indio* across Mexico. The dark beer's new label is designed to communicate and build the essence of the brand's personality, "satisfaction in the search," with domestic consumers. Furthermore, in the U.S., we introduced new primary and secondary packaging of *Tecate* and *Tecate Light*, designed to reflect the brand's boldness among consumers across the country. The new designs are completely aligned with the brands' current packaging in Mexico, establishing a visual identity among Mexican consumers in the U.S.

In 2009, we continued to foster the development of our brands. Among our important brand-building campaigns, we partnered with the Harley Davidson Motor Company to promote the attributes of two great iconic brands—*Tecate* and *Harley Davidson*—among Mexico's consumers. With a minimal purchase of a six pack of *Tecate* at retail and convenience stores, customers registered their purchase on the *Tecate-Harley Davidson* website and answered a trivia question to accumulate points. The consumer with the most accumulated points won one of 34 *Harley Davidson* motorcycles. Additionally, we commissioned the world-renowned photographer David LaChapelle to develop the image of a new advertising campaign for *Dos Equis Lager*, including a special edition non-returnable bottle and six-pack. The exclusive collaboration between

LaChapelle and *Dos Equis Lager* exemplifies the cutting-edge style, innovation, and sophistication of this premium beer among Mexican consumers, strengthening its position in the artistic world.

During the year, we earned a Bronze EFFIE award for the effectiveness and success of our "Por ti" ("For you") advertising campaign for our *Tecate* brand. The EFFIEs are one of the Mexican marketing and advertising industry's most important awards. Among other attributes, they recognize the creativity, strength, and teamwork that are hallmarks of our business. Our U.S. campaigns also received international recognition. The "Most Interesting Man in the World" campaign for *Dos Equis* won a Gold EFFIE award in the U.S. and a Bronze award in Cannes. Moreover, three Spanish-language advertising campaigns for *Tecate Light* and *Tecate* were recognized for their strategic thinking and powerful and impactful creative expression at the 11th annual Hispanic Creative Advertising Awards. Honoring the best Hispanic-targeted advertising in the U.S., *Tecate Light*'s "Papás" campaign and "Medias de Seda" television spot earned Gold Awards, while *Tecate*'s "Disclaimer" radio spot received a Silver Award.

Through our continuing brand-building initiatives, our *Tecate* brand family's total sales volume reached more than 13 million hectoliters in 2009. As a result, *Tecate* remains one of the top 20 selling brands in the world and the fastest-growing brand in the Americas.

Operating Efficiency and Cost Reduction Programs

In light of the tough macro- and microeconomic environment, we took decisive actions to continue adjusting our levels of spending to current market dynamics. These actions included the implementation of aggressive efficiency programs to improve our cost structure; the rationalization of our marketing spending in certain brands in certain markets—without jeopardizing the gains that we have made in recent years; the proactive management of our packaging mix to more affordable returnable presentations; the reduction of our labor costs as a percentage of sales; and the maximization of our flexibility to align our business strategy—including our marketing, sales, and capital expenditure programs—with the rapidly evolving and challenging operating environment.

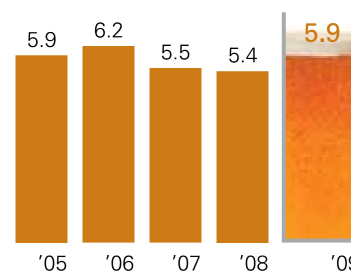
Additionally, to serve the distinctive requirements of each of our clients, we continued to identify, develop, and deploy more cost-efficient ways to go to market, combined with innovative segmentation and product portfolios. In 2009, more than 58 percent of our sales came through alternative client-service models, including electronic and telephone ordering.

As a result of our efforts, selling and administrative expenses were well contained throughout the year, helping us to offset the significant pressure at the gross margin level, and to achieve stable operating margins for the year—remarkable accomplishments in such a complex environment.

Indio's new image is designed to communicate and build the essence of the dark beer brand's personality—"satisfaction in the search"—among Mexico's consumers.

Income from Operations

billions of pesos



	'05	'06	'07	'08	'09
% Annual Growth		5.6	(11.5)	(1.9)	9.3
% Operating Margin	19.7	16.4	13.9	12.7	12.7

Coca-Cola
COMPRA
2
Coca-Cola
Sprite
regular, light, zero
o sabores
600 ml

amo la ecología

Growth built on

Profitability

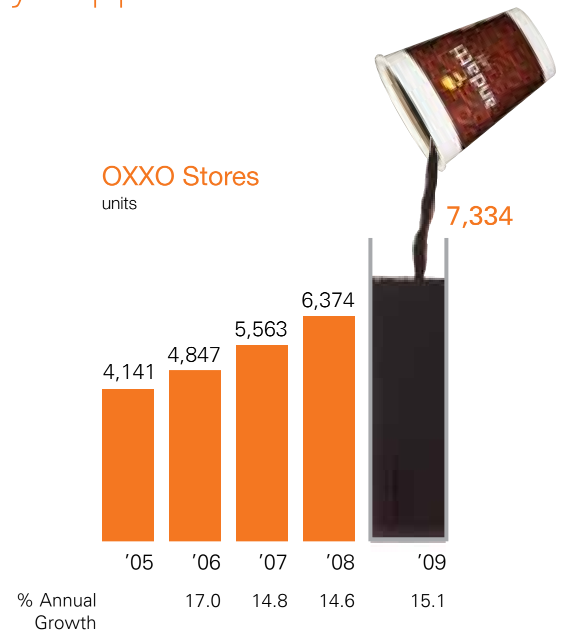
FEMSA Comercio

OXXO—Mexico's largest and fastest growing modern convenience store chain—is increasingly a part of the lives of consumers across the country and beyond, satisfying their daily needs with a continually growing array of products and services.

Oxxo's strong brand recognition fosters our same-store traffic, expedites the success of our new stores among consumers in new markets, and enables us to work better with our key suppliers.

Amid an extraordinarily challenging economic environment, FEMSA Comercio again produced another good year. Total revenues rose 13.6 percent to Ps. 53.5 billion. Income from operations surged 44.8 percent to Ps. 4.5 billion. As a result, operating margin expanded 180 basis points year over year to 8.3 percent of total revenues, surpassing the double-digit threshold.

Among other factors, our significant revenue growth came from our continued store expansion and our comparable same-store sales growth, in turn driven by better category management and our increased availability of products and services. Our considerable operating margin growth largely reflected our revenue management, our broad cost-containment initiatives across the organization and at the store level, and our improved mix of higher margin products and services; for example, we are now the top vendor of freshly brewed coffee in Mexico mainly through *andatti*, our proprietary coffee brand.



Positive Strategic Growth

Building on our leadership position as Mexico's largest and fastest growing modern convenience store chain, in 2009, we surpassed the 7,300-store mark, opening 960 new OXXO stores across Mexico. We also began our foray into international markets, closing 2009 with 5 new stores in Bogota, Colombia. Currently, we are building our understanding of the Colombian consumers' preferences and practices, so we can adapt these stores to serve their distinctive needs, find the right value proposition, and then proceed to grow our footprint in that important market.

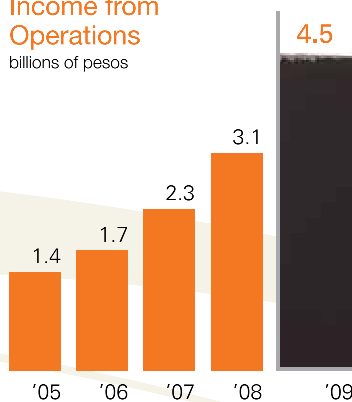
As we grow, the positive brand recognition of OXXO continues to grow as well. In 2009, the OXXO brand enjoyed a more than 96 percent recognition rate among Mexican consumers nationwide. OXXO's strong brand recognition not only fosters our same-store traffic, but also expedites the success of our new stores among consumers in new market locations and enables us to work better with our key suppliers.

Today, the success rate of our new store openings remains at an all-time high. This underscores our continually improving capacity to identify and launch new stores rapidly—and profitably. Our proprietary models help us to identify appropriate store locations, store formats, and product categories. These models use location-specific demographic data and our knowledge of similar locations to tailor the store's layout, as well as its product and service offerings, to suit the target market.

44.8%
operating income growth

Our bottom-line growth reflects our effective revenue management, our broad cost-containment initiatives, and our improved mix of higher margin products and services.

We began our foray into international markets with 5 new stores in Bogotá, Colombia.



	'05	'06	'07	'08	'09
% Annual Growth		22.7	39.2	32.6	44.8
% Operating Margin	4.4	4.5	5.5	6.5	8.3

We also continue to progress with the market segmentation and differentiation of our store formats. Based on our consumer intelligence, we are developing the framework for three main types of stores, segmented by their demographic and special needs and differentiated by their layout and product mix, which are particularly designed to serve residential neighborhoods, business and industrial areas, and multi-purpose locations.

Improving Value Proposition

We continually look to improve the value proposition for our consumers. In addition to our growing array of products—including our specialty beverage and fresh fast-food offerings—we provide consumers with the capacity to accomplish a number of necessary tasks at one convenient location, from paying their utility bills and micro-mortgages to purchasing low-cost airline tickets and electronic air recharges. In this way, OXXO is increasingly a part of the lives of consumers across Mexico—serving and satisfying their daily needs. The number of transactions carried out at OXXO—more than 2 billion in 2009—means that the chain continues to become the preeminent choice for consumer interface in Mexico. This increases its attractiveness for potential service-provider partners who seek a network of outlets that bring them in contact with the Mexican consumer at a regional or national level.

In response to growing demand, consumers can now pay for their purchases with credit or debit cards at any OXXO store across the country. This service provides enhanced convenience and flexibility for an increasing number of shoppers and should help us to increase our same-store traffic and average ticket going forward.

Enhancing Operating Efficiency

Our objective is to improve the day-to-day execution of our value proposition and the service that we offer our consumers at our stores. To this end, we developed an operating system based on the concept of "Quality at the Source." The system is centered on our store manager and trains our in-store employees, providing them with the tools and the capability to make the best decisions.

The system's platform defines, simplifies, and standardizes the actions that we must execute in each store, according to the store's own performance and potential for advancement. We can monitor the results of all of our stores on a national and individual level. The system is designed to implement operating steps, detect problems, and improve processes, as well as share best practices.

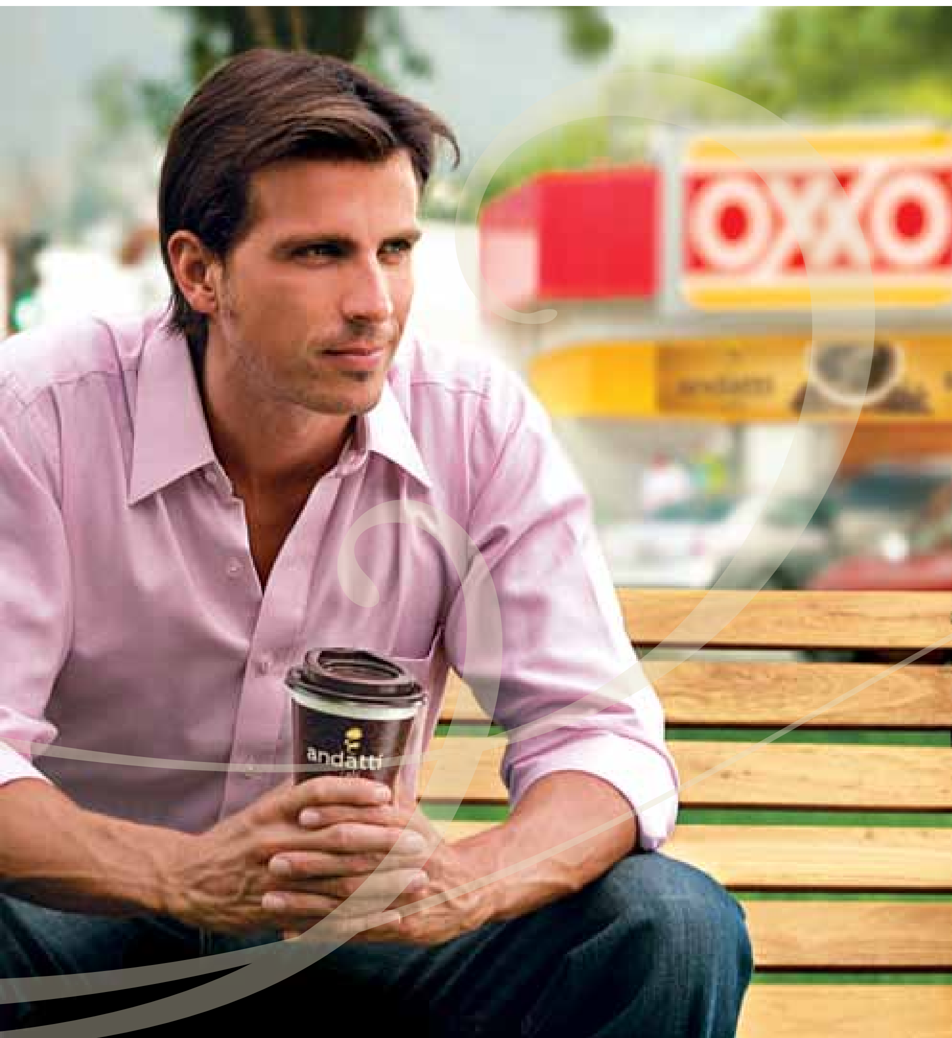
In addition, we have established a standardized method that clearly links the activities of our office staff with their impact on the operation of the store.

In 2009, we focused our efforts and resources on continually improving our cost savings, including achieving a more efficient workforce; optimizing electricity consumption, telephone service, store office and cleaning supplies; and rationalizing administrative expenses. As a result, we achieved significant savings that helped to improve the business's profitability.

Business Integration

FEMSA Comercio is an important component of our company's integrated beverage model. Our convenience stores are not only a rapidly growing point of contact—and commercial intelligence—with our consumers, but also an effective distribution channel for our beverage businesses. In 2009, our stores were the largest retailer of beer and Coca-Cola products in Mexico, with beverage sales accounting for more than 40 percent of FEMSA Comercio's revenues. FEMSA Comercio also plays an important role in our beer business's growth and market-penetration strategy across Mexico. More than 13 percent of FEMSA Cerveza's domestic beer volumes were sold through our OXXO stores in 2009.

At the end of the day, OXXO's increasing ubiquity and continually improving value proposition mean that "we are always ready, and we are always there for you."



OXXO is increasingly part of the lives of consumers across Mexico—serving and satisfying their daily needs.

960

new stores in 2009

Long-term commitment to corporate social

Responsibility

FEMSA Social Responsibility

Expanded and refined for over a century, social responsibility is a fundamental corporate philosophy. Ultimately, our commitment is to simultaneously generate economic and social value for the growth and sustainability of our businesses, the environment, and our stakeholders.

At FEMSA, operating as a socially responsible company is the result of our corporate philosophy, which we have expanded and refined over the past 119 years. Based on our origins, principles, and values, our commitment is to simultaneously generate economic and social value for the growth and sustainability of our businesses, the environment, and our stakeholders in the countries where we operate.

Due to the importance of keeping our stakeholders informed about our sustainability performance, we have produced specific reports since 2005. For the second consecutive year, our 2009 Sustainability Report has incorporated the Global Reporting Initiative indicators, and as supporters of the United Nations Global Compact since 2005, it also serves as our fourth published Communication on Progress report. We welcome you to read our full 2009 Sustainability Report on our website at http://www.femsa.com/en/social_report.htm.

Rather than intuition or a pure philanthropic spirit, our corporate social responsibility strategies are based on two main drivers:

- Our corporate DNA, made up of our philosophy, values, and business culture
- Information derived from risk analyses and community assessments

With this in mind, during 2009 we improved our corporate social responsibility scheme with an updated strategic framework that:

- Starts with a methodology that facilitates comprehensive environmental management through a clear understanding of the different areas that impact our business
- Ensures that we remain focused on our four core areas of corporate social responsibility—Quality of Life in the Company, Health and Wellness, Community Engagement, and Environmental Care
- Filters our strategies and actions through a "consistency test," assuring that we first "walk the talk" internally and then externally
- Ensures that we operate according to clear guidelines, processes, and procedures that are based on information and accountability

Quality of Life in the Company

We seek to enhance the quality of life of our employees and their families by providing opportunities for them to achieve a well-balanced lifestyle.

- Founded in 1918, *Sociedad Cuauhtémoc y Famosa* (SCyF) provides financial and legal services, along with scholarships and educational opportunities for its members: our employees and their families.
- *FEMSA University* offers more than 6,500 courses, along with both on-site and virtual training activities. In 2009, over 44,600 employees took a course at this learning center.
- The *Labor Integration System* has incorporated and promoted equal opportunities for 4,300 people with disabilities, senior citizens, and other vulnerable groups—matching their profiles with the appropriate positions within our company.

We seek to enhance the quality of life of our employees and their families by providing opportunities for them to achieve a well-balanced lifestyle.

Founded in 1918, SCyF is a key element in the affirmation and expansion of our corporate culture across all of our work centers.

Celebrating

119

years as a socially responsible company

Health and Wellness

We devote significant attention and effort to programs that promote healthy and responsible lifestyles, balanced nutrition, and physical fitness.

- Through SASSO, our *Occupational Safety and Health Management System,* in 2009, we reduced the accident rate per 100 employees by 6.3 percent compared with the previous year.
- *Charting My Own Destiny* aims to help students, ages 11 to 17, develop the confidence and abilities required to make informed, healthy, and responsible decisions in the areas of nutrition, physical fitness, peer pressure, and bullying behavior, among others. The program has reached approximately 515,000 students from public and private schools across the states of Nuevo León, Campeche, and Chihuahua in Mexico.
- The *Together for Your Well-being* program is comprised of four core activities: 1) Theatrical plays that spread the importance of health, physical activity, positive thinking, and balanced nutrition and hydration in 540 elementary schools, reaching 220,000 boys and girls; 2) Health brigades that provided 125 schools with medical checkups for more than 30,000 students; 3) Sports clinics that promoted the achievement of a healthy life through sports and teamwork and also gave the students the opportunity to meet professional soccer players; and 4) A drawing contest that enabled 5,000 participants to illustrate through art the significance of a healthy lifestyle in their daily lives.

Community Engagement

This commitment stems from our conviction that it is both possible and necessary to develop our environment and, hence, produce a better place to work, live, and do business for everybody.

- Through the *Time Bank* program, more than 20 companies are joining forces with the Colombian government and Coca-Cola FEMSA Colombia to address the tremendous task of integrating former members of paramilitary and guerilla groups into formal society. In 2009, more than 480 employees donated their time to train the first class of 23 graduates.
- Founded in 1943 under the leadership of Don Eugenio Garza Sada, former CEO of Cervecería Cuauhtémoc Moctezuma, Tecnológico de Monterrey is now one of the most prestigious private universities in Latin America, offering 54 national and 37 international bachelor's degree programs, 50 master's degree programs, and 10 doctorate degree programs to more than 96,650 students at 33 campuses across Mexico.

We devote significant attention and effort to programs that promote healthy and responsible lifestyles, balanced nutrition, and physical fitness.

Through our *Charting My Own Destiny* program, we have reached 515,000 students from public and private schools across the states of Nuevo León, Campeche, and Chihuahua in Mexico.

We continuously work to minimize our environmental impact and to preserve our natural resources through sustainable business practices and processes.

- To identify strategic development opportunities for Mexico, FEMSA commissioned Tecnológico de Monterrey to undertake a two-year research project that will ultimately produce 46 studies—including, among others, one for each of Mexico's 32 states and nine geographic regions—to promote the strategic investment in, and foster the regional development of, the country.
- FEMSA Cerveza was the first corporation in Mexico to introduce a Designated Driver program to foster the responsible consumption of alcoholic beverages and lower the number of alcohol-related traffic accidents. In 2009, the program registered more than 40,200 new drivers, who agreed to refrain from drinking and driving. Since its launch in 2002, the program has registered more than 175,800 drivers and directly benefited more than 779,600 people.
- FEMSA Comercio supports the *OXXO Social Responsibility Program (PRO).* Through the "Round-up" program, which encourages customers to round up their bills to the nearest peso, OXXO stores enable their customers to help those who need it most. In 2009, the program collected more than Ps. 71.5 million (US$5.2 million) from our customers to help more than 187 institutions in 60 cities. Since its beginning in 2002, the program has collected Ps. 339.24 million (US$24.9 million) for 877 institutions throughout Mexico.

Environmental Care

We continuously work to minimize our environmental impact and to preserve our natural resources through sustainable business practices and processes.

- At FEMSA Cerveza, we use only 3.8 liters of water per liter of beer produced, a ratio that is below the average of 4.6 liters reported by the world's top seven brewers in 2008. Similarly, Coca-Cola FEMSA improved its water use ratio by 15 percent, compared with 2004, to 1.77 liters of water per liter of product—one of the lowest measures in the entire Coca-Cola system.
- In 2009, Coca-Cola FEMSA saved approximately 630,000 cubic meters of water, equal to the annual consumption of 2,000 families. Additionally, its energy efficiency programs saved more than 13 million kilowatt hours of energy and prevented approximately 5,200 tons of CO_2 emissions, equal to the effect of more than 760,000 pine trees.
- In 2009, the IMER PET recycling facility in Toluca, Mexico—a joint venture between Coca-Cola FEMSA, Coca-Cola de México, and ALPLA, an important manufacturer and supplier of PET bottles—increased its annual PET recycling capacity by 30 percent, processing more than 16,000 tons of PET. Employing its bottle-to-bottle recycling technology, the plant manufactured about 10,000 tons of recycled food-grade flake, which was used to make the equivalent of 1.4 billion 600-milliliter bottles with 35 percent recycled content. This achieved energy savings, reduced approximately 18,000 tons of CO_2 emissions, and lowered the use of non-renewable resources. Finally, through our lightweighting initiatives, we saved approximately 11,000 tons of PET and prevented about 70,000 tons of greenhouse gas emissions.
- In 2009, OXXO furthered its commitment to a better environment with the introduction of an oxodegradable shopping bag. It is expected that by 2010 every OXXO store will only carry environmentally friendly bags.

OXXO's "Round-up" program encourages customers to round up their bills to the nearest peso. In 2009, the program collected Ps. 71.5 million to help those who need it most.

- Imbera, the refrigeration unit of our Strategic Procurement area, received the National Energy Savings award in recognition of its high energy-efficient line of equipment. The Coca-Cola Company considers the equipment as the lowest in electricity consumption across its system worldwide.

FEMSA Foundation

Unveiled on November 14, 2008, in 2009, we started the institutionalization of FEMSA Foundation as our instrument for long-term social investments. The Foundation invests in and supports initiatives that foster the conservation and sustainable use of water and the improvement of the quality of life within our communities through education, science, and technology. As opposed to offering donations, the Foundation makes strategic grants, investing in projects where it can commit time and resources to their sustainable growth. To multiply the effect and to ensure the expected results of its approved social investments, the Foundation engages in alliances with other like-minded institutions. The members of its Board of Directors continually focus on developing partners who will increase the value of the Foundation's investments.

FEMSA Foundation invests in and supports initiatives that foster the conservation and sustainable use of water and improvement of the quality of life within our communities through education, science, and technology.

Sustainable Development of Water Resources

In 2009, the Water Center for Latin America and the Caribbean began operations. Jointly supported by the Foundation, the Inter-American Development Bank (IDB), and Tecnológico de Monterrey, the Water Center is the first private center for applied research on sustainable water management for the region. Among its first initiatives, the Water Center started training 600 professionals to address Latin America's water challenges. The Water Center won four research grants, including a grant from the National Science and Technology Council of Mexico. Together, the Foundation and the Water Center began to design the Latin American Roundtable as part of the Alliance for Water Stewardship (AWS). Developed by The Nature Conservancy (TNC), the Pacific Institute, and the World Wildlife Fund, the AWS is a growing network of organizations and institutions that are committed to building a global water stewardship system. The mission of the AWS is to promote the responsible use of fresh water that is both socially beneficial and environmentally sustainable.

The Foundation also partnered with IDB to establish an award that recognizes those Latin American institutions which have achieved outstanding results in the areas of water management, water sanitation, and solid waste management. In 2009, the award's winners came from Brazil, Chile, and Uruguay.

FEMSA Foundation worked with IDB, TNC, the International Association of Sanitary Engineers of America, and Stockholm International Water Institute (SIWI), among other organizations, to organize a half day devoted to addressing Latin America's water issues at the influential World Water Week forum in Stockholm, Sweden.

Quality of Life

The Foundation's funding of biotechnology and nutritional research is divided into three areas: discovery and innovation, bioprocesses, and validation. In 2009, the Foundation partnered with IDB and Global Alliance for Improved Nutrition (GAIN) to conduct a study that will map the opportunities to improve nutrition in all of Latin America. For more information about FEMSA Foundation, including its programs and approved projects and initiatives, please visit www.femsafoundation.org.

FEMSA Overview

Soft Drink Brands

Alpina
Aquarius
Bebere
Black Fire
Blak
Bonaqua
Brisa
Burn
Canada Dry
Carioca
Cepita
Chinotto
Ciel
Coca-Cola
Coca-Cola Light
Coca-Cola Zero
Crush
Crystal
Dasani
Del Valle
Delaware Punch
Epika
Fanta
Fresca
Freskolita
Fruitopia
Frutsi
Glaceau
Gladiator
Guarapan
Hi-C
Hit
I9
Ju-C
Kin
Kist
Kuat
Lift
Manantial
Mundet
Nestea
Nevada
Polar
Powerade
Premio
Prisco
Quatro
Roman
Sangria Mundet
Schweppes
Seagrams Agua Quina
Senzao
Shangri-la
Sidral
Simba
Soda Clausen
Soda Kin
Sonfil
Sprite
Squirt
SunFrut
Super Malta
Tai
Vallefrut
Zero

Oxxo Brands

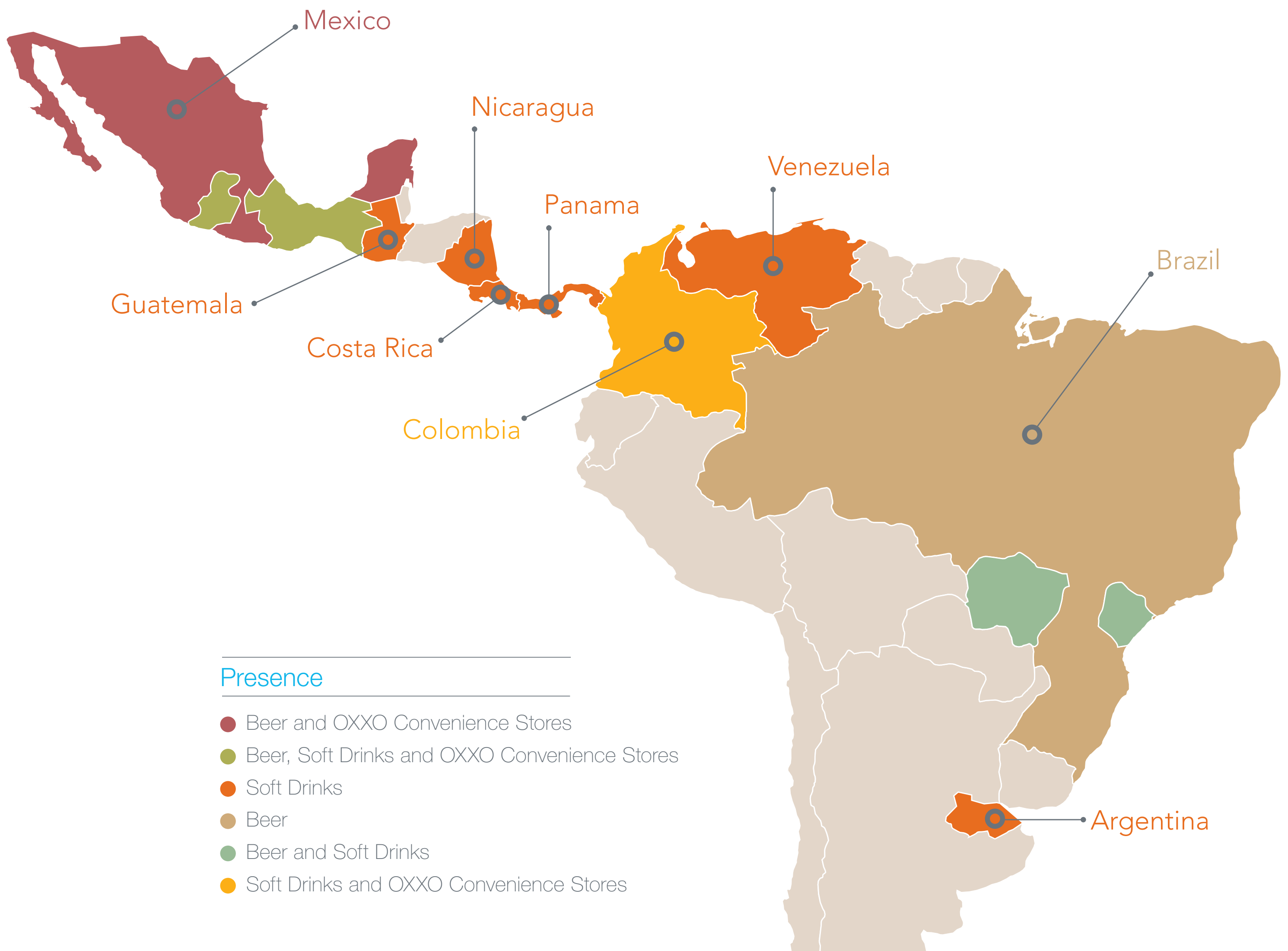
andatti

Beer Brands

Bavaria sem Álcool
Bavaria Pilsen
Bavaria Premium
Bohemia
Bohemia Cavha
Bohemia Obscura
Bohemia Weizen
Carta Blanca
Carta Blanca Light
Carta Blanca Edición Especial
Casta
Coors Light
Dos XX (Brasil)
Heineken
Indio
Kaiser
Kaiser Bock
Kaiser Gold
Kloster
Kloster Light
Noche Buena
Palma Louca
Santa Cerva
Sol
Sol 2
Sol Brava
Sol Cero
Sol Cero Limón y Sal
Sol Light
Sol Limón y Sal
Sol Obscura
Sol Pilsen
Sol Premium
Sol Sem Alcool
Soul Citric
Summer Draft
Superior
Superior Edición Especial
Tecate
Tecate Light
Xingu
XX Ambar
XX Lager

	Mexico			MERCOSUR: Argentina	MERCOSUR: Brazil
COMPANY	FEMSA CERVEZA	FEMSA COMERCIO	COCA-COLA FEMSA		
FEMSA Ownership (%)	100	100	53.7[1]		
Sales Volume	30,500[2][9]	—	1,227[3]	184[3]	424[3]
Revenues[4]	46,336[7]	53,549	36,785	27,559	
Income from Operations[4]	5,894[7]	4,457	6,849	4,234	
Plants/Stores	6	7,334	10	2	4
Distribution Facilities	317	10	84	6	27
Distribution Routes	3,474	—	3,892	305	1,480
Brands	28	1	36	29	27
Clients	329,000	6.6[5]	620,255	80,050	189,838
Head Count[6]	22,592	22,937	67,426		

Note: Only includes core business information.



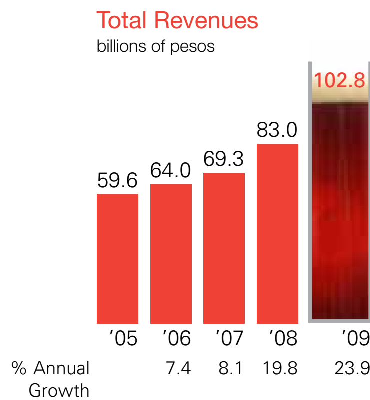
LATINCENTRO						
Guatemala	Nicaragua	Costa Rica	Panama	Colombia	Venezuela	Brazil
Soft Drinks	Soft Drinks	Soft Drinks	Soft Drinks	Soft Drinks and OXXO Convenience Stores	Soft Drinks	Beer; Beer and Soft Drinks
COCA-COLA FEMSA						FEMSA CERVEZA
53.7[1]						83.0[8]
136[3]				232[3]	225[3]	10,048[2]
38,423						46,336[7]
4,752						5,894[7]
5				6	4	8
28				32	33	8
324				575	591	5,200
28				20	11	10
106,189				368,930	211,749	300,000
67,426						2,149

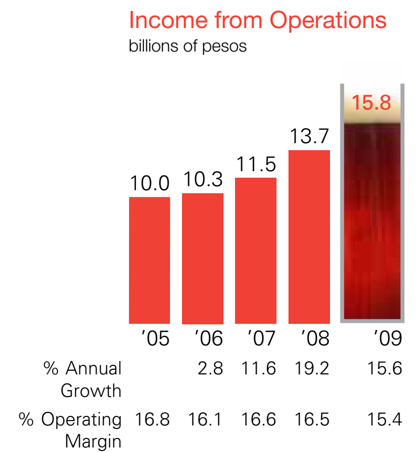
[1] The remaining 31.6% and 14.7% are owned by The Coca-Cola Company and by the public, respectively.
[2] Thousands of hectoliters.
[3] Millions of unit cases (one unit case equals 24 8-ounce bottles).
[4] Expressed in millions of Mexican pesos.
[5] Millions of clients per day.
[6] Includes third-party head count.
[7] FEMSA Cerveza results, includes Mexico, Brazil and exports.
[8] The remaining 17% is owned by Heineken.
[9] Includes exports.

BUSINESS UNIT HIGHLIGHTS

Coca-Cola FEMSA

Amid an extremely challenging economic and consumer environment, Coca-Cola FEMSA generated strong top- and bottom-line results for the year. In 2009, total revenues grew 23.9 percent to Ps. 102.8 billion, and income from operations increased 15.6 percent to Ps. 15.8 billion.

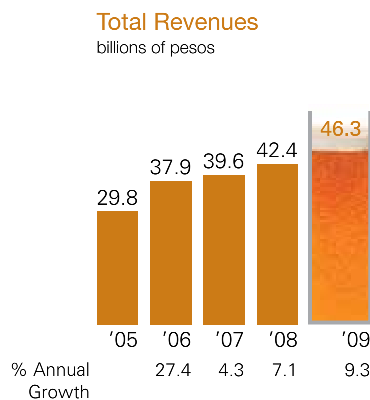


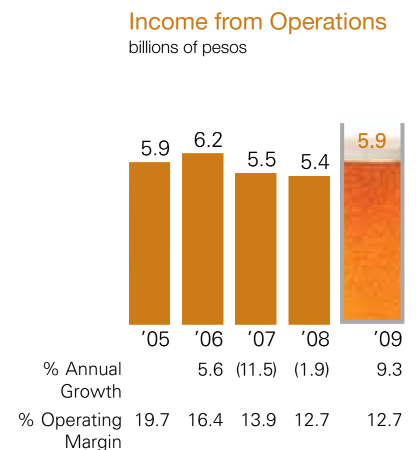


BUSINESS UNIT HIGHLIGHTS

FEMSA Cerveza

FEMSA Cerveza exceeded expectations, delivering top- and bottom-line growth despite the global economic downturn—which particularly affected northern Mexico and the United States. In 2009, total revenues rose 9.3 percent to Ps. 46.3 billion, and income from operations grew 9.3 percent to Ps. 5.9 billion.

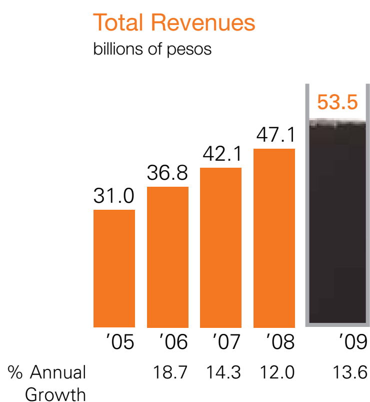


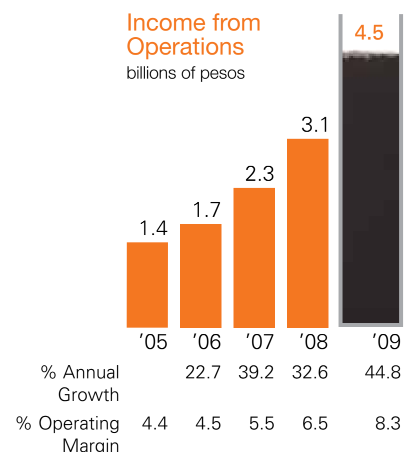


BUSINESS UNIT HIGHLIGHTS

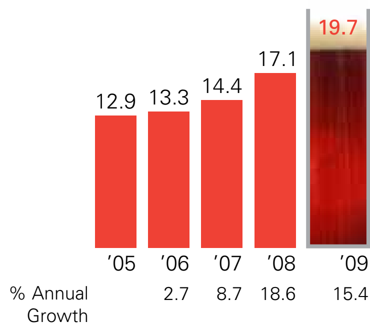
FEMSA Comercio

FEMSA Comercio posted another good year in the face of strong economic headwinds. In 2009, total revenues increased 13.6 percent to Ps. 53.5 billion, and income from operations surged 44.8 percent to Ps. 4.5 billion—resulting in a record operating margin of 8.3 percent.



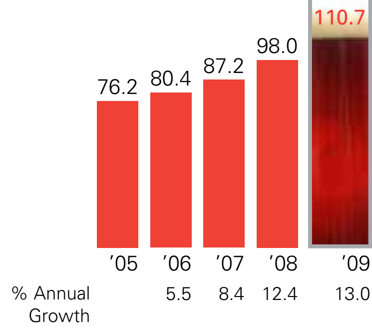


EBITDA*
billions of pesos

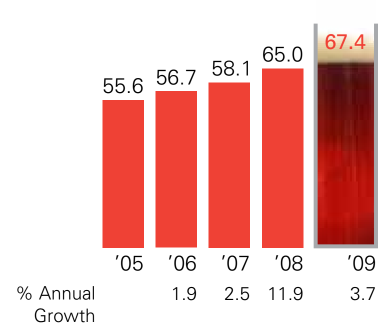


*EBITDA equals Operating Income plus Depreciation, Amortization and other non-cash items.

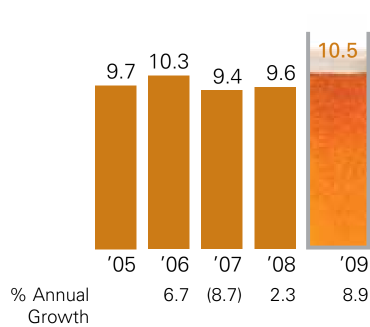
Total Assets
billions of pesos



Personnel
thousands

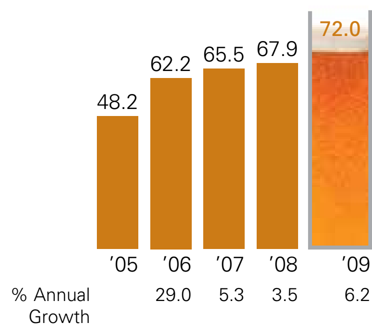


EBITDA*
billions of pesos

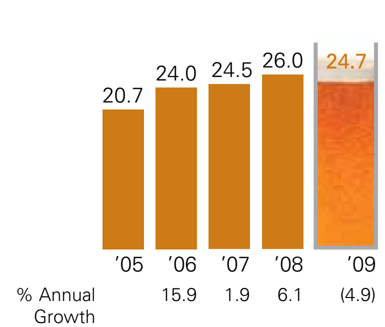


*EBITDA equals Operating Income plus Depreciation, Amortization and other non-cash items.

Total Assets
billions of pesos

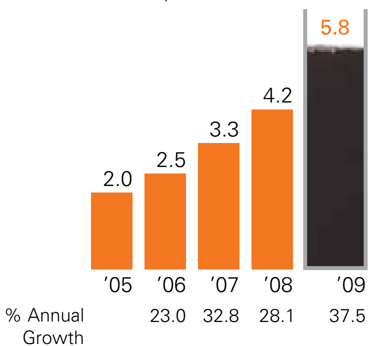


Personnel*
thousands



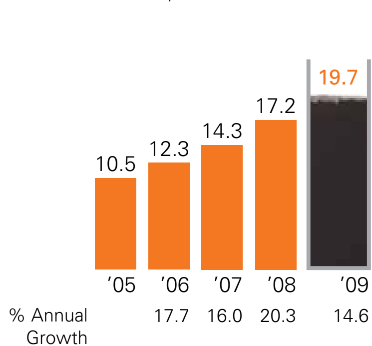
*Beginning in 2008, personnel includes third-party employees.

EBITDA*
billions of pesos

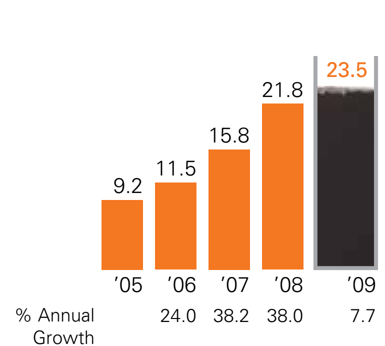


*EBITDA equals Operating Income plus Depreciation, Amortization and other non-cash items.

Total Assets
billions of pesos



Personnel*
thousands



*Commission agents not included.

FEMSA

Executive Team

Our talented team of executives leads our steadfast pursuit of excellence as an international industry leader. Together, they build on our company's core competencies and capabilities, and leverage the strengths of FEMSA's business model to increase our flexibility, to take advantage of strategic opportunities, and to achieve a better competitive position in the industry. In the process, they continue to extend our track record of profitable growth in the face of an exceptionally challenging global economic environment.

José Antonio Fernández Carbajal

Chairman of the Board and Chief Executive Officer of FEMSA

José Antonio Fernández Carbajal joined FEMSA in 1987. He was named CEO of FEMSA in January 1995 and has served as Chairman of the Board of FEMSA since 2001.

Before becoming CEO of FEMSA, Mr. Fernández Carbajal served as the CEO of OXXO. He also held positions in FEMSA's corporate area, as well as in the commercial department of the Cuauhtémoc Moctezuma Brewery.

Mr. Fernández Carbajal is Chairman of the Board of Coca-Cola FEMSA, Chairman of the Board of Fundación FEMSA, and also of U.S.-Mexico Foundation, and Vice Chairman of the Board of Tecnológico de Monterrey. He is also a board member of important national and international companies, such as Grupo Financiero BBVA Bancomer, Grupo Industrial Bimbo, Grupo Televisa, Industrias Peñoles, Xignux, Cemex, Aerolíneas Volaris and Televisa, among others.

He co-directs the Mexican Chapter of the Woodrow Wilson Center as President, and for the last 15 years, he has been a professor of Planning Systems in the Industrial and Systems Engineering degree program at Tecnológico de Monterrey, at the Monterrey campus.

Mr. Fernández Carbajal earned a Bachelor's degree in Industrial and Systems Engineering and a Master's degree in Business Administration from Tecnológico de Monterrey.

Federico Reyes García

Vice-President of Corporate Development of FEMSA

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

Javier Astaburuaga Sanjines

Chief Financial Officer and Vice-President of Strategic Development

Javier Gerardo Astaburuaga joined FEMSA in 1982. In 2006, he was named FEMSA's CFO and Vice-President of Strategic Development.

Prior to that, Mr. Astaburuaga Sanjines served as co-CEO of FEMSA Cerveza, Vice-President of Sales for Northern Mexico, CFO of FEMSA Cerveza, Vice-President of Corporate Development for FEMSA, and Chief Information Officer of FEMSA Cerveza.

Mr. Astaburuaga earned a Bachelor's degree in Public Accounting from Tecnológico de Monterrey.

Alfonso Garza Garza

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

Alfonso Garza joined FEMSA in 1985 and was named Executive Vice President of Human Resources in 2005. Prior to that, he held various positions at FEMSA Cerveza and FEMSA Empaques (Packaging), including the management of FEMSA Packaging and Grafo Regia.

In January 2009, he was appointed as Vice-President of Strategic Procurement, Business Processes, and Information Technology of FEMSA.

Mr. Garza earned a Bachelor's degree in Industrial Engineering from Tecnológico de Monterrey and completed post-graduate courses at Instituto Panamericano de Alta Dirección de Empresas (IPADE).

José Gonzalez Ornelas

Vice-President of Administration and Corporate Control of FEMSA

José González assumed the current position in 2002. He first joined FEMSA in 1973, where he held different positions in the organization, such as Finance Information Vice-President.

In 1987, he was CFO of FEMSA Cerveza and in 1994, he was named Vice-President of Planning and Corporate Development of FEMSA and CEO of FEMSA Logística.

He is a board member of several international companies, he participates as Auditing Committee Secretary of FEMSA's and Coca-Cola FEMSA's board and sits on the controller board at Tecnológico de Monterrey. He is also part of the Instituto de Contadores Públicos de Nuevo León Directive Committee and he is President of the Club de Fútbol Monterrey board.

He holds a Bachelor's degree in Accounting from la Universidad Autónoma de Nuevo León and undertook post-graduate studies in Business Administration from different universities in Mexico and abroad.

Genaro Borrego Estrada

Vice-President of Corporate Affairs

Genaro Borrego joined FEMSA in September 2007 as Vice-President of Corporate Affairs.

Prior to that, Mr. Borrego was elected as a Federal Congressman for the LII Legislature from 1982 to 1985. After that, he served as Governor of the Mexican State of Zacatecas from 1986 to 1992 and in early 1992 he was elected President of the political party PRI for one year.

From 1993 to 2000, he led the Mexican Social Security (IMSS) Institute and he was the President of the Interamerican Social Security Conference.

In 2000, he was also elected as a Senator of the Federal Congress to represent the State of Zacatecas during the LVIII and LIX Legislatures. He holds a degree in International Relations from Universidad Iberoamericana.

Carlos Salazar Lomelín

Chief Executive Officer of Coca-Cola FEMSA

Carlos Salazar joined FEMSA in 1973 and was named CEO of Coca-Cola FEMSA in 2000. Prior to that, he held senior management positions in several subsidiaries, including CEO of FEMSA Cerveza, Commercial Planning Officer of FEMSA and General Manager of Grafo Regia.

Mr. Salazar was President of the Comisión Siglo XXI in the city of Monterrey, Mexico and President of International Business Center of Monterrey (CINTERMEX). He earned a Bachelor's degree in Economics from Tecnológico de Monterrey and undertook post-graduate studies in Business Administration and Economic Development in Italy.

Jorge Luis Ramos Santos

Chief Executive Officer of FEMSA Cerveza

Jorge Luis Ramos joined FEMSA in 1996 and was named CEO of FEMSA Cerveza in 2006 after serving two years as Co-CEO. Prior to that, he served as FEMSA Cerveza's Sales Vice-President for Southern Mexico and FEMSA Cerveza's Human Resources Vice-President.

Before joining FEMSA, Mr. Ramos held executive positions in different corporations and financial institutions, including Grupo ALFA and Serfin.

Mr. Ramos earned a Bachelor's degree in Administration and Public Accounting from Tecnológico de Monterrey and a Master's degree in Business Administration from the University of Pennsylvania's Wharton School of Business.

Eduardo Padilla Silva

Chief Executive Officer of FEMSA Comercio

Eduardo Padilla joined FEMSA in 1997, and in 2000 he was named CEO of FEMSA Strategic Businesses—which includes Packaging, Logistics and OXXO. Since 2004, he has focused as CEO of FEMSA Comercio. Prior to that, Mr. Padilla served as FEMSA's Director of Strategic Procurement and Strategic Planning.

Before joining FEMSA, Mr. Padilla served as CEO of Terza, S.A. de C.V., a subsidiary of Grupo ALFA, from 1987 to 1996.

Mr. Padilla earned a Bachelor's degree in Mechanical and Industrial engineering from Tecnológico de Monterrey and a Master's degree in Business Administration from Cornell University. He also has completed graduate studies at Instituto Panamericano de Alta Dirección de Empresas (IPADE).

Governance Standards

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

Our Board of Directors works to ensure that our company promotes financial transparency, accountability, and high ethical standards. On a foundation of responsible corporate governance, we can consistently build our business and deliver the results that our shareholders, consumers, employees, and other stakeholders expect from our company.

Audit Committee

The Audit Committee is responsible for (1) reviewing the accuracy and integrity of FEMSA's quarterly and annual financial statements in accordance with accounting, internal control and auditing requirements, (2) the appointment, compensation, retention, and oversight of the independent auditor, who reports directly to the Audit Committee, (3) reviewing related-party transactions other than in the ordinary course of FEMSA's business, and (4) identifying and following up on contingencies and legal proceedings. The Audit Committee has implemented procedures for receiving, retaining, and addressing complaints regarding accounting, internal control, and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing matters. To carry out its duties, the Audit Committee may hire independent counsel and other advisors. As necessary, the company compensates the independent auditor and any outside consultant 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. Members include a financial expert, José Manuel Canal Hernando, Francisco Zambrano Rodriguez, and Alfonso González Migoya—all of them independent directors. The Secretary of the Audit Committee is José González Ornelas, Vice-President of Administration and Corporate Control of FEMSA.

Corporate Practices Committee

The Corporate Practices Committee, which is comprised of independent directors, is responsible for preventing and/or reducing the risk of performing operations that could damage FEMSA's value or that benefit a particular group of shareholders. The Corporate Practices Committee (1) may call a shareholders' meeting and include such matters as it may deem appropriate for that meeting's agenda, (2) approve policies on the use of the company's assets or related-party transactions, (3) approve the Chief Executive Officer's and relevant officers' compensation, and (4) support the Board of Directors in the elaboration of reports on accounting practices. Lorenzo H. Zambrano is the Chairman of this Committee. Members include Carlos Salguero and Helmut Paul. The Secretary of the Corporate Practices Committee is Alfonso Garza Garza, FEMSA's Vice-President of Human Resources and Strategic Procurement, Business Processes, and Information Technology.

Finance Committee

The Finance Committee's responsibilities include (1) evaluating the investment and financing policies proposed by the Chief Executive Officer, and (2) identifying risk factors to which the corporation is exposed, as well as evaluating its management policies. Ricardo Guajardo Touché is Chairman of the Finance Committee. Members include Robert E. Denham, Francisco Javier Fernández Carbajal, Alfredo Livas Cantú, and Federico Reyes García. The Secretary of the Committee is Javier Astaburuaga Sanjines, FEMSA's Chief Financial Officer.

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

FEMSA

Board of Directors

Our Board of Directors is at the head of FEMSA's corporate governance system. It is responsible for determining our corporate strategy; defining and overseeing the implementation of our key values and vision; and approving related-party transactions and transactions not in the ordinary course of business.

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

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

Eva Garza Lagüera Gonda
Private Investor
Elected: 1999
Alternate: Paulina Garza Lagüera Gonda

Bárbara Garza Lagüera Gonda
Private Investor
Elected 2002
Alternate: Enrique F. Senior Hernández

José Fernando Calderón Rojas
Chairman of the Board and Chief Executive Officer of Franca Servicios, S.A. de C.V., Servicios Administrativos de Monterrey, S.A. de C.V., Regio Franca, S.A. de C.V., and Franca Industrias, S.A. de C.V.
Real Estate Company
Elected 2005
Alternate: Francisco José Calderón Rojas

Consuelo Garza de Garza
Founder and Former President of Asociación Nacional Pro-Superación Personal, A.C. (ANSPAC)
Non-Profit Organization
Elected 1995
Alternate: Alfonso Garza Garza

Max Michel Suberville
Honorary Chairman of the Board of El Puerto de Liverpool, S.A.B. de C.V.
Department Store Chain
and Private Investor
Elected 1985
Alternate: Max Michel González

Alberto Bailleres
Chairman of the Board of Grupo Bal S.A. de C.V., Industrias Peñoles, S.A.B. de C.V, Fresnillo plc, Grupo Palacio de Hierro, S.A.B. de C.V., Grupo Profuturo, S.A.B. de C.V., Instituto Tecnológico Autónomo de México and Director at Valores Mexicanos Casa de Bolsa, S.A. de C.V.
Mining and Metallurgic Industry,
Insurance Company,
Department Store Chain,
Brokerage Firm
Elected 1995
Alternate: Arturo Fernández Pérez

Francisco Javier Fernández[c]
Private Business Consultant and Private Investor
Elected 2005
Alternate: Javier Astaburuaga Sanjines

Ricardo Guajardo Touché[c]
Former Chairman of the Board of BBVA Bancomer
Financial Institution
Elected 1988
Alternate: Othón Páez Garza

Carlos Salguero[b1]
Chairman of the Board of Salguero Holdings BVI and Salguero Hotels Chile; and partner at Salguero Hotels AR
Elected 1995
Alternate: Alfonso González Migoya[a1]

Alfredo Livas Cantú[c1]
President of Praxis Financiera, S.C.
Financial Consulting Firm
Elected 1995
Alternate: Sergio Deschamps Ebergenyi[1]

Roberto Servitje Sendra
Chairman of the Board of Grupo Industrial Bimbo, S.A.B de C.V.
Food
Elected 1995
Alternate: Juan Guichard Michel

Mariana Garza Lagüera Gonda
Private Investor
Elected 2005
Alternate: Carlos Salazar Lomelin

José Manuel Canal Hernando[a1]
Private Consultant
Elected 2003
Alternate: Ricardo Saldívar Escajadillo[1]

Armando Garza Sada
Vice Chairman of the Board and Executive Vice President of Corporate Development of Alfa S.A.B de C.V.
Elected 2006
Alternate: Eduardo Padilla Silva

Alexis E. Rovzar de la Torre[a1]
Executive Partner of White & Case S.C.
Law Firm
Elected 1989
Alternate: Francisco Zambrano Rodríguez[a1]

Helmut Paul[b1]
Owner of H. Paul & Company LLC
Corporate Finance Consulting Firm
Elected 1988
Alternate: Antonio Elosúa Muguerza[1]

Lorenzo H. Zambrano[b1]
Chairman of the Board and Chief Executive Officer of CEMEX, S.A.B. de C.V.
Cement and Construction Materials
Elected 1995
Alternate: Francisco Garza Zambrano[1]

Robert E. Denham[c]
Partner at Munger, Tolles & Olson LLP
Law Firm
Elected 2001
Alternate: José González Ornelas

Secretary
Carlos Eduardo Aldrete Ancira

Alternate Secretary
Arnulfo Treviño Garza

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

Relation:
1) Independent

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FEMSA Headquarters 114

Financial Summary

Amounts expressed in millions of Mexican pesos (Ps.) as of December 31. [1]	**2009**	2008	2007	2006	2005
Income Statement					
Net sales	**Ps. 196,103**	Ps. 167,171	Ps. 147,069	Ps. 135,647	Ps. 118,799
Total revenues	**197,033**	168,022	147,556	136,120	119,462
Cost of sales	**106,195**	90,399	79,739	73,338	63,695
Gross profit	**90,838**	77,623	67,817	62,782	55,767
Operating expenses	**63,826**	54,939	48,081	44,145	38,166
Income from operations	**27,012**	22,684	19,736	18,637	17,601
Other expenses, net	**3,506**	2,374	1,297	1,650	1,108
Comprehensive financing result	**4,516**	6,825	1,553	2,519	2,800
Income taxes	**3,908**	4,207	4,950	4,608	4,620
Consolidated net income for the year	**15,082**	9,278	11,936	9,860	9,073
Net controlling interest income	**9,908**	6,708	8,511	7,127	5,951
Net noncontrolling interest income	**5,174**	2,570	3,425	2,733	3,122
Ratios to total revenues (%)					
Gross margin	**46.1%**	46.2%	46.0%	46.1%	46.7%
Operating margin	**13.7%**	13.5%	13.4%	13.7%	14.7%
Net income	**7.7%**	5.5%	8.1%	7.2%	7.6%
Other information					
Depreciation	**5,596**	4,967	4,359	4,333	3,990
Amortization and other non-cash charges to income from operations	**4,482**	4,031	3,709	3,787	3,543
EBITDA	**37,090**	31,682	27,804	26,757	25,134
Capital expenditures [2]	**13,178**	14,234	11,257	9,422	7,508
Balance Sheet					
Assets					
Current assets	**49,380**	38,987	33,485	27,829	24,900
Property, plant and equipment, net [3]	**69,200**	65,158	57,832	56,027	51,175
Investment in shares	**2,344**	1,965	1,863	824	852
Intangible assets	**71,181**	65,860	60,234	57,906	52,837
Other assets	**18,986**	15,375	12,381	11,930	10,059
Total assets	**211,091**	187,345	165,795	154,516	139,823

Amounts expressed in millions of Mexican pesos (Ps.) as of December 31. [1]	2009	2008	2007	2006	2005
Liabilities					
Short-term debt	**Ps. 8,853**	Ps. 11,648	Ps. 9,364	Ps. 6,746	Ps. 5,479
Current liabilities	**36,914**	32,446	24,153	21,314	17,031
Long-term debt	**34,810**	32,210	30,665	35,673	32,129
Labor liabilities	**3,354**	2,886	3,718	3,269	2,676
Deferred income taxes liabilities	**972**	2,400	3,584	3,995	3,703
Other	**10,359**	8,860	4,658	5,311	4,407
Total liabilities	**95,262**	90,450	76,142	76,308	65,425
Stockholders' equity	**115,829**	96,895	89,653	78,208	74,398
Controlling interest	**81,637**	68,821	64,578	56,654	52,400
Noncontrolling interest	**34,192**	28,074	25,075	21,554	21,998
Financial ratios (%)					
Liquidity	**1.08**	0.89	1.00	0.99	1.11
Leverage	**0.82**	0.91	0.85	0.98	0.88
Capitalization	**0.29**	0.34	0.33	0.37	0.35
Data per share					
Book value [4]	**4.563**	3.847	3.609	3.167	2.929
Net controlling interest income [5]	**0.554**	0.375	0.476	0.398	0.333
Dividends paid [6]					
Series "B" shares	**0.081**	0.081	0.074	0.049	0.037
Series "D" shares	**0.101**	0.101	0.093	0.061	0.046
Number of employees [7]	**127,179**	122,981	105,020	97,770	90,731
Number of outstanding shares [8]	**17,891.13**	17,891.13	17,891.13	17,891.13	17,891.13

(1) Amounts as of December 31, 2007, 2006 and 2005 are expressed in millions of pesos as of December 31, 2007.

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

(3) Includes bottles and cases.

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

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

(6) Expressed in nominal pesos of each year.

(7) 2009 and 2008 figures include third-party employees from FEMSA Cerveza.

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

AUDITED FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009 COMPARED TO THE TWELVE MONTHS ENDED DECEMBER 31, 2008.

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

All of the figures in this report were prepared in accordance with Mexican Financial Reporting Standards ("Mexican FRS" or "Normas de Información Financiera"). The 2009 and 2008 results are stated in nominal Mexican pesos ("Pesos" or "Ps."). Translations of Pesos into US dollars ("US$") are included solely for the convenience of the reader and are determined using the noon buying rate for Pesos as published by the Federal Reserve Bank of New York on December 31, 2009, which was 13.0576 Pesos per US dollar.

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

FEMSA CONSOLIDATED

2009 amounts in average Mexican pesos (millions)

FEMSA and Its Subsidiaries

	Total Revenues	% Growth Versus '08	Income from Operations	% Growth Versus '08
FEMSA Consolidated	Ps. 197,033	17.3%	Ps. 27,012	19.1%
Coca-Cola FEMSA	102,767	23.9%	15,835	15.6%
FEMSA Cerveza	46,336	9.3%	5,894	9.3%
FEMSA Comercio	53,549	13.6%	4,457	44.8%

Total Revenues

FEMSA's consolidated total revenues increased 17.3% to Ps. 197,033 million in 2009 compared to Ps. 168,022 million in 2008. All of FEMSA's operations—soft drinks, beer and retail—contributed positively to this revenue growth. Coca-Cola FEMSA's total revenues increased 23.9% to Ps. 102,767 million, driven by a 13.9% higher average price per unit case and a volume growth of 8.3% from 2,242.8 million unit cases in 2008 to 2,428.6 million unit cases in 2009. FEMSA Comercio's revenues increased 13.6% to Ps. 53,549 million, mainly driven by the opening of 960 net new stores combined with an average increase of 1.3% in same-store sales. Total revenues at FEMSA Cerveza increased 9.3% over 2008 to Ps. 46,336 million, mainly driven by higher average price per hectoliter in local currency in all of our markets and volume increases in our export sales volume.

Gross Profit

Consolidated gross profit increased 17.0% to Ps. 90,838 million in 2009 compared to Ps. 77,623 million in 2008 due to gross profit increases in all of our operations. Gross margin contracted by 0.1 percentage points, from 46.2% of consolidated total revenues in 2008 to 46.1% in 2009. Gross margin improvement at FEMSA Comercio partially offset raw-material cost pressures at FEMSA Cerveza and Coca-Cola FEMSA.

Income from Operations

Consolidated operating expenses increased 16.2% to Ps. 63,826 million in 2009 compared to Ps. 54,939 million in 2008. Approximately 74% of this increase resulted from additional operating expenses at Coca-Cola FEMSA due to higher labor costs and increased marketing expenses in certain of our divisions. FEMSA Comercio accounted for approximately 20% of the increase, resulting from accelerated store expansion, and FEMSA Cerveza accounted for the balance. As a percentage of total revenues, consolidated operating expenses decreased from 32.7% in 2008 to 32.4% in 2009.

Consolidated administrative expenses increased 16.6% to Ps. 11,111 million in 2009 compared to Ps. 9,531 million in 2008. As a percentage of total revenues, consolidated administrative expenses remained stable at 5.6% in 2009 compared with 5.7% in 2008, due to operating leverage driven by higher revenues achieved in all of FEMSA's operations.

Consolidated selling expenses increased 16.1% to Ps. 52,715 million in 2009 as compared to Ps. 45,408 million in 2008. Approximately 74% of this increase was attributable to Coca-Cola FEMSA and 22% to FEMSA Comercio. As a percentage of total revenues, selling expenses decreased 0.2 percentage points from 27.0% in 2008 to 26.8% in 2009.

Consolidated income from operations increased 19.1% to Ps. 27,012 million in 2009 as compared to Ps. 22,684 million in 2008. This increase was driven by the results of Coca-Cola FEMSA and FEMSA Comercio, which accounted for 81% of the increase, and FEMSA Cerveza accounted for the balance. Consolidated operating margin increased 0.2 percentage points from 2008 levels, to 13.7% as a percentage of 2009 consolidated total revenues. Gross margin improvement at FEMSA Comercio combined with expense containment initiatives across our beer operations, offset raw material pressures at the beverages operations.

Comprehensive Financing Result

Comprehensive financing result decreased 33.8% in 2009 to Ps. 4,516 million, reflecting a significant improvement due to the low comparison base of 2008, driven by lower foreign exchange losses due to the depreciation of local currencies in our markets against the US dollar and a shift to gains in certain derivative instruments during the year.

Income Taxes

Our accounting provision for income taxes in 2009 was Ps. 5,973 million excluding a one-time benefit of Ps. 2,066 million under the tax amnesty program offered by the Brazilian tax authorities in 2009—resulting in a net accounting provision for income taxes in 2009 of Ps. 3,908 million, compared to Ps. 4,207 million in 2008, resulting in an effective tax rate of 20.6% in 2009 as compared with 31.2% in 2008.

Net Income

Net income increased 62.6% to Ps. 15,082 million in 2009 compared to Ps. 9,278 million in 2008. These results were driven by (i) operating income growth during the year, (ii) a significant improvement in the comprehensive financing result driven by the factors mentioned above and (iii) the one-time benefit that resulted from the Brazilian tax amnesty program in 2009.

Net controlling income amounted to Ps. 9,908 million in 2009 compared to Ps. 6,708 million in 2008, an increase of 47.7%. Net controlling income in 2009 per FEMSA Unit[(1)] was Ps. 2.77 (US$2.12 per ADS).

Capital Expenditures

Capital expenditures reached Ps. 13,178 million in 2009, a decrease of 7.4% from 2008 levels, driven by the rationalization and reduction of capacity-related investments in FEMSA Cerveza, which offset higher manufacturing investments at Coca-Cola FEMSA and the accelerated expansion of store openings at FEMSA Comercio.

Consolidated Net Debt

As of December 31, 2009, FEMSA recorded a cash balance[(2)] of Ps. 17,636 million (US$ 1.351 billion), an increase of Ps. 8,526 million (US$ 653.0 million) as compared to December 31, 2008, reflecting strong cash generation at all of our operations, particularly at Coca-Cola FEMSA. Short-term debt was Ps. 8,853 million (US$ 678 million) and long-term debt was Ps. 34,810 million (US$ 2.666 billion). Our net debt decreased Ps. 8,831 million (US$ 676.3 million), for a net debt balance of Ps. 24,982 million (US$ 1.913 billion).

FINANCIAL RESULTS BY BUSINESS SEGMENT

COCA-COLA FEMSA

Total Revenues

Coca-Cola FEMSA total revenues increased 23.9% to Ps. 102,767 million in 2009, compared to Ps. 82,976 million in 2008 as a result of revenue growth in all of its divisions. Organic growth across our operations contributed more than 75% of incremental revenue, the acquisition of REMIL in Brazil and Brisa in Colombia together contributed to less than 15% of this growth, while a positive exchange rate translation effect resulting from the depreciation of the Peso against our operations' local currencies represented the balance.

Consolidated average price per unit case increased 13.9%, reaching Ps. 40.95 in 2009 as compared to Ps. 35.94 in 2008, reflecting higher average prices in all of Coca-Cola FEMSA's territories resulting from selective price increases implemented during the year across geographies.

Consolidated total sales volume reached 2,428.6 million unit cases in 2009, compared to 2,242.8 million unit cases in 2008, an increase of 8.3%. Excluding the acquisitions of REMIL and Brisa, total sales volume increased 5.1% to reach 2,357.0 million unit cases. Organic volume growth resulted from increases in sparkling beverages, which accounted for approximately 45% of incremental volumes, mainly driven by the *Coca-Cola* brand. The still beverage category, mainly driven by the Jugos Del Valle line of business in our main operations, contributed with less than 45% of the incremental volumes and the bottled water category represented the balance.

Gross Profit

Cost of sales increased 25.2% to Ps. 54,952 million in 2009 compared to Ps. 43,895 million in 2008, as a result of cost pressures due to (i) the devaluation of local currencies in Coca-Cola FEMSA's main operations as applied to its dollar-denominated raw material costs, (ii) the higher cost of sweetener across its operations, (iii) the integration of REMIL and (iv) the third and final stage of the scheduled The Coca-Cola Company concentrate price increase announced in 2006 in Mexico. All of these items were partially offset by lower resin costs. Gross profit increased 22.3% to Ps. 47,815 million in 2009, as compared to 2008, driven by incremental revenues across all of our territories; however, our gross margin decreased 0.6 percentage points to 46.5% in 2009.

(1) FEMSA Units consist of FEMSA BD Units and FEMSA B Units. Each FEMSA BD Unit is comprised of one Series B Share, two Series D-B Shares and two Series D-L Shares. Each FEMSA B Unit is comprised of five Series B Shares. The number of FEMSA Units outstanding as of December 31, 2009 was 3,578,226,270 equivalent to the total number of FEMSA Shares outstanding as of the same date, divided by 5.

(2) Cash balance includes cash and cash equivalents and marketable securities.

Income from Operations

Operating expenses increased 26.0% to Ps. 31,980 million in 2009, due to (i) higher labor costs in Venezuela, (ii) increased marketing investments in the Mexico division, (iii) the integration of REMIL in Brazil and (iv) increased marketing expenses in the Latincentro division, mainly due to the integration of the Brisa portfolio in Colombia and the continued expansion of the Jugos Del Valle line of business in Colombia and Central America. As a percentage of sales, operating expenses increased to 31.1% in 2009 from 30.6% in 2008.

Income from operations increased 15.6% to Ps. 15,835 million in 2009, as compared to Ps. 13,695 million in 2008. The Mercosur and Latincentro divisions accounted for more than 90% of this increase. Operating margin was 15.4% in 2009, a decline of 1.1 percentage points as compared to 2008.

FEMSA CERVEZA

Total Revenues

FEMSA Cerveza total revenues increased 9.3% to Ps. 46,336 million in 2009 as compared to Ps. 42,385 million in 2008, mainly due to higher average prices per hectoliter. Beer sales increased 8.9% to Ps. 42,491 million in 2009 compared to Ps. 39,014 million in 2008, representing 91.7% of total revenues in 2009. Mexico beer revenues represented 66.0% of total revenues in 2009 compared to 68.9% in 2008. Brazil beer revenues represented 15.5% of total revenues in 2009, up from 14.6% in 2008. Export beer revenues represented 10.2% of total beer revenues in 2009, up from 8.5% in 2008.

Mexico sales volume decreased 1.7% to 26.929 million hectoliters in 2009 in the context of extreme economic headwinds, particularly affecting our key territories. The *Tecate* family and *Indio* brands once again delivered strong growth. Mexico price per hectoliter increased 6.4% to Ps. 1,134.9 in 2009, as a result from price increases implemented during the second quarter of 2009, in addition to the increases carried out late in the third quarter of 2008.

Brazil sales volume decreased 1.3% to 10.049 million hectoliters in 2009 compared to 10.181 million hectoliters in 2008. Average price per hectoliter in Brazil increased 17.9% over 2008 in Mexican peso terms to Ps. 715.8 in 2009 due to a positive exchange rate translation effect, driven by the depreciation of the Peso against the Brazilian Real. In Brazilian Real terms, average price per hectoliter increased 4.8% percent, reflecting price increases implemented at the beginning of the year.

Export sales volumes increased 2.6% in 2009 compared to 2008, reaching 3.570 million hectoliters in 2009 compared to 3.479 million hectoliters in 2008. This percentage increase outperformed the US import beer category by a significant margin. The increase was primarily driven by our *Dos Equis* brand in the US and by our *Sol* brand in other key markets. Export price per hectoliter in Pesos increased 27.9% compared to 2008 to Ps. 1,326.7 in 2009, reflecting the Peso's depreciation against the US dollar. In US dollar terms, price per hectoliter improved by 4.3% to US$98.0 due to moderate price increases and a favorable brand mix shift from *Tecate* to higher-priced *Dos Equis.*

Gross Profit

Cost of sales increased 14.7% to Ps. 22,418 million in 2009 compared to Ps. 19,540 million in 2008, ahead of the 9.3% of total revenue growth in the year. This increase was mainly driven by (i) the depreciation of the Peso against the US dollar applied to the unhedged portion of input costs denominated in foreign currencies, (ii) year-over-year increases in the cost of raw materials, particularly in grains and, to a lesser extent, aluminum, and (iii) the translation effect of the depreciation of the Peso against the Brazilian Real. Gross profit reached Ps. 23,918 million in 2009, an increase of 4.7% as compared to Ps. 22,845 million in 2008. Gross margin decreased 2.3 percentage points from 53.9% in 2008 to 51.6% in 2009.

Income from Operations

Operating expenses increased 3.3% to Ps. 18,024 million in 2009 compared to Ps. 17,451 million in 2008. However, as percentage of total revenues, operating expenses decreased to 38.9% in 2009 as compared to 41.2% in 2008. Administrative expenses increased 3.1% to Ps. 4,221 million in 2009 compared to Ps. 4,093 million in 2008. Selling expenses increased 3.3% to Ps. 13,803 million in 2009 as compared to Ps. 13,358 million in 2008, mainly due to continued rationalization and cost containment efforts at the selling expense level in Mexico and Brazil. Income from operations increased 9.3% to Ps. 5,894 million in 2009. Operating margin remained flat as compared to 2008 at 12.7% of consolidated total revenues. Operating expense containment offset the contraction experienced at the gross margin level.

FEMSA COMERCIO

Total Revenues

FEMSA Comercio total revenues increased 13.6% to Ps. 53,549 million in 2009 compared to Ps. 47,146 million in 2008, primarily as a result of the opening of 960 net new stores during 2009, together with an average increase of same-store sales. As of December 31, 2009, there were a total of 7,334 stores in Mexico. FEMSA Comercio same-store sales increased an average of 1.3% compared to 2008, driven by a 3.3% increase in store traffic, which more than offset a slight reduction of 1.6% in average ticket. As was the case in 2008, the same-store sales, ticket and traffic dynamics continued to reflect the effects from the continued mix shift from physical prepaid wireless air-time cards to the sale of electronic air-time, for which only the margin is recorded, not the full amount of the electronic recharge. As 2009 progressed, this effect diminished.

Gross Profit

Cost of sales increased 10.0% to Ps. 35,825 million in 2009, below total revenue growth, compared with Ps. 32,565 million in 2008. As a result, gross profit reached Ps. 17,724 million in 2009, which represented a 21.6% increase from 2008. Gross margin expanded 2.2 percentage points to reach 33.1% of total revenues. This increase reflects more effective collaboration and execution with our key supplier partners, combined with a more efficient use of promotion-related marketing resources and a positive mix shift due to the growth of higher-margin categories and, to a lesser extent, the continued shift towards electronic air-time recharges described above.

Income from Operations

Operating expenses increased 15.3% to Ps. 13,267 million in 2009 compared with Ps. 11,504 million in 2008, largely driven by the growing number of stores, and partially offset by broad expense-containment initiatives at the store level and by scale-driven efficiencies. Administrative expenses increased 15.1% to Ps. 959 million in 2009, compared with Ps. 833 million in 2008; however, as a percentage of sales remained stable at 1.8%. Selling expenses increased 15.3% to Ps. 12,308 in 2009 compared with Ps. 10,671 million in 2008. Income from operations increased 44.8% to Ps. 4,457 million in 2009 compared with Ps. 3,077 million in 2008, resulting in an operating margin expansion of 1.8 percentage points to 8.3% as a percentage of total revenues for the year, compared with 6.5% in 2008. This all-time high operating margin was driven by gross margin expansion, which more than offset the increase in operating expenses.

KEY EVENTS DURING 2009

Coca-Cola FEMSA Acquires Brisa in Colombia

On February 27, 2009, Coca-Cola FEMSA announced that it had successfully closed the transaction with Bavaria, a subsidiary of SABMiller, to jointly acquire with The Coca-Cola Company, the Brisa bottled water business (including the Brisa brand and production assets). This transaction enables to increase Coca-Cola FEMSA's presence in the water business and complement our portfolio. The purchase price of US$92 million was shared equally by Coca-Cola FEMSA and The Coca-Cola Company. As of June 1st, 2009, pursuant to the transition agreement with Bavaria, Coca-Cola FEMSA started to sell and distribute the Brisa portfolio in Colombia.

Coca-Cola FEMSA Shareholder Meeting

On March 23, 2009, Coca-Cola FEMSA held its Annual Ordinary General Shareholders Meeting during which its shareholders approved the Company's consolidated financial statements for the year ended December 31, 2008, the declaration of dividends corresponding to fiscal year 2008 and the composition of the Board of Directors and Committees for 2009. Shareholders approved the payment of a cash dividend in the amount of Ps. 1,343.9 million. The dividend was paid on April 13, 2009, in the amount of Ps. 0.7278 per each ordinary share, equivalent to Ps. 7.278 per ADR. In addition, shareholders approved an amount of Ps. 400 million, the maximum amount allowed under Mexican law, which is available to the Company for share repurchases in the future, should it decide to use these funds.

FEMSA Shareholder Meeting

On March 25, 2009, FEMSA held its Annual Ordinary General Shareholders Meeting, during which shareholders approved the payment of a cash dividend in the amount of Ps. 1,620 million, consisting of Ps. 0.100985875 per each Series "D" share and Ps. 0.0807887 per each Series "B" share, which amounts to Ps. 0.4847322 per "BD" Unit (BMV: FEMSAUBD) or Ps. 4.847322 per ADS (NYSE: FMX), and Ps. 0.4039435 per "B" Unit (BMV: FEMSAUB). The dividend payment was split into two equal payments, paid on May 4, 2009 and November 3, 2009 with record dates of April 30, 2009 and October 30, 2009, respectively.

Coca-Cola FEMSA Yankee Bond and Certificado Bursátil Maturities Payment

On July 2009, Coca-Cola FEMSA paid down the maturities related to the Yankee Bond inherited with the acquisition of Panamco for an amount of US$265 million and the Certificado Bursátil for an amount of Ps. 500 million, both with cash generated from our operations.

FEMSA Agrees to Exchange Beer Operations for 20% Economic Interest in Heineken

On January 11, 2010, FEMSA announced that its Board of Directors unanimously approved a definitive agreement under which FEMSA will exchange its FEMSA Cerveza business for a 20% economic interest in Heineken (HEIA.NA; HEIN.AS; HEIO.NA; HEIO.AS), one of the world's leading brewers. Under the terms of the agreement, FEMSA will receive 43,018,320 shares of Heineken Holding N.V. and 72,182,201 shares of Heineken N.V., of which 29,172,502 will be delivered pursuant to an allotted share delivery instrument. It is expected that the allotted shares will be acquired by Heineken in the secondary market for delivery to FEMSA over a term not to exceed five years. Heineken also will assume US$2.1 billion of indebtedness, including FEMSA Cerveza's unfunded pension obligations. The total transaction was valued at approximately US$7.347 billion, based on closing prices of €32.92 for Heineken N.V. and 29.38 for Heineken Holding N.V. on January 8, 2010, including the assumed debt. The transaction, which is expected to be completed in the first half of 2010, is subject to customary regulatory approvals, as well as approval by FEMSA, Heineken N.V. and Heineken Holding N.V. shareholders.

Coca-Cola FEMSA Venezuela Currency Devaluation

On January 11, 2010, Coca-Cola FEMSA announced that Venezuelan Government authorities announced a devaluation of its currency, the Bolivar, and the establishment of a multiple exchange rate system. We expect this event will have an effect on our financial results, increasing our operating costs, as a result of the exchange rate movement applied to our US dollar-denominated raw material cost, and reducing our Venezuelan operation results when translated into our reporting currency, the Mexican peso. According to accounting practices, the exchange rate that will be used to translate our financial statements as of January 2010, will be the one at which we can remit dividends. We are still awaiting a resolution on this matter.

Coca-Cola FEMSA Issues 10-Year Bonds

On February 2, 2010, Coca-Cola FEMSA successfully sold US$500 million of 10-year bonds at a yield of 4.689% (US Treasury + 105 basis points) with a coupon of 4.625%. This transaction settled on February 5, 2010. The book was more than 6 times oversubscribed versus the initially announced size of US$400 million. The proceeds will be used for debt refinancing and general corporate purposes.

TO THE BOARD OF DIRECTORS OF FOMENTO ECONOMICO MEXICANO, S.A.B. DE C.V.:

In compliance with the provisions of Articles 42 and 43 of the Stock Exchange Market Law (Ley del Mercado de Valores) and the Charter of the Audits Committee, we do hereby inform you about the activities we performed during the year ending on December 31, 2009. In performing our work, we kept in mind the recommendations established in the Code of Corporate Best Practices and the provisions set forth in the Sarbanes-Oxley Act, considering our Company is listed in the U.S. Stock Exchange Market. We met at least quarterly and, based on a work program, we carried out the activities described below:

Internal Control

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

We validated the actions taken by the Company in order to comply with section 404 of the Sarbanes-Oxley Act regarding the self-assessment of internal control performed by the Company and to be reported for year 2009. Throughout this process, we followed up on the preventive and corrective measures implemented for any internal control aspects requiring improvement.

Risk Assessment

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

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

External Auditing

We recommended the Board of Directors to hire external auditors for the Group and its subsidiaries for the fiscal year 2009. For this purpose, we verified their independence and their compliance with the requirements established in the Law. Jointly, we analyzed their approach and work program as well as their coordination with the Internal Audit area.

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

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

Taking into account Management views, we carried out an assessment of their services for the previous year and initiated the evaluation process corresponding to the fiscal year 2009.

Internal Auditing

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

We reviewed and approved, in due time, their annual activity program and budget. In order to elaborate them, the Internal Audit area took part in the process of identifying risks, establishing controls and testing them, so as to comply with the requirements of Sarbanes-Oxley Law.

We received periodical reports regarding the progress of the approved work program, the departures from it they may have had and the causes thereof.

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

We made sure an annual training plan was implemented.

We reviewed the evaluations of the Internal Audit service done by the business units responsible and the Audit Committee.

Financial Information, Accounting Policies and Reports to Third Parties

We went over corporate quarterly and annual financial statements with the individuals responsible for their preparation and recommended the Board of Directors to approve them and authorize their publication. As a part of this process, we took into account the opinions and remarks from external auditors and made sure the criteria, accounting policies and information used by Management to prepare financial information were all adequate and sufficient and that they were applied consistently with the previous year. As a consequence, the information submitted by Management does reasonably reflect the Company's financial situation, its operating results and the changes in its financial situation for the year ending on December 31, 2009.

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

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 2009, into corporate accounting policies.

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

Compliance with Standards, Legal Issues and Contingencies

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

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

Code of Conduct

With the support from Internal Auditing, we verified personnel's compliance of the Business Code of Ethics that is currently in force within the Company, the existence of adequate processes for updating it and its diffusion to the employees, as well as the application of sanctions in those cases where violations were detected.

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

Administrative Activities

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

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

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

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

We reviewed the Audit Committee Charter and made the amendments that we esteemed pertinent in order to maintain it updated, subjecting them to the Board of Directors for their approval.

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

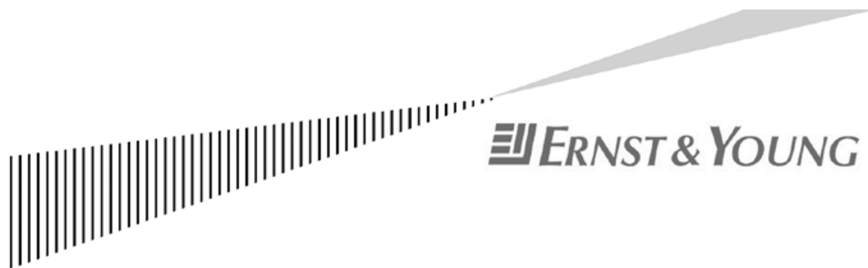
The work performed was duly documented in the minutes prepared for each meeting. Such minutes were properly reviewed and approved by Committee members.

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

Sincerely,

Alexis E. Rovzar de la Torre
Chairman of the Audit Committee

February 11, 2010



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements for the year ended December 31, 2007 were audited by other auditors whose report dated February 25, 2008, expressed an unqualified opinion on those statements.

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 Fomento Económico Mexicano, S.A.B. de C.V. and subsidiaries at December 31, 2009 and 2008, and the consolidated results of their operations, changes in stockholders' equity and consolidated cash flows, for the years then ended, 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).

As disclosed in Note 2 to the accompanying consolidated financial statements, among other Mexican Financial Reporting Standards ("MFRS"), the Company adopted MFRS B-8 *Consolidated and Combined Financial Statements* during 2009 and MFRS B-2 *Statement of Cash Flows* and MFRS B-10 *Effects of Inflation* during 2008. The application of all of these new standards was prospective in nature.

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

C.P.C. Víctor Luis Soulé García

Monterrey, N.L., Mexico
March 22, 2010

At December 31, 2009 and 2008. Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.).	Note	2009		2008
ASSETS				
Current Assets:				
Cash and cash equivalents		**$ 1,189**	**Ps. 15,523**	Ps. 9,110
Marketable securities	4 B	**162**	**2,113**	—
Accounts receivable	6	**899**	**11,732**	10,801
Inventories	7	**1,138**	**14,858**	13,065
Recoverable taxes		**259**	**3,388**	2,951
Other current assets	8	**135**	**1,766**	3,060
Total current assets		**3,782**	**49,380**	38,987
Investments in shares	9	**180**	**2,344**	1,965
Property, plant and equipment	10	**4,981**	**65,038**	61,425
Bottles and cases		**319**	**4,162**	3,733
Intangible assets	11	**5,451**	**71,181**	65,860
Deferred tax asset	23 D	**96**	**1,254**	1,247
Other assets	12	**1,357**	**17,732**	14,128
TOTAL ASSETS		**$ 16,166**	**Ps. 211,091**	Ps. 187,345

Consolidated Balance Sheets

At December 31, 2009 and 2008. Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.).	Note	2009	2009	2008
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Bank loans and notes payable	17	$ 292	Ps. 3,816	Ps. 5,799
Current portion of long-term debt	17	386	5,037	5,849
Interest payable		13	170	376
Suppliers		1,512	19,737	16,726
Accounts payable		583	7,607	5,804
Taxes payable		444	5,793	4,044
Other current liabilities	24 A	275	3,607	5,496
Total current liabilities		3,505	45,767	44,094
Long-Term Liabilities:				
Bank loans and notes payable	17	2,666	34,810	32,210
Labor liabilities	15 B	257	3,354	2,886
Deferred tax liability	23 D	74	972	2,400
Contingencies and other liabilities	24 B	794	10,359	8,860
Total long-term liabilities		3,791	49,495	46,356
Total liabilities		7,296	95,262	90,450
Stockholders' Equity:				
Noncontrolling interest in consolidated subsidiaries	20	2,619	34,192	28,074
Controlling interest:				
Capital stock		410	5,348	5,348
Additional paid-in capital		1,574	20,548	20,551
Retained earnings from prior years		3,357	43,835	38,929
Net income		759	9,908	6,708
Cumulative other comprehensive income (loss)	4 V	151	1,998	(2,715)
Controlling interest		6,251	81,637	68,821
Total stockholders' equity		8,870	115,829	96,895
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$ 16,166	Ps. 211,091	Ps. 187,345

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

José Antonio Fernández Carbajal
Chief Executive Officer

Javier Astaburuaga Sanjínes
Chief Financial Officer

Consolidated Income Statements

For the years ended December 31, 2009, 2008 and 2007. Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.), except for data per share.	2009		2008	2007 (1)
Net sales	**$ 15,018**	**Ps. 196,103**	Ps. 167,171	Ps. 147,069
Other operating revenues	**72**	**930**	851	487
Total revenues	**15,090**	**197,033**	168,022	147,556
Cost of sales	**8,133**	**106,195**	90,399	79,739
Gross profit	**6,957**	**90,838**	77,623	67,817
Operating expenses:				
Administrative	**851**	**11,111**	9,531	9,121
Selling	**4,037**	**52,715**	45,408	38,960
	4,888	**63,826**	54,939	48,081
Income from operations	**2,069**	**27,012**	22,684	19,736
Other expenses, net (Note 18)	**(269)**	**(3,506)**	(2,374)	(1,297)
Comprehensive financing result:				
Interest expense	**(398)**	**(5,197)**	(4,930)	(4,721)
Interest income	**43**	**565**	598	769
Foreign exchange (loss) gain, net	**(30)**	**(396)**	(1,694)	691
Gain on monetary position, net	**37**	**487**	657	1,639
Market value gain (loss) on ineffective portion of derivative financial instruments	**2**	**25**	(1,456)	69
	(346)	**(4,516)**	(6,825)	(1,553)
Income before income taxes	**1,454**	**18,990**	13,485	16,886
Income taxes (Note 23 E)	**299**	**3,908**	4,207	4,950
Consolidated net income	**$ 1,155**	**Ps. 15,082**	Ps. 9,278	Ps. 11,936
Net controlling interest income	**759**	**9,908**	6,708	8,511
Net noncontrolling interest income	**396**	**5,174**	2,570	3,425
Consolidated net income	**$ 1,155**	**Ps. 15,082**	Ps. 9,278	Ps. 11,936
Net controlling interest income (U.S. dollars and Mexican pesos) (Note 22):				
Per Series "B" share	**$ 0.04**	**Ps. 0.49**	Ps. 0.33	Ps. 0.42
Per Series "D" share	**$ 0.05**	**Ps. 0.62**	Ps. 0.42	Ps. 0.53

(1) Amounts for the year ended December 31, 2007, are expressed in millions of Mexican pesos as of the end of December 31, 2007 (see Note 2).
The accompanying notes are an integral part of these consolidated income statements.

Consolidated Statements of Cash Flows

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

	2009		2008
Cash Flow Generated by (Used in) Operating Activities:			
Income before income taxes	$ 1,454	Ps. 18,990	Ps. 13,485
Non-cash operating expenses	208	2,716	930
Other adjustments regarding operating activities	168	2,191	1,390
Adjustments regarding investing activities:			
Depreciation	482	6,295	5,508
Amortization	214	2,794	2,560
Loss on sale of long-lived assets	17	221	185
Write-off of long-lived assets	26	336	502
Interest income	(43)	(565)	(598)
Adjustments regarding financing activities:			
Interest expenses	398	5,197	4,930
Foreign exchange loss, net	30	396	1,694
Gain on monetary position, net	(37)	(487)	(657)
Market value (gain) loss on ineffective portion of derivative instruments	(2)	(25)	1,456
	2,915	38,059	31,385
Accounts receivable	(73)	(953)	(367)
Inventories	(191)	(2,496)	(2,900)
Other assets	—	—	35
Suppliers and other accounts payable	239	3,115	1,599
Other liabilities	(41)	(541)	653
Labor liabilities	(52)	(681)	(587)
Income taxes paid	(429)	(5,596)	(6,754)
Net cash flows provided by operating activities	2,368	30,907	23,064
Cash Flow Generated by (Used in) Investing Activities:			
BRISA acquisition, net of cash acquired (see Note 5)	(55)	(717)	—
REMIL acquisition, net of cash acquired (see Note 5)	—	—	(3,633)
Other acquisitions, net of cash acquired	—	—	(233)
Purchase of marketable securities	(153)	(2,001)	—
Interest received	43	565	598
Long-lived assets acquisitions	(654)	(8,536)	(10,186)
Long-lived assets sales	81	1,060	541
Other assets	(280)	(3,658)	(3,460)
Bottles and cases	(68)	(882)	(990)
Intangible assets	(128)	(1,665)	(697)
Net cash flows used in investing activities	(1,214)	(15,834)	(18,060)
Net cash flows available for financing activities	1,154	15,073	5,004
Cash Flow Generated by (Used in) Financing Activities:			
Bank loans obtained	1,607	20,981	22,545
Bank loans repaid	(1,623)	(21,198)	(20,693)
Interest paid	(399)	(5,206)	(5,733)
Dividends paid	(172)	(2,255)	(2,065)
Acquisition of noncontrolling interest	4	49	(223)
Other liabilities payments	(7)	(82)	9
Net cash flows used in financing activities	(590)	(7,711)	(6,160)
Increase (decrease) in cash and cash equivalents	564	7,362	(1,156)
Translation and restatement effects	(90)	(1,171)	97
Initial cash	738	9,635	10,694
Initial restricted cash	(40)	(525)	(238)
Initial balance of cash and cash equivalents, net	698	9,110	10,456
Decrease (increase) in restricted cash of the year	17	222	(287)
Ending balance of cash and cash equivalents, net	$ 1,189	Ps. 15,523	Ps. 9,110
Marketable securities	162	2,113	—
Total cash, cash equivalents and marketable securities	$ 1,351	Ps. 17,636	Ps. 9,110

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

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 2007. Amounts expressed in millions of Mexican pesos (Ps.).	2007 [1]
Resources Generated by (Used in) Operating Activities:	
Consolidated net income	Ps. 11,936
Depreciation	4,930
Amortization and other non-cash charges	3,182
Impairment of long-lived assets	93
Deferred income taxes	(239)
	19,902
Working capital:	
Accounts receivable	(1,536)
Inventories	(1,812)
Recoverable taxes, net	453
Other current assets and investment in shares available for sale	(668)
Suppliers and other current liabilities	1,987
Interest payable	14
Labor liabilities	(318)
Net resources generated by operating activities	18,022
Resources Generated by (Used in) Investing Activities:	
Sale of noncontrolling interest	415
Property, plant and equipment	(6,015)
Other assets	(4,472)
Investment in shares	(1,040)
Bottles and cases	(861)
Intangible assets	(336)
Other business acquisitions	(128)
Net resources used in investing activities	(12,437)
Resources Generated by (Used in) Financing Activities:	
Bank loans obtained	9,660
Bank loans paid	(10,851)
Amortization in real terms of long-term liabilities	(1,202)
Dividends declared and paid	(1,909)
Contingencies and other liabilities	(45)
Cumulative translation adjustment	446
Net resources used in financing activities	(3,901)
Cash and cash equivalents:	
Net increase	1,684
Cash received in acquisitions	6
Initial balance	8,766
Ending balance	Ps. 10,456

(1) Amounts for year ended December 31, 2007, are expressed in millions of Mexican pesos as of the end of December 31, 2007 (see Note 2).
The accompanying notes are an integral part of this consolidated statement of changes in financial position.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2009, 2008 and 2007. Amounts expressed in millions of Mexican pesos (Ps.).	Capital Stock	Additional Paid-in Capital
Balances at December 31, 2006 [(1)]	Ps. 5,348	Ps. 20,557
Transfer of prior year net income		
Dividends declared and paid (Note 21)		
Sale of noncontrolling interest		55
Acquisition by FEMSA Cerveza of noncontrolling interest		
Comprehensive income		
Balances at December 31, 2007 [(1)]	5,348	20,612
Transfer of prior year net income		
Change in accounting principles (Note 2 G and I)		
Dividends declared and paid (Note 21)		
Acquisitions by Coca-Cola FEMSA of noncontrolling interest (Note 5)		(61)
Other transactions of noncontrolling interest		
Comprehensive income		
Balances at December 31, 2008	5,348	20,551
Transfer of prior year net income		
Change in accounting principle (Note 2 C)		
Dividends declared and paid (Note 21)		
Acquisition by FEMSA Cerveza of noncontrolling interest		(3)
Comprehensive income		
Balances at December 31, 2009	**Ps. 5,348**	**Ps. 20,548**

(1) Amounts as of December 31, 2007 and 2006, are expressed in millions of Mexican pesos as of the end of December 31, 2007 (see Note 2).
The accompanying notes are an integral part of these consolidated statements of changes in stockholders' equity.

Retained Earnings from Prior Years	Net Income	Cumulative Other Comprehensive Income (Loss)	Controlling Interest	Noncontrolling Interest in Consolidated Subsidiaries	Total Stockholders' Equity
Ps. 32,529	Ps. 7,127	Ps. (8,907)	Ps. 56,654	Ps. 21,554	Ps. 78,208
7,127	(7,127)		—	—	—
(1,525)			(1,525)	(384)	(1,909)
			55	360	415
(23)			(23)	(16)	(39)
	8,511	906	9,417	3,561	12,978
38,108	8,511	(8,001)	64,578	25,075	89,653
8,511	(8,511)		—	—	—
(6,070)		6,424	354	—	354
(1,620)			(1,620)	(445)	(2,065)
			(61)	(162)	(223)
				91	91
	6,708	(1,138)	5,570	3,515	9,085
38,929	6,708	(2,715)	68,821	28,074	96,895
6,708	(6,708)		—	—	—
(182)			(182)	—	(182)
(1,620)			(1,620)	(635)	(2,255)
			(3)	19	16
	9,908	4,713	14,621	6,734	21,355
Ps. 43,835	**Ps. 9,908**	**Ps. 1,998**	**Ps. 81,637**	**Ps. 34,192**	**Ps. 115,829**

For the years ended December 31, 2009, 2008 and 2007.
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.).

NOTE 1. ACTIVITIES OF THE COMPANY.

Fomento Económico Mexicano, S.A.B. de C.V. ("FEMSA") is a Mexican holding company. The principal activities of FEMSA and its subsidiaries (the "Company"), as an economic unit, are carried out by operating subsidiaries and grouped under direct and indirect holding company subsidiaries (the "Subholding Companies") of FEMSA. The following is a description of such activities, together with the ownership interest in each Subholding Company:

Subholding Company	% Ownership	Activities
Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries ("Coca-Cola FEMSA")	53.7% (63.0% of the voting shares)	Production, distribution and marketing of certain Coca-Cola trademark beverages in Mexico, Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, Brazil and Argentina. The Coca-Cola Company indirectly owns 31.6% of Coca-Cola FEMSA's capital stock. In addition, shares representing 14.7% of Coca-Cola FEMSA's capital stock are traded on the Bolsa Mexicana de Valores (Mexican Stock Exchange "BMV") and The New York Stock Exchange, Inc. ("NYSE").
FEMSA Cerveza, S.A. de C.V. and subsidiaries ("FEMSA Cerveza")	100%	Production, distribution and marketing of beer through its principal operating subsidiary, Cervecería Cuauhtémoc Moctezuma, S.A. de C.V., which operates six breweries throughout Mexico and eight breweries in Brazil through its subsidiary Cervejarías Kaiser Brasil, S.A. FEMSA Cerveza produces and distributes different brands of beer, of which most significant in terms of sales are: Tecate, Tecate Light, Sol, Carta Blanca in Mexico, and Kaiser and Bavaria in Brazil.
FEMSA Comercio, S.A. de C.V. and subsidiaries ("FEMSA Comercio")	100%	Operation of a chain of convenience stores in Mexico under the trade name "OXXO."
Other companies	100%	Companies engaged in the production and distribution of labels, plastic cases, coolers and commercial refrigeration equipment; as well as transportation logistics and maintenance services to FEMSA's subsidiaries and to third parties.

NOTE 2. BASIS OF PRESENTATION.

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

The accompanying consolidated financial statements were prepared in accordance with *Normas de Información Financiera* (Mexican Financial Reporting Standards or "Mexican FRS"), individually referred to as "NIFs," and are stated in millions of Mexican pesos ("Ps."). The translation of Mexican pesos into U.S. dollars ("$") is included solely for the convenience of the reader, using the noon buying exchange rate published by the Federal Reserve Bank of New York of 13.0576 pesos per U.S. dollar as of December 31, 2009.

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

Figures presented for the year ended December 31, 2007, have been restated and translated as of December 31, 2007, which is the date of the last comprehensive recognition of the effects of inflation in the financial information in inflationary and non-inflationary economic environments. Beginning on January 1, 2008 and according to NIF B-10 "Effects of Inflation," only inflationary economic environments have to recognize inflation effects. As described in Note 4 A, since 2008 the Company has operated in a non-inflationary economic environment in Mexico. Figures as of December 31, 2008 and 2007 are presented as they were reported in last year; as a result figures have not been comprehensively restated as required by NIF B-10 for reporting entities that operate in non-inflationary economic environments.

The consolidated financial statements as of December 31, 2008 present certain reclassifications for comparable purpose (see Note 4 J). Additionally, the amount presented as an account receivable with MolsonCoors as of December 31, 2008 related to Kaiser's contingencies indemnities, which was presented originally offset of loss contingencies within contingencies and other liabilities in the consolidated balance sheet, has been reclassified to other assets for comparable purposes.

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

On March 3, 2010, the Board of Directors of FEMSA unanimously approved the issuance of the Company's consolidated financial statements. The accompanying consolidated financial statements and their accompanying notes will be presented at the FEMSA's stockholders meeting on April 26, 2010. FEMSA's stockholders have authority to approve or modify the Company's consolidated financial statements.

On January 1, 2009, 2008 and 2007 several Mexican FRS came into effect. Such changes and their application are described as follows:

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

In 2009, the Company adopted NIF B-7 "Business Combinations," which is an amendment to the previous Bulletin B-7 "Business Acquisitions." NIF B-7 establishes general rules for recognizing the fair value of net assets of businesses acquired as well as the fair value of noncontrolling interests, at the purchase date. This statement differs from the previous Bulletin B-7 in the following: a) To recognize all assets and liabilities acquired at their fair value, including the noncontrolling 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.

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

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

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

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

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

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

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

NIF B-8 "Consolidated and Combined Financial Statements," issued in 2008 amends Bulletin B-8 "Consolidated and Combined Financial Statements and Assessment of Permanent Share Investments." Prior Bulletin B-8 based its consolidation principle mainly on ownership of the majority voting capital stock. NIF B-8 differs from previous Bulletin B-8 in the following: a) defines control as the power to govern financial and operating policies, b) establishes that there are other facts, such as contractual agreements that have to be considered to determine if an entity exercises control or not, c) defines "Specific-Purpose Entity" ("SPE"), as those entities that are created to achieve a specific purpose and are considered within the scope of this pronouncement, d) establishes new terms as "controlling interest" instead of "majority interest" and "noncontrolling interest" instead "minority interest," and e) confirms that noncontrolling interest must be assessed at fair value at the subsidiary acquisition date. NIF B-8 shall be applied prospectively, beginning on January 1, 2009 (see Note 26 A).

F) NIF B-2, "Statement of Cash Flows":

In 2008, the Company adopted NIF B-2 "Statement of Cash Flows." As established in NIF B-2, the Consolidated Statement of Cash Flows is presented as part of these financial statements for the years ended December 31, 2009 and 2008. For the year ended December 31, 2007, NIF B-2 requires the presentation of the Statement of Changes in Financial Position which is not comparable to the Statement of Cash Flows. The adoption of NIF B-2 also resulted in several complementary disclosures not previously required.

G) NIF B-10, "Effects of Inflation":

In 2008, the Company adopted NIF B-10 "Effects of Inflation." Before 2008, the Company restated prior year financial statements to reflect the impact of current period inflation for comparability purposes.

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

In order to reverse the effects of inflationary accounting, NIF B-10 establishes that the results of holding non-monetary assets (RETANM) of previous periods should be reclassified in retained earnings. On January 1, 2008, the amount of RETANM reclassified in retained earnings was Ps. 6,070 (see Consolidated Statements of Changes in Stockholders' Equity).

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

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

H) NIF B-15, "Translation of Foreign Currencies":

NIF B-15 went into effect in 2008 and incorporates the concepts of recording currency, functional currency and reporting currency, and establishes the methodology to translate financial information of a foreign entity, based on those terms. Additionally, this rule is aligned with NIF B-10, which defines translation procedures of financial information from subsidiaries that operate in inflationary and non-inflationary environments. Prior to the application of this rule, translation of financial information from foreign subsidiaries was according to inflationary environments methodology. The adoption of this pronouncement is prospective and did not impact the consolidated financial statements of the Company (see Note 3).

I) NIF D-3, "Employee Benefits":

The Company adopted NIF D-3 in 2008, which eliminates the recognition of the additional liability which resulted from the difference between obligations for accumulated benefits and the net projected liability. On January 1, 2008, the additional liability derecognized amounted to Ps. 1,510, from which Ps. 948 corresponds to the intangible asset and Ps. 354 to the controlling cumulative other comprehensive income, net from its deferred tax of Ps. 208.

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

As a result, the adoption of NIF D-3 increased the amortization of prior service costs of severance indemnities by Ps. 45 in 2008 compared to 2007. This accounting change did not impact prior service cost of pension and retirement plans amortization since the remaining amortization period as of the adoption date was already five years or less. For the years ended December 31, 2009, 2008 and 2007, labor costs of past services amounted to Ps. 204, Ps. 221 and Ps. 146, respectively; and were recorded within the operating income (see Note 15).

During 2007, actuarial gains and losses of severance indemnities were amortized during the personnel's average labor life. Beginning in 2008, actuarial gains and losses of severance indemnities are registered in the operating income of the year they were generated and the balance of unrecognized actuarial gains and losses as of January 1, 2008 was recorded in other expenses (see Note 18) and amounted to Ps. 198.

J) NIF B-3, "Income Statement":

In 2007, NIF B-3 "Income Statement" went into effect. NIF B-3 establishes generic standards for presenting and structuring the statement of income, minimum content requirements and general disclosure standards. Additionally, statutory employee profit sharing ("PTU") should be presented within other expenses pursuant to Mexican FRS Interpretation No. 4.

K) NIF D-6, "Capitalization of the Comprehensive Financing Result":

In 2007, the Company adopted NIF D-6. This standard establishes that the comprehensive financing result generated by borrowings obtained to finance investment projects must be capitalized as part of the cost of long-term assets when certain conditions are met and amortized over the estimated useful life of the related asset. As of December 31, 2009 the comprehensive financing result capitalized regarding long-term assets amounted to Ps. 145. In 2008 and 2007, the application of this standard did not significantly impact the Company's financial information.

NOTE 3. FOREIGN SUBSIDIARY INCORPORATION.

The accounting records of foreign subsidiaries are maintained in local currency and in accordance with local accounting principles of each country. For incorporation into the Company's consolidated financial statements, each foreign subsidiary's individual financial statements are adjusted to Mexican FRS, and beginning in 2008, translated into Mexican pesos, as described as follows:

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

		Local Currencies to Mexican Pesos				
		Average Exchange Rate for		Exchange Rate as of December 31,		
Country	Functional/Recording Currency	**2009**	2008	**2009**	2008	2007 (1)
Mexico	Mexican peso	**Ps. 1.00**	Ps. 1.00	**Ps. 1.00**	Ps. 1.00	Ps. 1.00
Guatemala	Quetzal	**1.66**	1.47	**1.56**	1.74	1.42
Costa Rica	Colon	**0.02**	0.02	**0.02**	0.02	0.02
Panama	U.S. dollar	**13.52**	11.09	**13.06**	13.54	10.87
Colombia	Colombian peso	**0.01**	0.01	**0.01**	0.01	0.01
Nicaragua	Cordoba	**0.67**	0.57	**0.63**	0.68	0.57
Argentina	Argentine peso	**3.63**	3.50	**3.44**	3.92	3.45
Venezuela (2)	Bolivar	**6.31**	5.20	**6.07**	6.30	5.05
Brazil	Reai	**6.83**	6.11	**7.50**	5.79	6.13

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

(2) Equals 2.150 bolivars per one U.S. dollar, translated to Mexican pesos applying the average exchange rate or period-end rate. Refer to Note 29 for discussion of a subsequent event impacting this exchange rate.

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

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

Beginning in 2003, the government of Venezuela established a fixed exchange rate control of 2.150 bolivars per U.S. dollar, which is the Company's cross-currency rate used to translate the financial statements of its Venezuelan subsidiaries. The Company has operated under exchange controls in Venezuela since 2003 that affect its ability to remit dividends abroad or make payments other than in local currencies and that may increase the real price to us of raw materials purchased in local currency.

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

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

NOTE 4. SIGNIFICANT ACCOUNTING POLICIES.

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

The significant accounting policies are as follows:

A) Recognition of the Effects of Inflation in Countries with Inflationary Economic Environment:

In 2008 and 2009, the Company recognizes the effects of inflation in the financial information of its subsidiaries that operate in inflationary economic environments (when cumulative inflation of the three preceding years is 26% or more), through the integral method, which consists of (see Note 2 G):

- 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 these consolidated financial statements are presented; and
- Including in the Comprehensive Financing Result the gain or loss on monetary position (see Note 4 T).

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

The operations of the Company are classified as follows considering the cumulative inflation of the three preceding years of 2009. The following classification was also applied for the 2008 period:

	Inflation Rate 2009	Cumulative Inflation 2008–2006	Type of Economy
Mexico	**3.6%**	15.0%	Non-Inflationary
Guatemala [1]	**(0.3)%**	25.9%	Non-Inflationary
Colombia	**2.0%**	18.9%	Non-Inflationary
Brazil	**4.1%**	15.1%	Non-Inflationary
Panama	**1.9%**	16.0%	Non-Inflationary
Venezuela	**25.1%**	87.5%	Inflationary
Nicaragua	**0.9%**	45.5%	Inflationary
Costa Rica	**4.0%**	38.1%	Inflationary
Argentina	**7.7%**	27.8%	Inflationary

(1) According to The Economic and Financial Board of Guatemala, the expected inflation rate for the following years would decrease. As a result, the Company still classifies Guatemala as a non-inflationary economy according to NIF B-10 "Effects of Inflation."

B) Cash and Cash Equivalents and Marketable Securities:

Cash and Cash Equivalents:
Cash consists of non-interest bearing bank deposits. Cash equivalents consist principally of short-term bank deposits and fixed-rate investments with original maturities of three months or less recorded at its acquisition cost plus interest income not yet received, which is similar to listed market prices. As of December 31, 2009 and 2008, cash equivalents amounted to Ps. 10,365 and Ps. 4,585, respectively.

Marketable Securities:
Management determines the appropriate classification of debt securities at the time of purchase and reevaluates such designation as of each statement of financial position date. Marketable securities are classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, 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, 2009	Amortized Cost	Gross Unrealized Gain	Fair Value
Debt securities	**Ps. 2,001**	**Ps. 112**	**Ps. 2,113**

C) 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, 2009 and 2008.

D) Inventories and Cost of Sales:

The operating segments of the Company use inventory costing methodologies provided by Bulletin C-4 "Inventories" to value their inventories, such as average cost in FEMSA Cerveza and Coca-Cola FEMSA and retail method in FEMSA Comercio. Advances to suppliers of raw materials are included in the inventory account.

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

E) Other Current Assets:

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

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

Advertising costs consist of television and radio advertising airtime paid in advance, and 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 the first time 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 they are on the market. These costs are recorded as prepaid expenses and amortized over the period during which they are estimated to increase sales of the related products or container presentations to normal operating levels, which is generally no longer than one year.

Additionally, as of December 31, 2009 and 2008, the Company has restricted cash which is pledged as collateral of accounts payable in different currencies as follows. The restricted cash is presented as part of other current assets due to its short-term nature.

		2009		2008
Venezuelan bolivars	Ps.	161	Ps.	337
Mexican pesos		31		134
Brazilian reais		111		54
	Ps.	303	Ps.	525

F) Bottles and Cases:

Non-returnable bottles and cases are recorded in the results of operations at the time of product sale. Returnable bottles and cases are recorded at acquisition cost. There are two types of returnable bottles and cases:

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

Breakage of returnable bottles and cases within plants and distribution centers is recorded as an expense as it is incurred. For the years ended December 31, 2009, 2008 and 2007, breakage expense amounted to Ps. 903, Ps. 782 and Ps. 850, respectively. The Company estimates that breakage expense of returnable bottles and cases in plants and distribution centers is similar to the depreciation calculated on an estimated useful life of approximately five years for returnable beer bottles, four years for returnable soft drinks glass bottles and plastic cases, and 18 months for returnable soft drink plastic bottles.

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

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

G) Investments in Shares:

Investments in shares of associated companies where the Company holds 10% or more of a public company, 25% or more of a non-public company, or exercises significant influence according to NIF C-7 (see Note 2 B), are initially recorded at their acquisition cost and are subsequently accounted for by the equity method. Investments in affiliated companies in which the Company does not have significant influence are recorded at acquisition cost and restated using the consumer price index if that entity operates in an inflationary environment.

H) Property, Plant and Equipment:

Property, plant and equipment are initially recorded at their cost of acquisition and/or construction. The comprehensive financing result generated to fund long-term assets investment is capitalized as part of the total acquisition cost. As of December 31, 2009, the Company has capitalized Ps. 145 based on a capitalization weighted average rate of 8.08% for long-term assets investments that require more than the operating cycle of the Company to get ready for its intended use. As of December 31, 2008 and 2007, the capitalization of the comprehensive financing result did not have a significant impact in the consolidated financial statements. 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, reduced by their residual values. The Company estimates depreciation rates, considering the estimated remaining useful lives of the assets.

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

	Years
Buildings and construction	40–50
Machinery and equipment	12–20
Distribution equipment	10–12
Refrigeration equipment	5–7
Information technology equipment	3–5

I) Other Assets:

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

- Agreements with customers for the right to sell and promote the Company's products during certain periods of time, which are considered monetary assets and amortized under two methods, in accordance with the terms of such agreements:
  - Actual volume method, which amortizes the proportion of the volume actually sold to the retailer over the volume target (approximately 85% of the agreements of FEMSA Cerveza are amortized on this basis); and
  - Straight-line method, which amortizes the asset over the life of the contract (the remaining 15% of the agreements of FEMSA Cerveza and 100% of the agreements of Coca-Cola FEMSA are amortized on this basis).

  In addition, for agreements amortized based on the actual volume method, the Company periodically compares the amortization calculated based on the actual volume method against the amortization that would have resulted under the straight-line method and records a provision to the extent that the recorded amortization is less than what would have resulted under the straight-line method. The amortization is recorded by reducing net sales, which during years ended December 31, 2009, 2008 and 2007, amounted to Ps. 1,889, Ps. 1,477 and Ps. 1,360, respectively.
- Leasehold improvements are amortized using the straight-line method, over the shorter of the useful life of the assets or a term equivalent to the lease period. The amortization of leasehold improvements as of December 31, 2009, 2008 and 2007 were Ps. 710, Ps. 668 and Ps. 581, respectively.

J) Intangible Assets:

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

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

- Information technology and management systems costs incurred during the development stage which are currently in use. Such amounts were capitalized and then amortized using the straight-line method over four years. Expenses that do not fulfill the requirements for capitalization are expensed as incurred.
- Other computer systems cost in the development stage, not yet in use. Such amounts are capitalized as they are expected to add value such as income or cost savings in the future. Such amounts will be amortized on a straight-line basis over their estimated useful life after they are placed in service.
- Long-term alcohol licenses are amortized using the straight-line method. In 2009, FEMSA Cerveza reviewed the expected useful life of long-term alcohol licenses and changed its estimation from 6 to 15 years. The net effect of this change is a decrease in amortization of Ps. 84 in the consolidated financial results as of December 31, 2009. Beginning in 2009, long-term alcohol licenses are presented as part of intangible assets with a finite useful life. Prior year balances have been reclassified from other assets to intangible assets for comparable purposes.

- Through 2008, start-up expenses, which represented costs incurred prior to the opening of OXXO stores with the characteristics of an intangible asset internally developed. Such amounts were amortized on a straight-line basis in accordance with the terms of the lease contract. In 2009, according to NIF C-8, these amounts were reclassified in retained earnings (see Note 2 C).

Intangible assets with indefinite lives are not amortized and are subject to annual impairment tests or more frequently if necessary. These assets are recorded in the functional currency of the subsidiary in which the investment was made and are subsequently translated into Mexican pesos applying the closing rate of each period. Where inflationary accounting is applied, the intangible assets are restated applying inflation factors of the country of origin and then translated into Mexican pesos at the year-end exchange rate. The Company's intangible assets with indefinite lives mainly consist of:

- Coca-Cola FEMSA's rights to produce and distribute Coca-Cola trademark products in the territories acquired. These rights are contained in agreements that are standard contracts that The Coca-Cola Company has with its bottlers. Until 2009, for most Coca-Cola FEMSA's territories, except in Mexico and Argentina, the bottler agreements were extended through extension letters. In Brazil the bottler agreement in effect is only for the acquired territory of Refrigerantes Minas Gerais Ltda. or REMIL. There are four bottler agreements for Coca-Cola FEMSA's territories in Mexico; two expire in June 2013, and the other two in May 2015. The bottler agreement for Argentina expires in September 2014.

  The Coca-Cola Company and Coca-Cola FEMSA are following administrative steps to execute the bottler agreements substantially in similar terms and conditions to the agreements previously executed between The Coca-Cola Company and Coca-Cola FEMSA for Brazil, Colombia, Venezuela, Guatemala, Costa Rica, Nicaragua and Panama, which will expire in Brazil in April 2014, in Colombia in June 2014, in Venezuela in August 2016, in Guatemala in March 2015, in Costa Rica in September 2017, in Nicaragua in May 2016 and in Panama in November 2014. All of the Company's bottler agreements are renewable for ten-year terms, subject to the right of each party to decide not to renew any of these agreements. In addition, these agreements generally may be terminated in the case of material breach. Termination would prevent Coca-Cola FEMSA from selling Coca-Cola trademark beverages in the affected territory and would have an adverse effect on its business, financial conditions, results of operations and prospects.

- Trademarks and distribution rights, recognized as a result of the acquisition of the 30% of FEMSA Cerveza and payments made by FEMSA Cerveza in the acquisitions of previously granted franchises; and
- Trademarks recognized as a result of the acquisition of Kaiser.

Goodwill represents the difference between the price paid and the fair value of the shares and/or net assets acquired not directly associated with another intangible asset. Goodwill is recorded in the functional currency of the subsidiary in which the investment was made and then goodwill is translated to Mexican pesos using the year-end exchange rate. Where inflationary accounting is applied, goodwill is restated by applying inflation factors of the country of origin and translated to Mexican pesos using the year-end exchange rate. As of December 31, 2009, and 2008 the Company has goodwill resulting from the Kaiser acquisition which amounted to Ps. 4,937 and Ps. 3,821, respectively.

K) Impairment of Long-Lived Assets and Goodwill:

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

For depreciable and amortizable long-lived assets, such as property, plant and equipment and certain other definite long-lived assets, the Company performs tests for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable through their expected future cash flows.

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

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

Impairment charges regarding long-lived assets and goodwill are recognized in other expenses.

For the year ended December 31, 2009, the Company has recorded in other expenses Ps. 25 regarding an indefinite life intangible asset that is not expected to generate cash flows in the future. In 2008 and 2007, the Company did not record any impairment regarding indefinite life intangible assets and goodwill.

L) Payments from The Coca-Cola Company:

The Coca-Cola Company participates in certain advertising and promotional programs as well as in Coca-Cola FEMSA's refrigeration equipment and returnable bottles investment program. The contributions received for advertising and promotional incentives are included as a reduction of selling expenses. The contributions received for the refrigeration equipment and returnable bottles investment program are recorded as a reduction of the investment in refrigeration equipment and returnable bottles. Total contributions received were Ps. 1,945, Ps. 1,995 and Ps. 1,582 during the years ended December 31, 2009, 2008 and 2007, respectively.

M) Labor Liabilities:

Labor liabilities include obligations for pension and retirement plans, seniority premiums, postretirement medical services and severance indemnity liabilities other than restructuring, all based on actuarial calculations, using the projected unit credit method. Costs related to compensated absences, such as vacations and vacation premiums, are recorded on a cumulative basis, in accounts payable.

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 period during which the employees will receive the benefits of the plan.

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

N) Contingencies:

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

O) Commitments:

The Company discloses all its commitments regarding material long-lived assets acquisitions, services agreements that exceed the immediate need of the Company and all contractual obligations (see Note 24 G).

P) Revenue Recognition:

The Company recognizes income according to International Accounting Standard 18 "Revenues" (IAS 18) based on NIF A-8 "Supplement" which allows use of International Standards as supplementary when Mexican FRS does not provide guidance on a specific subject.

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

- For Coca-Cola FEMSA and FEMSA Cerveza domestic sales, upon delivery to the customer and once the customer has taken ownership of the goods. Domestic revenues are defined as the sales generated by the Company for sales realized in the country where the subsidiaries operate. Domestic revenues represented 96% for the years ended December 31, 2009 and 2008, and 97% for the year ended December 31, 2007, respectively;
- For FEMSA Cerveza export sales, upon shipment of goods to customers (FOB shipping point), and transfer of ownership and risk of loss; and
- For FEMSA Comercio retail sales, net revenues are recognized when the product is delivered to customers, and customers take possession of products.

Net sales reflect units delivered at list prices reduced by promotional allowances, discounts and the amortization of the agreements with customers to obtain the rights to sell and promote the products of the Company.

Additionally, the Company recognizes deferred income on a straight-line basis over the specified period of an agreement, or based on sales volume related to that agreement. As of December 31 2009 and 2008, the Company has recognized deferred income of Ps. 209 and Ps. 169 in the consolidated income statement as a result of the distribution agreement with Heineken USA.

During 2007 and 2008, Coca-Cola FEMSA sold certain of its private label brands to The Coca-Cola Company. Because Coca-Cola FEMSA has significant continuing involvement with these brands, (i.e. it continues producing and selling these products), 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, 2009 and 2008 amounted to Ps. 616 and Ps. 571, respectively. The short–term portions of such amounts are presented as other current liabilities, amounted Ps. 203 and Ps. 139 at December 31, 2009 and 2008, respectively.

Q) Operating Expenses:

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

Selling expenses include:

- Distribution: labor costs (salaries and other benefits), outbound freight costs, warehousing costs of finished products, breakage of returnable bottles in the distribution process, depreciation and maintenance of trucks and other distribution facilities and equipment. For the years ended December 31, 2009, 2008 and 2007, these distribution costs amounted to Ps. 15,080, Ps. 12,135 and Ps. 10,601, respectively;
- Sales: labor costs (salaries and other benefits) and sales commissions paid to sales personnel; and
- Marketing: labor costs (salaries and other benefits), promotional expenses and advertising costs.

R) Other Expenses:

Other expenses include Employee Profit Sharing ("PTU"), participation in associated companies, gains or losses on sales of fixed assets, impairment of long-lived assets, contingencies reserves as well as their subsequent interest and penalties, severance payments derived from restructuring programs and all other non-recurring expenses related to activities different from the main activities of the Company 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, except for considering depreciation of historical rather than restated values, foreign exchange gains and losses, which are not included until the asset is disposed of or the liability is due and other effects of inflation are also excluded. In Venezuela, employee profit sharing is computed at a rate equivalent to 15% of after tax income, and it is no more than four months of salary.

Through 2007, deferred PTU had been recorded when non-recurring temporary differences between the accounting income for the year and the bases used for Mexican employee profit sharing resulted. Since 2008, the Company has not recorded a provision for deferred employee profit sharing because according to the assets and liabilities method described in NIF D-3, the Company does not expect relevant deferred items to materialize. As a result, the Company has not recognized deferred employee profit sharing as of either December 31, 2009 or 2008.

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

S) Income Taxes:

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

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

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

T) Comprehensive Financing Result:

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

- Interest: Interest income and expenses are recorded when earned or incurred, respectively, except for interest capitalized on the financing of long-term assets;
- Foreign Exchange Gains and Losses: Transactions in foreign currencies are recorded in local currencies using the exchange rate applicable on the date they occur. Assets and liabilities in foreign currencies are adjusted to the year-end exchange rate, recording the resulting foreign exchange gain or loss directly in the income statement, except for the foreign exchange gain or loss from the intercompany financing foreign currency denominated balances that are considered to be of a long-term investment nature and the foreign exchange gain or loss from the financing of long-term assets (see Note 3);
- Gain or Loss on Monetary Position: Since 2008, the gain or loss on monetary position results from the changes in the general price level of monetary accounts of those subsidiaries that operate in inflationary environments, which is determined by applying inflation factors of the country of origin to the net monetary position at the beginning of each month and excluding the intercompany financing in foreign currency that is considered as long-term investment because of its nature (see Note 3), as well as the gain or loss on monetary position from long-term liabilities to finance long-term assets. Prior to 2008, gain or loss on monetary position was determined for all subsidiaries; and
- Market Value Gain or Loss on Ineffective Portion of Derivative Financial Instruments: Represents the net change in the fair value of the ineffective portion of derivative financial instruments, the net change in the fair value of those derivative financial instruments that do not meet hedging criteria for accounting purposes; and the net change in the fair value of embedded derivative financial instruments.

U) Derivative Financial Instruments:

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

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

As of December 31, 2009 and 2008, the balance in other current assets of derivative financial instruments was Ps. 81 and Ps. 1,591 (see Note 8), and in other assets Ps. 1,164 and Ps. 212 (see Note 12), respectively. The Company recognized liabilities regarding derivative financial instruments in other current liabilities of Ps. 868 and Ps. 3,089 (see Note 24 A), as of the end of December 31, 2009 and 2008, respectively, and other liabilities of Ps. 1,286 and Ps. 1,377 (see Note 24 B) for the same periods.

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

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

V) Cumulative Other Comprehensive Income (Loss):

The cumulative other comprehensive income/loss 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.

		2009		2008
Unrealized (loss) on cash flow hedges	Ps.	(896)	Ps.	(1,889)
Cumulative translation adjustment		2,894		(826)
	Ps.	1,998	Ps.	(2,715)

The changes in the cumulative translation adjustment were as follows:

		2009		2008
Initial balance	Ps.	(826)	Ps.	(1,337)
Conversion effect		2,183		(1,023)
Foreign exchange effect from intercompany long-term loans		1,537		1,534
Ending balance	Ps.	2,894	Ps.	(826)

The deferred income tax liability from the cumulative translation adjustment amounted to Ps. 592 and 1,709, respectively (see Note 23 D).

W) Provisions:

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

X) Issuances of Subsidiary Stock:

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

Y) Earnings per Share:

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

NOTE 5. ACQUISITIONS.

Coca-Cola FEMSA and FEMSA Cerveza made certain business acquisitions that were recorded using the purchase method. The results of the acquired operations have been included in the consolidated financial statements since Coca-Cola FEMSA and FEMSA Cerveza obtained control of acquired businesses. Therefore, the consolidated income statements and the consolidated balance sheets are not comparable with previous periods. The statement of changes in financial position as of December 31, 2007 presents the effects of the acquisitions and incorporation of such operations by Coca-Cola FEMSA and FEMSA Cerveza, as a single line item within investing activities. The consolidated cash flows as of December 31, 2009 and 2008, show the acquired operations net of the cash related to those acquisitions.

A) Coca-Cola FEMSA:

i) On February 27, 2009, Coca-Cola FEMSA along with The Coca-Cola Company completed the acquisition of certain assets of the Brisa bottled water business in Colombia. This acquisition was made so as to strengthen Coca-Cola FEMSA's position in the local water business in Colombia. The Brisa bottled water business was previously owned by a subsidiary of SABMiller. Terms of the transaction called for an initial purchase price of $92, of which $46 was paid by Coca-Cola FEMSA and $46 by The Coca-Cola Company. The Brisa brand and certain other intangible assets were acquired by The Coca-Cola Company, while production related property and equipment and inventory was acquired by Coca-Cola FEMSA. Coca-Cola FEMSA also acquired the distribution right 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 the Coca-Cola FEMSA's operating results beginning June 1, 2009.

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

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

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

ii) On July 17, 2008, Coca-Cola FEMSA acquired certain assets of Agua De Los Ángeles, which sells and distributes water within Mexico Valley, for Ps. 206, net of cash received. This acquisition was made so as to strengthen Coca-Cola FEMSA position in the local water business in Mexico. Based on the purchase price allocation, Coca-Cola FEMSA identified intangible assets with indefinite life of Ps. 18 consisting of distribution rights and intangible assets of definite life of Ps. 15 consisting of a non-compete right, amortizable in the following five years.

iii) On May 31, 2008, Coca-Cola FEMSA completed in Brazil the franchise acquisition of Refrigerantes Minas Gerais for Ps. 3,633 net of cash received, assuming liabilities for Ps. 1,966 which includes an account payable to The Coca-Cola Company for Ps. 574, acquiring 100% of the voting shares. Coca-Cola FEMSA identified intangible assets with indefinite lives consisting of distribution rights based on the purchase price allocation of Ps. 2,242. This acquisition was made so as to strengthen Coca-Cola FEMSA's position in the local soft drinks business in Brazil.

The estimated fair value of the REMIL net assets acquired by Coca-Cola FEMSA is as follows:

Total current assets	**Ps.**	**881**
Total long-term assets		**1,902**
Distribution rights		**2,242**
Total current liabilities		**1,152**
Total long-term liabilities		**814**
Total liabilities		**1,966**
Net assets acquired	**Ps.**	**3,059**

As of December 31, 2008, Coca-Cola FEMSA has recognized a loss of Ps. 45 as part of the income statement of Coca-Cola FEMSA related to REMIL results after its acquisition.

iv) On January 21, 2008, a reorganization of the Colombian operations occurred by way of a spin-off of the previous noncontrolling interest shareholders. The total amount paid to the noncontrolling interest shareholders for the buy-out was Ps. 213.

v) On November 8, 2007, Administracion S.A.P.I. de C.V. ("Administracion SAPI"), a joint operation 50%-owned by Coca-Cola FEMSA and 50%-owned by The Coca-Cola Company, purchased 58,350,908 shares in Jugos Del Valle, S.A.B. de C.V. (currently Jugos Del Valle, S.A.P.I. de C.V.) ("Jugos Del Valle") to acquire a 100% equity interest in this company. Administracion SAPI paid Ps. 4,020 for Jugos Del Valle and assumed liabilities of Ps. 934.

Subsequent to the initial acquisition of Jugos Del Valle by Administracion SAPI, Coca-Cola FEMSA offered to sell 30% of its interest in Administración SAPI to Coca-Cola bottlers in Mexico. During 2008, Coca-Cola FEMSA recorded investment in shares of 19.8% of the capital stock of Administración SAPI which represents the Coca-Cola FEMSA's remaining investment after the sale of its 30.2% holding in Administración SAPI to other Coca-Cola bottlers. After this, Administration SAPI merged with Jugos Del Valle, subsisting Jugos Del Valle. As of December 31, 2008 the transaction was completed.

vi) On November 5, 2007, Coca-Cola FEMSA's Argentine subsidiary reached a binding agreement to acquire all outstanding shares of Complejo Industrial Can, S.A. ("CICAN") in a transaction valued at Ps. 51. CICAN manufactures packaging for various brands of soft drinks.

vii) Unaudited Pro Forma Financial Data:

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

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

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.

	FEMSA Unaudited Pro Forma Consolidated Results for the Years Ended December 31,	
	2008	2007
Total revenues	Ps. 169,966	Ps. 152,195
Income before taxes	14,008	17,423
Net income	9,662	12,290

B) FEMSA Cerveza:

i) In 2008, FEMSA Cerveza paid Ps. 54 to acquire third-party distributor operations. Based on the purchase price allocation, FEMSA Cerveza recognized Ps. 45 for beer distribution rights recorded as an intangible asset with indefinite life. As of December 31, 2009 and 2008, no goodwill has been recognized as a result of this acquisition. The results of operations of this acquired third-party distributor are not material to the Company's consolidated results of operations for purposes of presentation of pro forma information.

NOTE 6. ACCOUNTS RECEIVABLE.

	2009	2008
Trade	Ps. 9,506	Ps. 8,374
Allowance for doubtful accounts	(930)	(805)
The Coca-Cola Company	1,034	959
Notes receivable	566	476
MolsonCoors	368	255
Loans to employees	125	86
Travel advances to employees	111	65
Insurance claims	86	97
Guarantee deposits	76	60
Jugos Del Valle [(1)]	2	368
Other	788	866
	Ps. 11,732	Ps. 10,801

(1) Includes funds provided for the working capital of Jugos Del Valle.

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

	2009	2008	2007
Opening balance	Ps. 805	Ps. 657	Ps. 586
Provision for the year	363	387	195
Write-off of uncollectible accounts	(269)	(237)	(98)
Translation of foreign currency effect	31	(2)	(26)
Ending balance	Ps. 930	Ps. 805	Ps. 657

NOTE 7. INVENTORIES.

	2009	2008
Finished products	Ps. 6,963	Ps. 5,506
Raw materials	5,980	6,183
Spare parts	932	786
Advances to suppliers	685	317
Work in process	456	395
Allowance for obsolescence	(158)	(122)
	Ps. 14,858	Ps. 13,065

NOTE 8. OTHER CURRENT ASSETS.

	2009	2008
Long-lived assets available for sale	Ps. 373	Ps. —
Advertising and deferred promotional expenses	337	309
Restricted cash	303	525
Advances to services suppliers	253	73
Prepaid leases	131	124
Agreements with customers	118	136
Derivative financial instruments	81	1,591
Short-term licenses	32	23
Prepaid insurance	26	42
Other	112	237
	Ps. 1,766	Ps. 3,060

The advertising and deferred promotional expenses recorded in the consolidated income statements for the years ended December 31, 2009, 2008 and 2007 amounted to Ps. 6,587, Ps. 5,951 and Ps. 5,455, respectively.

NOTE 9. INVESTMENTS IN SHARES.

Company	% Ownership	2009	2008
Coca-Cola FEMSA:			
Jugos Del Valle, S.A. de C.V. (1) (2)	19.79%	Ps. 1,162	Ps. 1,101
Sucos del Valle Do Brasil, LTDA (1) (2) (4)	19.89%	325	—
Mais Industria de Alimentos, LTDA (1) (2) (4)	19.89%	289	—
Holdfab Partiçipações, LTDA (1) (2) (4)	33.05%	—	359
Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA") (1) (2)	13.45%	78	112
Industria Mexicana de Reciclaje, S.A. de C.V. (1) (2)	35.00%	76	79
Estancia Hidromineral Itabirito (1) (2)	50.00%	76	—
Beta San Miguel, S.A. de C.V. ("Beta San Miguel") (3)	2.54%	69	69
KSP Partiçipações, S.A. (1) (2)	38.74%	88	62
Compañía de Servicios de Bebidas Refrescantes S.A. de C.V. ("Salesko") (1) (2)	26.00%	—	7
Other	Various	7	8
FEMSA Cerveza:			
Río Blanco Trust (waste water treatment plant) (1) (2)	19.14%	61	69
Affiliated companies of Kaiser (3)	Various	25	19
Affiliated companies of FEMSA Cerveza (1) (2)	Various	39	14
Other (3)	Various	12	13
Other investments	Various	37	53
		Ps. 2,344	Ps. 1,965

Accounting method:

(1) Equity method. The date of the financial statements of the investees used to account for the equity method is the same as the used in the Company consolidated financial statements.
(2) The Company has significant influence, mainly due to its representation in the Board of Directors in those companies.
(3) Acquisition cost.
(4) Restructured its operations resulting in the spin-off of two separate companies: Sucos del Valle Do Brasil, LTDA and Mais Industria de Alimentos, LTDA.

As of December 31, 2009, the Company indirectly owns 19.79% of Jugos Del Valle through its subsidiary Coca-Cola FEMSA. The principal activities of Jugos Del Valle is the production, distribution and marketing of fruit juices in Mexico and other countries. Coca-Cola FEMSA recognized other income of Ps. 4 regarding to its interest in Jugos Del Valle which is accounted for by equity method.

The following is some relevant financial information from Jugos Del Valle as of December 31, 2009 and 2008.

	2009	2008
Total assets	Ps. 6,961	Ps. 7,109
Total liabilities	1,092	1,551
Total stockholders' equity	5,869	5,558

	2009	2008
Total revenues	Ps. 5,052	Ps. 3,991
Income before taxes	59	265
Net income before discontinuing operations	7	124
Discontinuing operations	11	271
Net income	18	395

NOTE 10. PROPERTY, PLANT AND EQUIPMENT.

	2009	2008
Land	Ps. 8,417	Ps. 8,137
Buildings, machinery and equipment	98,713	90,800
Accumulated depreciation	(51,681)	(46,203)
Refrigeration equipment	12,296	10,512
Accumulated depreciation	(8,099)	(7,146)
Investment in fixed assets in progress (see Note 4 H)	4,523	4,296
Long-lived assets stated at net realizable value	538	730
Other long-lived assets	331	299
	Ps. 65,038	Ps. 61,425

As of December 31, 2009, the Company has identified long-term assets investments of Ps. 2,025 that are not ready for their intended use and met the definition of qualified assets for comprehensive financing result capitalization, which amounted to Ps. 145. As of December 31, 2008 and 2007, the capitalization of the comprehensive financing result did not have a significant impact on the consolidated financial statements.

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

	2009	2008
Coca-Cola FEMSA	Ps. 288	Ps. 394
FEMSA Cerveza	208	291
FEMSA and others subsidiaries	42	45
	Ps. 538	Ps. 730
Buildings	Ps. 182	Ps. 359
Land	174	237
Equipment	182	134
	Ps. 538	Ps. 730

As a result of selling certain long-lived assets, the Company recognized a loss of Ps. 26 and gains of Ps. 4 and Ps. 127 for the years ended December 31, 2009, 2008 and 2007, respectively.

Long-lived assets that are available for sale have been reclassified from property, plant and equipment to other current assets. As of December 31, 2009, long-lived assets available for sale amounted to Ps. 373 (see Note 8). In 2008, long-lived assets that were not strategic did not meet available for sale characteristics.

NOTE 11. INTANGIBLE ASSETS.

	2009	2008
Unamortized intangible assets:		
Coca-Cola FEMSA:		
Rights to produce and distribute Coca-Cola trademark products	Ps. 49,520	Ps. 46,892
FEMSA Cerveza:		
Trademarks and distribution rights	11,357	11,391
Goodwill	4,937	3,821
Kaiser trademarks	927	716
Other	—	287
Other unamortized intangible assets	787	499
	67,528	63,606
Amortized intangible assets:		
Systems in development costs	2,068	597
Technology costs and management systems	469	498
Alcohol licenses (see Note 4 J)	982	804
Start-up expenses (see Note 2 C)	—	253
Other	134	102
	3,653	2,254
Total intangible assets	Ps. 71,181	Ps. 65,860

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

	2009	2008
Beginning balance	Ps. 63,606	Ps. 59,110
Acquisitions	698	2,305
Impairment	(25)	—
Translation and restatement of foreign currency effect	3,249	2,191
Ending balance	Ps. 67,528	Ps. 63,606

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

	Investments		Amortization		
	Accumulated at the Beginning of the Year	Additions	Accumulated at the Beginning of the Year	For the Year	Total
2009					
Systems in development costs	Ps. 597	Ps. 1,471	Ps. —	Ps. —	Ps. 2,068
Technology costs and management systems	2,230	389	(1,732)	(418)	469
Alcohol licenses [1]	1,084	252	(280)	(74)	982
2008					
Systems in development costs	Ps. —	Ps. 597	Ps. —	Ps. —	Ps. 597
Technology costs and management systems	2,093	137	(1,504)	(228)	498
Alcohol licenses [1]	719	365	(144)	(136)	804
2007					
Technology costs and management systems	Ps. 1,892	Ps. 201	Ps. (1,159)	Ps. (345)	Ps. 589
Alcohol licenses [1]	402	317	(66)	(78)	575

(1) See Note 4 J.

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

	2010	2011	2012	2013	2014
Systems amortization	Ps. 473	Ps. 467	Ps. 442	Ps. 390	Ps. 377
Alcohol licenses	95	95	95	95	95
Others	17	17	17	17	17

NOTE 12. OTHER ASSETS.

	2009	2008
Leasehold improvements—net	**Ps. 5,463**	Ps. 4,930
Agreements with customers (see Note 4 I)	**4,075**	4,060
Brazilian amnesty rights	**2,295**	—
MolsonCoors	**1,431**	2,144
Derivative financial instruments	**1,164**	212
Guarantee Deposits	**1,138**	324
Long-term accounts receivable	**760**	549
Advertising and promotional expenses	**628**	293
Tax credits	**—**	185
Other	**778**	1,431
	Ps. 17,732	Ps. 14,128

Long-term accounts receivables are comprised of Ps. 737 and Ps. 23 of principal and interests and are expected to be collected as follows:

2010	**Ps. 169**
2011	**215**
2012	**123**
2013	**84**
2014 and thereafter	**169**
	Ps. 760

NOTE 13. BALANCES AND TRANSACTIONS WITH RELATED PARTIES AND AFFILIATED COMPANIES.

On January 1, 2007, NIF C-13, "Related Parties," came into effect. This standard broadens the concept of "related parties" to include: a) the overall business in which the reporting entity participates; b) close family members of key officers; and c) any fund created in connection with a labor related compensation plan. Additionally, NIF C-13 requires that entities provide comparative disclosures in the notes to the financial statements.

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

Balances	**2009**	2008
Due from The Coca-Cola Company (see Note 4 L) [(1)]	**Ps. 1,034**	Ps. 959
Balance with BBVA Bancomer, S.A. de C.V. [(2)]	**4,665**	799
Due from Promotora Mexicana de Embotelladores, S.A. de C.V. [(1)]	**195**	129
Other receivables [(1)]	**104**	480
Due to BBVA Bancomer, S.A. de C.V. [(3)]	**10,124**	10,060
Due to The Coca-Cola Company [(4)]	**2,405**	2,659
Due to Grupo Financiero Banamex, S.A. de C.V. [(3)]	**2,265**	2,406
Due to British American Tobacco México [(4)]	**186**	128
Other payables [(4)]	**345**	233

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

Transactions		**2009**		2008		2007
Income:						
Sales of cans and aluminum lids to Promotora Mexicana de Embotelladores, S.A. de C.V. [1]	**Ps.**	**1,145**	Ps.	1,081	Ps.	1,121
Logistic services to Grupo Industrial Saltillo, S.A. de C.V. [2]		**234**		252		242
Sales of Grupo Inmobiliario San Agustín, S.A. shares to Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C. [2]		**64**		66		37
Other revenues from related parties		**147**		408		902
Expenses:						
Purchase of concentrate from The Coca-Cola Company [1]		**16,863**		13,518		12,239
Purchase of baked goods and snacks from Grupo Bimbo, S.A.B. de C.V. [2]		**1,733**		1,578		1,324
Purchase of cigarettes from British American Tobacco México [2]		**1,413**		1,439		1,064
Advertisement expense paid to The Coca-Cola Company [1]		**780**		931		940
Purchase of juices to Jugos Del Valle, S.A. de C.V. [1]		**1,044**		863		—
Interest expense paid to BBVA Bancomer S.A. de C.V. [2]		**591**		780		305
Purchase of sugar from Beta San Miguel [1]		**713**		687		845
Purchase of sugar, cans and aluminum lids from Promotora Mexicana de Embotelladores, S.A. de C.V. [1]		**783**		525		723
Purchase of canned products from IEQSA [1] and CICAN [3]		**208**		333		518
Advertising paid to Grupo Televisa, S.A.B. [2]		**247**		253		178
Interest expense paid to Grupo Financiero Banamex, S.A. de C.V. [2]		**246**		289		539
Interest expense paid to Deutsche Bank (Mexico) [2]		**—**		85		—
Insurance premiums for policies with Grupo Nacional Provincial, S.A.B. [2]		**123**		83		31
Donations to Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C. [2]		**100**		79		108
Purchase of plastic bottles from Embotelladora del Atlántico, S.A. (formerly Complejo Industrial Pet, S.A.) [1]		**54**		42		37
Donations to Difusión y Fomento Cultural, A.C. [2]		**—**		29		32
Interest expense paid to The Coca-Cola Company [1]		**25**		27		29
Other expenses with related parties		**99**		43		3

(1) These companies are related parties of our subsidiary Coca-Cola FEMSA.
(2) One or more members of the board of directors or senior management are also members of the board of directors or senior management of the counterparties to these transactions.
(3) In 2007, CICAN is not considered to be a related party.

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

		2009		2008		2007
Short- and long-term benefits paid	**Ps.**	**1,494**	Ps.	1,348	Ps.	1,290
Severance indemnities		**53**		11		17
Postretirement benefits (labor cost)		**32**		32		29

NOTE 14. BALANCES AND TRANSACTIONS IN FOREIGN CURRENCIES.

According to NIF B-15, assets, liabilities and transactions denominated in foreign currencies are those realized in a currency different than the recording, functional or reporting currency of each reporting unit. As of the end of and for the years ended December 31, 2009 and 2008, assets, liabilities and transactions denominated in foreign currencies, expressed in Mexican pesos are as follows:

	2009			2008		
	U.S. Dollars	**Other Currencies**	**Total**	U.S. Dollars	Other Currencies	Total
Assets						
Short-term	**Ps. 5,407**	**Ps. 7**	**Ps. 5,414**	Ps. 4,331	Ps. 153	Ps. 4,484
Long-term	**1,218**	**—**	**1,218**	315	—	315
Liabilities						
Short-term	**3,492**	**70**	**3,562**	7,970	52	8,022
Long-term	**5,897**	**—**	**5,897**	6,284	120	6,404

Transactions	**U.S. Dollars**	**Other Currencies**	**Total**	U.S. Dollars	Other Currencies	Total
Revenues	**Ps. 7,332**	**Ps. —**	**Ps. 7,332**	Ps. 4,978	Ps. 933	Ps. 5,911
Expenses and investments:						
Purchases of raw materials	**15,304**	**254**	**15,558**	12,746	184	12,930
Interest expense	**1,563**	**—**	**1,563**	2,363	—	2,363
Assets acquisitions	**883**	**387**	**1,270**	1,343	715	2,058
Export expenses	**1,709**	**9**	**1,718**	849	—	849
Other	**2,083**	**19**	**2,102**	1,672	85	1,757
	Ps. 21,542	**Ps. 669**	**Ps. 22,211**	Ps. 18,973	Ps. 984	Ps. 19,957

As of March 3, 2010, the issuance date of these consolidated financial statements, the exchange rate published by "Banco de México" was Ps. 12.7454 Mexican pesos per one U.S. Dollar, and the foreign currency position was similar to that as of December 31, 2009.

NOTE 15. LABOR LIABILITIES.

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

In December 2007, FEMSA Cerveza approved a plan to allow certain qualifying personnel to early retire beginning in 2008. This plan consisted of the following: (i) allowed personnel with more than 55 years of age and 20 years of seniority, as of January 15, 2008, to take the early retirement, and (ii) to pay severance indemnities to some employees that do not meet certain characteristics defined by the Company. This plan is intended to improve the efficiency of FEMSA Cerveza's operating structure. The total financial impact of this plan was Ps. 236, of which Ps. 125 was recorded in the consolidated results of the Company of 2007, and Ps. 111 was recorded in the consolidated results as of December 31, 2008. Both amounts were included as part of other expenses (see Note 18).

A) Assumptions:

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

	Nominal Rates (1)		Real Rates (2) (3)	
	2009	2008	**2009**	2008
Annual discount rate	**8.2%**	8.2%	**4.5%**	4.5%
Salary increase	**5.1%**	5.1%	**1.5%**	1.5%
Return on assets	**8.2%**	11.3%	**4.5%**	4.5%
Measurement date: December 2009				

(1) For non-inflationary economies.
(2) For inflationary economies.
(3) Assumptions used for 2007 actuarial calculations.

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

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

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

	Pension and Retirement Plans	Seniority Premiums	Postretirement Medical Services	Severance Indemnities
2010	Ps. 460	Ps. 19	Ps. 26	Ps. 158
2011	384	18	26	134
2012	328	21	26	125
2013	352	23	27	120
2014	383	25	29	116
2015 to 2020	2,032	171	173	519

B) Balances of the Liabilities:

		2009		2008
Pension and retirement plans:				
Vested benefit obligation	Ps.	3,293	Ps.	3,122
Non-vested benefit obligation		2,165		1,890
Accumulated benefit obligation		5,458		5,012
Excess of projected benefit obligation over accumulated benefit obligation		1,144		1,201
Defined benefit obligation (projected benefit obligation)		6,602		6,213
Pension plan funds at fair value		(3,306)		(2,660)
Unfunded defined benefit obligation		3,296		3,553
Labor cost of past services (1)		(1,008)		(1,113)
Unrecognized actuarial loss, net		(181)		(554)
Total	Ps.	2,107	Ps.	1,886
Seniority premiums:				
Vested benefit obligation	Ps.	5	Ps.	8
Non-vested benefit obligation		184		165
Accumulated benefit obligation		189		173
Excess of projected benefit obligation over accumulated benefit obligation		104		96
Unfunded benefit obligation (unfunded projected benefit obligation)		293		269
Labor cost of past services (1)		(5)		(8)
Unrecognized actuarial loss, net		(5)		(13)
Total	Ps.	283	Ps.	248
Postretirement medical services:				
Vested benefit obligation		487		443
Non-vested benefit obligation		501		538
Defined benefit obligation		988		981
Medical services funds at fair value		(111)		(92)
Unfunded defined benefit obligation		877		889
Labor cost of past services (1)		(28)		(43)
Unrecognized actuarial loss, net		(376)		(482)
Total	Ps.	473	Ps.	364
Severance indemnities:				
Accumulated benefit obligation		633		596
Excess of projected benefit obligation over accumulated benefit obligation		115		133
Defined benefit obligation (projected benefit obligation)		748		729
Labor cost of past services (1)		(256)		(339)
Unrecognized actuarial loss, net		(1)		(2)
Total		491		388
Total labor liabilities	Ps.	3,354	Ps.	2,886

(1) Unrecognized net transition obligation and unrecognized prior service costs as were defined in Bulletin D-3 "Labor Liabilities."

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

C) Trust Assets:

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

	2009	2008
Fixed Return:		
Publicly traded securities	18%	16%
Bank instruments	10%	10%
Federal government instruments	43%	53%
Variable Return:		
Publicly traded	29%	21%
	100%	100%

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

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

		2009		2008
Debt:				
CEMEX, S.A.B. de C.V. [1]	Ps.	100	Ps.	57
BBVA Bancomer, S.A. de C.V. [1]		42		41
Sigma Alimentos, S.A. de C.V. [1]		29		29
Coca-Cola FEMSA		2		2
Deutsche Bank (Mexico) [1]		—		58
Capital:				
FEMSA		286		181
Grupo Televisa, S.A.B. [1]		71		—

(1) One or more members of the board of directors or senior management of FEMSA are members of the board of directors or senior management of this company.

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

D) Cost for the Year:

	2009	2008	2007
Pension and retirement plans:			
Labor cost	Ps. 247	Ps. 229	Ps. 210
Interest cost	504	437	235
Expected return on trust assets	(227)	(307)	(129)
Labor cost of past services [(1)]	105	105	102
Amendments to plan	—	90	120
Amortization of net actuarial loss	24	15	1
	653	569	539
Seniority premiums:			
Labor cost	37	33	30
Interest cost	21	20	10
Labor cost of past services [(1)]	2	2	2
Amendments to plan	—	6	1
Amortization of net actuarial loss	4	20	3
	64	81	46
Postretirement medical services:			
Labor cost	35	27	27
Interest cost	77	59	32
Expected return on trust assets	(8)	(10)	(6)
Labor cost of past services [(1)]	9	10	4
Amendments to plan	—	15	4
Amortization of net actuarial loss	22	13	13
	135	114	74
Severance indemnities:			
Labor cost	88	99	66
Interest cost	49	58	26
Labor cost of past services [(1)]	88	104	38
Amortization of net actuarial loss	66	178	—
	291	439	130
	Ps. 1,143	Ps. 1,203	Ps. 789

(1) Amortization of unrecognized net transition obligation and amortization of unrecognized prior service costs as were defined in Bulletin D-3 "Labor Liabilities."

E) Changes in the Balance of the Obligations:

	2009	2008
Pension and retirement plans:		
Initial balance	Ps. 6,213	Ps. 5,587
Labor cost	247	229
Interest cost	504	437
Amendments to plan	—	90
Actuarial loss	41	149
Benefits paid	(403)	(279)
Ending balance	6,602	6,213
Seniority premiums:		
Initial balance	269	254
Labor cost	37	33
Interest cost	21	20
Amendments to plan	—	6
Actuarial gain	(7)	(24)
Benefits paid	(27)	(20)
Ending balance	293	269
Postretirement medical services:		
Initial balance	981	746
Labor cost	35	27
Interest cost	77	59
Amendments to plan	—	15
Actuarial (gain) loss	(79)	187
Benefits paid	(26)	(53)
Ending balance	988	981
Severance indemnities:		
Initial balance	729	647
Labor cost	88	99
Interest cost	49	58
Actuarial loss	93	11
Benefits paid	(211)	(86)
Ending balance	748	729

F) Changes in the Balance of the Trust Assets:

	2009	2008
Initial balance	Ps. 2,752	Ps. 2,902
Actual return on trust assets	674	(148)
Benefits paid	(9)	(2)
Ending balance	3,417	2,752

G) Variation in Health Care Assumptions:

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

	Impact of Changes:	
	+1%	–1%
Postretirement medical services obligation	Ps. 144	Ps. (116)
Cost for the year	22	(17)

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 per entity and the EVA generated by the Company, calculated at approximately 70% and 30%, respectively. The qualitative objectives and special projects represent the remaining 50% of the annual bonus and are based on the critical success factors established at the beginning of the year for each executive.

In addition, the Company provides a defined contribution plan of share compensation to certain key executives, consisting of an annual cash bonus to purchase FEMSA shares or options, based on the executive's responsibility in the organization, their business' EVA result achieved, and their individual performance. The acquired shares or options are deposited in a trust, and the executives may access them one year after they are vested at 20% per year. The 50% of Coca-Cola FEMSA's annual executive bonus is to be used to purchase FEMSA shares or options and the remaining 50% to purchase Coca-Cola FEMSA shares or options. As of December 31, 2009, 2008 and 2007, no options have been granted to employees under the plan.

The incentive plan target is expressed in months of salary, and the final amount payable is computed based on a percentage of compliance with the goals established every year. The bonuses are recorded in income from operations and are paid in cash the following year. During the years ended December 31, 2009, 2008 and 2007, the bonus expense recorded amounted to Ps. 1,524, Ps. 1,336 and Ps. 1,179, respectively.

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

As of December 31, 2009 and 2008, the number of shares held by the trust is as follows:

	Number of Shares			
	FEMSA UBD		KOF L	
	2009	2008	**2009**	2008
Beginning balance	**9,752,206**	7,431,459	**2,471,075**	1,663,746
Shares granted to executives	**5,386,760**	4,592,920	**1,340,790**	1,267,490
Shares released from trust to executives upon vesting	**(3,070,478)**	(2,241,393)	**(742,249)**	(447,159)
Forfeitures	**(83,323)**	(30,780)	**(15,510)**	(13,002)
Ending balance	**11,985,165**	9,752,206	**3,054,106**	2,471,075

The fair value the shares held by the trust as of the end of December 31, 2009 and 2008 was Ps. 1,014 and Ps 552, respectively, based on quoted market prices of those dates.

NOTE 17. BANK LOANS AND NOTES PAYABLE.

	At December 31, [1]								
(in millions of Mexican pesos)	2010	2011	2012	2013	2014	2015 and Thereafter	**2009**	Fair Value	2008 [1]
Short-term debt:									
Variable rate debt:									
Mexican pesos	1,400						**1,400**	1,400	3,820
Interest rate	8.2%						**8.2%**		11.6%
Argentine pesos	1,179						**1,179**	1,179	816
Interest rate	20.7%						**20.7%**		19.6%
Colombian pesos	496						**496**	496	798
Interest rate	4.9%						**4.9%**		15.2%
Venezuelan bolivares	741						**741**	741	365
Interest rate	18.1%						**18.1%**		22.2%
Total short-term debt	3,816						**3,816**	3,816	5,799
Long-term debt:									
Fixed rate debt:									
U.S. dollars	36	3					**39**	39	217
Interest rate	3.5%	3.8%					**3.6%**		4.8%
J.P. Morgan (Yankee Bond)									3,605
Interest rate									7.3%
Unit of Investments (UDIs)						2,964	**2,964**	2,964	2,692
Interest rate						4.2%	**4.2%**		4.2%
Mexican pesos	2,200	280	1,916				**4,396**	4,535	5,036
Interest rate	10.1%	12.3%	10.0%				**10.2%**		10.2%
Japanese yen									120
Interest rate									2.8%
Argentine pesos		69					**69**	69	—
Interest rate		20.5%					**20.5%**		
Brazilian reais									1
Interest rate									10.7%
Subtotal	2,236	352	1,916	—	—	2,964	**7,468**	7,607	11,671
Variable rate debt:									
U.S. dollars	70	1,113	2,228	2,731	16		**6,158**	6,158	6,266
Interest rate	0.8%	0.7%	0.6%	0.5%	1.9%		**0.6%**		2.3%
Mexican pesos									
Inbursa	712		3,473		1,100	1,450	**6,735**	6,735	—
Interest rate	5.2%		8.2%		5.2%	5.1%	**6.7%**		
BBVA Bancomer	2,000	1,762					**3,762**	3,762	2,762
Interest rate	5.5%	5.2%					**5.4%**		9.0%
Crédito Bursátil TIIE 6 Years				3,500			**3,500**	3,399	3,500
Interest rate				4.9%			**4.9%**		8.7%
Santander Serfin		2,800	625	625			**4,050**	4,050	3,843
Interest rate		8.5%	5.1%	5.1%			**7.4%**		9.0%
ABN Crédito Bursátil		1,500	3,000				**4,500**	4,425	3,000
Interest rate		4.9%	4.9%				**4.9%**		8.7%
Others	19	5	898	1,085	292	1,375	**3,674**	3,674	6,112
Interest rate	4.6%	4.6%	5.1%	5.1%	5.1%	1.4%	**3.7%**		9.0%
Colombian pesos									905
Interest rate									15.4%
Subtotal	2,801	7,180	10,224	7,941	1,408	2,825	**32,379**	32,203	26,388
Total long-term debt	5,037	7,532	12,140	7,941	1,408	5,789	**39,847**	39,810	38,059
Current portion of long-term debt							**(5,037)**		(5,849)
							Ps. 34,810		Ps. 32,210

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

Hedging Derivative Financial Instruments [1]	2010	2011	2012	2013	2014	2015 and Thereafter	2009	2008
			(notional amounts in millions of Mexican pesos)					
Cross currency swaps:								
Units of investments to Mexican pesos and								
fixed to fixed rate:	—	—	—	—	—	2,500	**2,500**	3,595
Interest pay rate						9.6%	**9.6%**	10.0%
Interest receive rate						4.9%	**4.9%**	4.2%
U.S. dollars to Mexican pesos and								
variable to fixed rate:	—	846	846	423	—	—	**2,115**	2,115
Interest pay rate		8.1%	8.1%	8.1%			**8.1%**	8.1%
Interest receive rate		0.7%	0.7%	0.7%			**0.7%**	0.9%
U.S. dollars to Mexican pesos and variable								
to variable rate:	—	—	209	105	—	—	**314**	314
Interest pay rate			4.7%	4.7%			**4.7%**	8.5%
Interest receive rate			0.7%	0.7%			**0.7%**	3.6%
Japanese yen to Brazilian reais and								
fixed to variable rate:							**—**	72
Interest pay rate [1]								14.4%
Interest receive rate [1]								2.8%
Interest rate swap:								
Mexican pesos								
Variable to fixed rate:	862	1,762	2,215	3,885	—	—	**8,724**	9,045
Interest pay rate	9.5%	9.1%	8.1%	8.1%			**8.4%**	9.3%
Interest receive rate	5.0%	4.9%	4.9%	4.9%			**4.9%**	8.7%
U.S. dollars								
Variable to fixed rate:	—	—	653	979	—	50	**1,682**	—
Interest pay rate			3.8%	3.1%		8.6%	**3.5%**	—
Interest receive rate			0.5%	0.5%		5.1%	**0.7%**	—

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

On December 4, 2007, the Company obtained the approval from the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores or "CNBV") for the issuance of long-term domestic senior notes ("Certificados Bursátiles") in the amount of Ps. 10,000 (nominal amount) or its equivalent in investment units. As of December 31, 2009, the Company has issued the following domestic senior notes: i) on December 5, 2007, the Company issued domestic senior notes composed of Ps. 3,500 (nominal amount) with a maturity date on November 29, 2013 and a floating interest rate; ii) on December 5, 2007, the Company issued domestic senior notes in the amount of 637,587,000 investment units (Ps. 2,500 nominal amount), with a maturity date on November 24, 2017 and a fixed interest rate, iii) on May 26, 2008, the Company issued domestic senior notes composed of Ps. 1,500 (nominal amount), with a maturity date on May 23, 2011 and a floating interest rate, and iv) on March 9, 2007, the Company issued domestic senior notes composed of Ps. 3,000 (nominal amount), with a maturity date in 2012 and a floating interest rate.

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

NOTE 18. OTHER EXPENSES.

In 2007, FEMSA Cerveza approved a plan to allow certain qualifying personnel to early retire beginning in 2008. The financial impact of this plan for the years ended December 31, 2008 and 2007 was Ps. 111 and Ps. 125, respectively, and they were recorded in other expenses as a pension plan amendment (see Note 15).

Coca-Cola FEMSA recognized strategic restructuring programs in 2009 and 2008, which were recorded in other expenses in the consolidated income statement. Such costs consisted of severance payments updates associated with an ongoing benefit arrangement. For the years ended December 31, 2009 and 2008, the related payments were Ps. 113 and 169, respectively.

	2009	2008	2007
Employee profit sharing (see Note 4 R)	**Ps. 1,179**	Ps. 933	Ps. 553
Amnesty adoption effect	**642**	—	—
Vacation provision	**563**	—	—
Write-off of long-lived assets [1]	**336**	502	130
Severance payments associated with an ongoing benefit and amendment to pension plan	**296**	346	255
Loss on sales of fixed assets	**221**	185	68
Donations	**156**	138	149
Participation in affiliated and associated companies	**(110)**	13	(154)
Contingencies	**(5)**	30	439
Amortization of unrecognized actuarial loss, net (see Note 2 I)	**—**	198	—
Other	**228**	29	(143)
Total	**Ps. 3,506**	Ps. 2,374	Ps. 1,297

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

NOTE 19. FAIR VALUE OF FINANCIAL INSTRUMENTS.

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

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company measures the fair value of its financial assets and liabilities classified as Level 2 applying the income approach method, which estimates the fair value based on expected cash flows discounted to net present value. The following table summarizes financial assets and liabilities measured at fair value, as of December 31, 2009 and 2008:

	2009		2008	
	Level 1	Level 2	Level 1	Level 2
Cash equivalents	**Ps. 10,365**		Ps. 4,585	
Marketable securities	**2,113**			
Pension Plan trust assets	**3,417**		2,752	
Derivative financial instruments (asset)		**Ps. 1,245**		Ps. 1,804
Derivative financial instruments (liability)		**2,154**		4,466

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

The Company considered its credit risk for fair value measurements and estimates that the net effect on its derivative financial instruments is not material. As a result, the Company has not modified its valuation models as of December 31, 2009.

A) Total Debt:

The fair value of total debt is determined based on the discounted value of contractual cash flows, in which the discount rate is estimated using rates currently offered for debt of similar amounts and maturities. The fair value of notes is based on quoted market prices.

	2009	2008
Carrying value	**Ps. 43,663**	Ps. 43,858
Fair value	**43,626**	43,709

B) Interest Rate Swaps:

The Company uses interest rate swaps to offset the interest rate risk associated with its borrowings, pursuant to which it pays amounts based on a fixed rate and receives amounts based on a floating rate. These instruments are recognized in the consolidated balance sheet at their estimated fair value and have been designated as a cash flow hedge. The estimated fair value is based on formal technical models. Changes in fair value were recorded in cumulative other comprehensive income until such time as the hedged amount is recorded in earnings.

At December 31, 2009, the Company has the following outstanding interest rate swap agreements:

Maturity Date	Notional Amount	Fair Value Asset (Liability)
2010	**Ps. 2,267**	Ps. (72)
2011	**2,413**	(108)
2012	**3,589**	(170)
2013	**7,836**	(149)
2014	**575**	3
2015 to 2018	**4,463**	(12)

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

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

C) Forward Agreements to Purchase Foreign Currency:

The Company enters into forward agreements to reduce its exposure to the risk of exchange rate fluctuations between the Mexican peso and other currencies. These instruments are recognized in the consolidated balance sheet at their estimated fair value which is determined based on prevailing market exchange rates to end the contracts at the end of the period. The changes in the fair value are recorded in cumulative other comprehensive income. Net gain/loss on expired contracts is recognized as part of foreign exchange.

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

D) Cross Currency Swaps:

The Company enters into cross currency swaps to reduce its exposure to risks of exchange rate and interest rate fluctuations associated with its borrowings denominated in U.S. dollars and other foreign currencies. These instruments are recognized in the consolidated balance sheet at their estimated fair value which is estimated based on formal technical models. Those contracts are designated as cash flow hedges; consequently, changes in the fair value were recorded as part of cumulative other comprehensive income.

Additionally, the Company has cross currency swaps designated as fair value hedges. The fair value changes related to those cross currency swaps were recorded as part of the ineffective portion of derivative financial instruments, net of changes related to the long-term liability.

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

E) Commodity Price Contracts:

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

Net changes in the fair value of current and expired commodity price contracts that do not meet the hedging criteria for accounting purposes were recorded as a market value gain/loss on the ineffective portion of derivative financial instruments.

F) Embedded Derivative Financial Instruments:

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

G) Notional Amounts and Fair Value of Derivative Instruments That Met Hedging Criteria:

	Notional Amount	Fair Value	
	2009	2009	2008
CASH FLOW HEDGE:			
Assets:			
Cross currency swaps	Ps. 2,115	Ps. 433 (1)	Ps. 578
Forward agreements		—	458
Interest rate swaps	575	3	16
Liabilities:			
Forward agreements	Ps. 1,195	Ps. 16 (2)	
Interest rate swaps	20,568	511	Ps. 300
Commodity price contracts	5,199	977 (3)	2,955
FAIR VALUE HEDGE:			
Assets:			
Cross currency swaps	Ps. 2,814	Ps. 561 (4)	Ps. 333

(1) Expires in 2013.
(2) Expires in 2010.
(3) Maturity dates between 2010 and 2013.
(4) Maturity dates in 2013 and 2017.

H) Net Effects of Expired Contracts That Met Hedging Criteria:

Types of Derivatives	Impact in Income Statement Gain (Loss)	2009	2008	2007
Interest rate swaps	Interest expense	Ps. 503	Ps. 212	Ps. 357
Forward agreements	Foreign exchange	(1)	115	(15)
Cross currency swaps	Foreign exchange/interest expense	(135)	(178)	(37)
Commodity price contract	Cost of sales	(1,096)	17	(82)

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

Types of Derivatives	Impact in Income Statement	2009	2008	2007
Interest rate swaps	Market value gain (loss) on	Ps. —	Ps. 24	Ps. 34
Commodity price contracts	ineffective portion of derivative	(165)	(474)	(43)
Forwards for purchase of foreign currency	financial instruments	(63)	(643)	22
Cross currency swaps		169	(224)	64

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

Types of Derivatives	Impact in Income Statement	2009	2008	2007
Embedded derivative financial instruments	Market value gain (loss) on	Ps. 78	Ps. (138)	Ps. (9)
Others	ineffective portion of derivative	6	(1)	1
	financial instruments			

NOTE 20. NONCONTROLLING INTEREST IN CONSOLIDATED SUBSIDIARIES.

An analysis of FEMSA's noncontrolling interest in its consolidated subsidiaries for the years ended December 31, 2009 and 2008 is as follows:

	2009	2008
Coca-Cola FEMSA	Ps. 32,918	Ps. 27,575
FEMSA Cerveza [(1)]	1,219	464
Other	55	35
	Ps. 34,192	Ps. 28,074

(1) Refers to the noncontrolling interest in Kaiser.

NOTE 21. STOCKHOLDERS' EQUITY.

At an ordinary stockholders' meeting of FEMSA held on March 29, 2007, a three-for-one stock split was approved for all of FEMSA's outstanding stock. Such split took effect on May 25, 2007. Subsequent to the stock split, the capital stock of FEMSA is comprised of 2,161,177,770 BD units and 1,417,048,500 B units.

As of December 31, 2009 and 2008, the capital stock of FEMSA was comprised of 17,891,131,350 common shares, without par value and with no foreign ownership restrictions. Fixed capital stock amounts to Ps. 300 (nominal value) and the variable capital may not exceed 10 times the minimum fixed capital stock amount.

The characteristics of the common shares are as follows:

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

The Series "D" shares are comprised as follows:

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

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

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

The Company's statutes addressed that in May 2008, shares structure established in 1998 would be modified, unlinking subseries "D-B" into "B" shares and unlinking subseries "D-L" into "L" shares.

At an ordinary stockholders' meeting of FEMSA held on April 22, 2008, it was approved to modify the Company's statutes in order to preserve the unitary shares structure of the Company established on May 1998, and also to maintain the shares structure established after May 11, 2008.

As of December 31, 2009 and 2008, FEMSA's capital stock is comprised as follows:

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

The net income of the Company is subject to the legal requirement that 5% thereof be transferred to a legal reserve until such reserve equals 20% of capital stock at nominal value. This reserve may not be distributed to stockholders during the existence of the Company, except as a stock dividend. As of December 31, 2009, this reserve in FEMSA amounted to Ps. 596 (nominal value).

Retained earnings and other reserves distributed as dividends, as well as the effects derived from capital reductions, are subject to income tax at the rate in effect at the date of distribution, except for restated stockholder contributions and distributions made from consolidated taxable income, denominated "Cuenta de Utilidad Fiscal Neta" ("CUFIN") or from reinvested consolidated taxable income, denominated "Cuenta de Utilidad Fiscal Neta Reinvertida" ("CUFINRE").

Dividends paid in excess of 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 and in the following two years against the income tax and estimated tax payments. As of December 31, 2009, FEMSA's balances of CUFIN amounted to Ps. 55,604.

At the ordinary stockholders' meeting of FEMSA held on March 25, 2009, stockholders approved dividends of Ps. 0.08079 Mexican pesos (nominal value) per series "B" share and Ps. 0.10099 Mexican pesos (nominal value) per series "D" share that were paid in May 2009. Additionally, the stockholders approved a reserve for share repurchase of a maximum of Ps. 3,000.

As of December 31, 2009, the Company has not repurchased shares.

At an ordinary stockholders' meeting of Coca-Cola FEMSA held on March 23, 2009, the stockholders approved a dividend of Ps. 1,344 that was paid in April 2009. The corresponding payment to the noncontrolling interest was Ps. 622.

As of December 31, 2009, 2008 and 2007 the dividends paid by the Company and Coca-Cola FEMSA were as follows:

	2009	2008	2007
FEMSA	**Ps. 1,620**	Ps. 1,620	Ps. 1,525
Coca-Cola FEMSA (100% of dividend)	**1,344**	945	831

NOTE 22. NET CONTROLLING INTEREST INCOME PER SHARE.

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

The following presents the computed weighted average number of shares and the distribution of income per share series as of December 31, 2009, 2008 and 2007:

	Millions of Shares			
	Series "B"		Series "D"	
	Number	Weighted Average	Number	Weighted Average
Shares outstanding as of December 31, 2007, 2008 and 2009	9,246.42	9,246.42	8,644.71	8,644.71
Dividend rights	1.00		1.25	
Allocation of earnings	46.11%		53.89%	

NOTE 23. TAXES.

A) Income Tax:

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

	Domestic			Foreign		
	2009	2008	2007	**2009**	2008	2007
Income before income tax	**12,966**	12,290	12,621	**7,093**	2,335	4,762
Income tax:						
Current income tax	**4,408**	4,931	3,821	**2,193**	1,736	1,368
Deferred income tax	**(910)**	(2,433)	(332)	**(1,783)**	(27)	93

The difference to sum consolidated income before income tax is mainly dividends which are eliminated in the consolidated financial statement of the Company. The income tax paid in foreign countries is compensated with the consolidated income tax paid in Mexico for the period.

The statutory income tax rates applicable in the countries where the Company operates, the years in which tax loss carryforwards may be applied and the open periods that remain subject to examination as of December 31, 2009 are as follows:

	Statutory Tax Rate	Expiration (Years)	Open Period (Years)
Mexico	28%	10	5
Guatemala	31%	N/A	4
Nicaragua	30%	3	4
Costa Rica	30%	3	4
Panama	30%	5	3
Colombia	33%	8	2
Venezuela	34%	3	4
Brazil	34%	Indefinite	6
Argentina	35%	5	5

The statutory income tax rate in Mexico was 28% for 2009, 2008 and 2007.

On January 1, 2010, the Mexican Tax Reform was effective. The most important changes are described as follows: the value added tax rate (IVA) increases from 15% to 16%, an increase on special tax on productions and services from 25% to 26.5%; and the statutory income tax rate changes from 28% in 2009 to 30% for 2010, 2011 and 2012, and then in 2013 and 2014 will decrease to 29% and 28%, respectively. Additionally, the Mexican tax reform requires the reversal of the deferred tax recognized from 1999 thru 2004, this reversal of deferred taxes will be achieved during the following five years (see Note 23 D and E).

In Colombia, tax losses may be carried forward eight years and they are limited to 25% of the taxable income of each year. Additionally, the statutory tax rate of Colombia decreases from 34% in 2007 to 33% in 2008 and 2009.

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

In 2009, the Brazilian government offered an amnesty which grants a discount for fines and surcharges regarding tax contingencies and allows the application of tax losses to the remaining balance. In November 2009, our Brazilian operations announced to the Brazilian government the adoption of this amnesty. As a result, the Company cancelled tax contingencies of Ps. 1,008 (see Note 24) and applied tax losses of Ps. 6,886 (see Note 23 F). After amnesty adoption, as of December 31, 2009, Brazilian tax contingencies and tax losses amounted to Ps. 941, and Ps. 6,617, respectively. Additionally, since the acquisition of Kaiser, the Company identified some loss contingencies as more likely than not to occur. MolsonCoors, previous controller of Kaiser agreed to indemnity for any loss related to those contingencies recognized as part of Kaiser's acquisition in 2006; such indemnity is limited to 82.95% which was the percentage of Kaiser that the Company acquired from MolsonCoors. Consequently, the Company maintains an account receivable with MolsonCoors of Ps. 1,487 regarding the usage of tax losses to cancel those contingencies, which is recorded as part of accounts receivable and other assets.

B) Tax on Assets:

On January 1, 2007, the tax on assets rate was reduced from 1.8% to 1.25% and also the deduction of liabilities was eliminated in order to determine the tax to be paid. Effective in 2008, the tax on assets has disappeared in Mexico and it was replaced by the Business Flat Tax (Impuesto Empresarial a Tasa Única, "IETU;" see Note 23 C). The amounts of tax on assets paid corresponding to previous periods to the IETU introduction, can be creditable against the income tax generated during the period, only if the income tax is higher than the IETU generated in the same period, to the extent equivalent to 10% of the lesser tax on asset paid during 2007, 2006 or 2005.

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

C) Business Flat Tax ("IETU"):

Effective in 2008, the IETU came into effect in Mexico and replaced the Tax on Assets. IETU functions are similar to an alternative minimum corporate income tax, except that amounts paid cannot be creditable against future income tax payments. The payable tax will be the higher between the IETU or the income tax liability computed under the Mexican income tax law. The IETU applies to individuals and corporations, including permanent establishments of foreign entities in Mexico, at a rate of 17.5% beginning in 2010. The rates for 2008 and 2009 will be 16.5% and 17.0%, respectively. The IETU is calculated under a cash-flow basis, whereby the tax base is determined by reducing cash proceeds with certain deductions and credits. In the case of income derived from export sales, where cash on the receivable has not been collected within 12 months, income will be deemed received at the end of this 12-month period. In addition, as opposed to Mexican income tax which allows for fiscal consolidation, companies that incur IETU are required to file their returns on an individual basis.

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 pay IETU. As such, the enactment of IETU did not impact the Company's consolidated financial position or results of operations.

D) Deferred Income Tax:

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

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

Deferred Income Taxes		**2009**		2008
Allowance for doubtful accounts	**Ps.**	**(179)**	Ps.	(137)
Inventories		**22**		137
Prepaid expenses		**79**		137
Property, plant and equipment		**4,515**		5,366
Investments in shares		**(38)**		(24)
Intangibles and other assets		**(1,687)**		(2,640)
Amortized intangible assets		**(107)**		48
Unamortized intangible assets		**2,233**		1,714
Labor liabilities		**(863)**		(735)
Derivative financial instruments		**(359)**		(832)
Loss contingencies		**(805)**		(658)
Temporary non-deductible provision		**(1,667)**		(1,170)
Employee profit sharing payable		**(185)**		(171)
Recoverable tax on assets		**(21)**		(252)
Tax loss carryforwards		**(4,217)**		(4,457)
Valuation allowance for tax loss carryforwards and non-recoverable tax on assets		**2,033**		3,675
Other reserves		**964**		1,152
Deferred income taxes, net		**(282)**		1,153
Deferred income taxes asset		**1,254**		1,247
Deferred income taxes liability	**Ps.**	**972**	Ps.	2,400

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

		2009		2008
Initial balance	**Ps.**	**1,153**	Ps.	2,320
Loss on monetary position		**87**		48
Tax provision for the year		**(495)**		(2,460)
Application of tax loss carryforwards due to amnesty adoption		**2,066**		—
Reversal of tax loss carryforward allowance		**(2,066)**		—
Change in the statutory rate		**(131)**		—
Effect in tax loss carryforwards [(1)]		**(1,874)**		—
Deferred tax cancellation due to change in accounting principle		**(71)**		—
Effects in stockholders' equity:				
Additional labor liability over unrecognized net transition obligation		**—**		160
Derivative financial instruments		**415**		(722)
Cumulative translation adjustment		**592**		1,709
Restatement effect of beginning balances		**42**		98
Ending balance	**Ps.**	**(282)**	Ps.	1,153

(1) Effect due to 2010 Mexican tax reform, which was reclassified to other current liabilities and other liabilities according to its maturity.

E) Provision for the Year:

		2009		2008		2007
Current income taxes	**Ps.**	**6,600**	Ps.	6,667	Ps.	4,965
Tax on assets		**—**		—		224
Deferred income tax		**(495)**		(2,460)		(239)
Change in the statutory rate [(1)]		**(131)**		—		—
Tax law benefit due to amnesty		**(2,066)**		—		—
Income taxes and tax on assets	**Ps.**	**3,908**	Ps.	4,207	Ps.	4,950

(1) Effect due to 2010 Mexican tax reform.

F) Tax Loss Carryforwards and Recoverable Tax on Assets:

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

Year	Tax Loss Carryforwards	Recoverable Tax on Assets
2010	Ps. 241	Ps. 6
2011	163	1
2012	144	9
2013	257	32
2014	452	59
2015	1,515	10
2016	734	15
2017 and thereafter	3,351	131
No expiration (Brazil, see Note 23 A)	6,617	—
	13,474	263
Tax losses used in consolidation	(6,105)	—
	Ps. 7,369	Ps. 263

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

	2009	2008
Initial balance	**Ps. 13,734**	Ps. 11,095
Provision	**574**	4,060
Usage of tax losses [1]	**(9,693)**	(890)
Translation effect of beginning balances	**3,017**	(531)
Ending balance	**Ps. 7,632**	Ps. 13,734

(1) In 2009, includes Ps. 6,886 regarding usage of tax loss carryforwards due to amnesty adoption.

Due to the uncertainty related to the realization of Ps. 5,979, regarding certain tax loss carryforwards a valuation allowance has been recorded to reduce the deferred income tax asset associated with such carryforwards. The changes in the valuation allowance are as follows:

	2009	2008
Initial balance	**Ps. 3,675**	Ps. 3,360
Provision	**—**	690
Usage of tax losses carryforwards [1]	**(2,668)**	(213)
Translation of foreign currency effect	**1,026**	(162)
Ending balance	**Ps. 2,033**	Ps. 3,675

(1) In 2009, includes Ps. 2,066 regarding usage of tax loss carryforwards due to amnesty adoption.

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

	2009	2008	2007
Mexican statutory income tax rate	**28.0 %**	28.0 %	28.0 %
Difference between book and tax inflationary effects	**(1.4)%**	(2.2)%	(1.1)%
Non-deductible expenses	**2.1 %**	3.3 %	1.7 %
Difference between statutory income tax rates	**2.1 %**	2.5 %	1.7 %
Non-taxable income	**(0.6)%**	(1.0)%	—
Effect of amnesty adoption	**(10.9)%**	—	—
Other	**1.3 %**	0.6 %	(1.0)%
	20.6 %	31.2 %	29.3 %

NOTE 24. OTHER LIABILITIES, CONTINGENCIES AND COMMITMENTS.

A) Other Current Liabilities:

		2009		2008
Derivative financial instruments	Ps.	868	Ps.	3,089
Sundry creditors		2,271		2,035
Current portion of other long-term liabilities		464		342
Others		4		30
Total	Ps.	3,607	Ps.	5,496

B) Other Liabilities:

		2009		2008
Contingencies	Ps.	3,052	Ps.	5,050
Liability due to amnesty adoption		2,389		—
Taxes payable		1,428		—
Derivative financial instruments		1,286		1,377
Current portion of other long-term liabilities		(464)		(342)
Others		2,668		2,775
Total	Ps.	10,359	Ps.	8,860

C) Contingencies Recorded in the Balance Sheet:

The Company has various loss contingencies, and reserves have been recorded in those cases where the Company believes an unfavorable resolution is probable. Most of these loss contingencies were recorded as a result of recent business acquisitions. The following table presents the nature and amount of the loss contingencies recorded as of December 31, 2009:

		Total
Indirect taxes	Ps.	1,164
Labor		1,672
Legal		216
Total	Ps.	3,052

D) Changes in the Balance of Contingencies Recorded:

		2009		2008
Initial balance	Ps.	5,050	Ps.	5,230
Provision [1]		524		948
Penalties and other charges		258		50
Reversal of provision		(470)		(690)
Payments		(390)		(572)
Amnesty adoption		(1,008)		—
Transfer to other liabilities		(2,389)		—
Translation of foreign currency of beginning balance		1,477		84
Ending balance	Ps.	3,052	Ps.	5,050

(1) Includes REMIL acquisition in 2008 of Ps. 607, recorded through purchase accounting.

E) Unsettled Lawsuits:

The Company has entered into legal proceedings with its labor unions, tax authorities and other parties that primarily involve Coca-Cola FEMSA and FEMSA Cerveza. These proceedings have resulted in the ordinary course of business and are common to the industry in which the Company operates. The aggregate amount being claimed against the Company resulting from such proceedings as of December 31, 2009 is Ps. 11,922. Such contingencies were classified by legal counsel as less than probable but more than remote of being settled against the Company. However, the Company believes that the ultimate resolution of such legal proceedings will not have a material adverse effect on its consolidated financial position or result of operations.

In recent years in its Mexican, Costa Rican and Brazilian territories, Coca-Cola FEMSA and FEMSA Cerveza have been requested to present certain information regarding possible monopolistic practices. These requests are commonly generated in the ordinary course of business in the beer and soft drink industries where those subsidiaries operate. 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 requested by the tax authorities to collateralize tax contingencies currently in litigation amounting to Ps. 3,251 by pledging fixed assets and entering into available lines of credit which cover such contingencies.

G) Commitments:

As of December 31, 2009, the Company has operating lease commitments for the rental of production machinery and equipment, distribution equipment, computer equipment and land for FEMSA Comercio's operations.

The contractual maturities of the lease commitments by currency, expressed in Mexican pesos as of December 31, 2009, are as follows:

	Mexican Pesos	U.S. Dollars	Other
2010	Ps. 1,607	Ps. 178	Ps. 151
2011	1,504	45	145
2012	1,428	44	114
2013	1,335	26	35
2014	1,209	1	8
2015 and thereafter	6,182	—	16
Total	Ps. 13,265	Ps. 294	Ps. 469

Rental expense charged to operations amounted to approximately Ps. 2,469, Ps. 2,080 and Ps. 1,737 for the years ended December 31, 2009, 2008 and 2007, respectively.

NOTE 25. INFORMATION BY SEGMENT.

Analytical information by segment is presented considering the business units and geographic areas in which the Company operates and is presented according to the information used for decision making of the administration.

The information presented is based on the Company's accounting policies. Intercompany operations are eliminated and presented within the consolidation adjustment column.

A) By Business Unit:

2009	Coca-Cola FEMSA	FEMSA Cerveza	FEMSA Comercio	Other [1]	Consolidation Adjustments	Consolidated
Total revenue	**Ps. 102,767**	**Ps. 46,336**	**Ps. 53,549**	**Ps. 12,302**	**Ps. (17,921)**	**Ps. 197,033**
Intercompany revenue	**1,287**	**6,878**	**12**	**9,744**	**(17,921)**	**—**
Income from operations	**15,835**	**5,894**	**4,457**	**826**	**—**	**27,012**
Depreciation [2]	**3,473**	**1,927**	**819**	**76**	**—**	**6,295**
Amortization	**307**	**2,005**	**461**	**21**	**—**	**2,794**
Other non-cash charges [3] [4]	**368**	**2,082**	**49**	**217**	**—**	**2,716**
Impairment of long-lived assets	**124**	**207**	**—**	**5**	**—**	**336**
Interest expense	**1,895**	**2,477**	**954**	**2,158**	**(2,287)**	**5,197**
Interest income	**286**	**322**	**27**	**2,217**	**(2,287)**	**565**
Income taxes	**4,043**	**(1,296)**	**544**	**617**	**—**	**3,908**
Capital expenditures	**6,282**	**4,111**	**2,668**	**117**	**—**	**13,178**
Net cash flows provided by operating activities	**16,840**	**7,468**	**3,028**	**3,459**	**—**	**30,795**
Net cash flows used in investment activities	**(8,900)**	**(3,537)**	**(2,634)**	**(763)**	**—**	**(15,834)**
Net cash flow (used in) provided by financing activities	**(6,029)**	**(3,139)**	**(346)**	**1,803**	**—**	**(7,711)**
Long-term assets	**87,022**	**58,557**	**12,378**	**22,491**	**(18,737)**	**161,711**
Total assets	**110,661**	**72,029**	**19,693**	**31,475**	**(22,767)**	**211,091**

2008	Coca-Cola FEMSA	FEMSA Cerveza	FEMSA Comercio	Other [1]	Consolidation Adjustments	Consolidated
Total revenue	Ps. 82,976	Ps. 42,385	Ps. 47,146	Ps. 9,401	Ps. (13,886)	Ps. 168,022
Intercompany revenue	1,021	5,534	10	7,321	(13,886)	—
Income from operations	13,695	5,394	3,077	518	—	22,684
Depreciation [2]	3,036	1,748	663	136	(75)	5,508
Amortization	240	1,871	422	27	—	2,560
Other non-cash charges [3] [4]	145	634	46	105	—	930
Impairment of long-lived assets	371	124	—	7	—	502
Interest expense	2,207	2,318	665	1,061	(1,321)	4,930
Interest income	433	477	27	982	(1,321)	598
Income taxes	2,486	1,037	351	333	—	4,207
Capital expenditures	4,802	6,418	2,720	294	—	14,234
Net cash flows provided by operating activities	12,139	4,831	2,121	3,973	—	23,064
Net cash flows used in investment activities	(7,299)	(5,928)	(2,718)	(2,115)	—	(18,060)
Net cash flow (used in) provided by financing activities	(5,261)	480	870	(2,249)	—	(6,160)
Long-term assets	79,966	54,393	10,888	10,188	(7,077)	148,358
Total assets	97,958	67,854	17,185	15,599	(11,251)	187,345

(1) Includes other companies (see Note 1) and corporate.
(2) Includes bottle breakage.
(3) Equivalent to non-cash operating expenses as presented in the Consolidated Statement of Cash Flows.
(4) Includes the cost for the period related to labor liabilities (see Note 15 D) and participation in associated companies.

2007	Coca-Cola FEMSA	FEMSA Cerveza	FEMSA Comercio	Other [1]	Consolidation Adjustments	Consolidated
Total revenue	Ps. 69,251	Ps. 39,566	Ps. 42,103	Ps. 8,124	Ps. (11,488)	Ps. 147,556
Intercompany revenue	864	4,256	16	6,352	(11,488)	—
Income from operations	11,486	5,497	2,320	433	—	19,736
Depreciation [2]	2,637	1,637	543	113	—	4,930
Amortization	241	1,786	399	39	—	2,465
Other non-cash charges [4]	173	426	28	90	—	717
Impairment of long-lived assets	—	91	—	2	—	93
Interest expense	2,178	2,196	453	1,031	(1,137)	4,721
Interest income	613	342	38	913	(1,137)	769
Income taxes	3,336	888	377	349	—	4,950
Capital expenditures	3,682	5,373	2,112	90	—	11,257

(1) Includes other companies (see Note 1) and corporate.

(2) Includes bottle breakage.

(3) Equivalent to non-cash operating expenses as presented in the Consolidated Statement of Cash Flows.

(4) Includes the cost for the period related to labor liabilities (see Note 15 D) and participation in associated companies.

B) By Geographic Area:

The Company's operations are grouped in the following divisions: (i) Mexico division; (ii) Latincentro division, which is comprised of the territories operated in Central America and Colombia; (iii) Venezuela; and (iv) Mercosur division, which is comprised of the territories operated in Brazil and Argentina.

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

2009	Total Revenue	Capital Expenditures	Long-Lived Assets	Total Assets
Mexico	**Ps. 126,872**	**Ps. 9,429**	**Ps. 111,793**	**Ps. 149,674**
Latincentro [1]	**16,211**	**1,269**	**17,992**	**20,636**
Venezuela	**22,448**	**1,248**	**8,945**	**13,746**
Mercosur [2]	**32,362**	**1,232**	**22,938**	**33,848**
Consolidation adjustments	**(860)**	**—**	**—**	**(6,813)**
Consolidated	**Ps. 197,033**	**Ps. 13,178**	**Ps. 161,668**	**Ps. 211,091**

2008	Total Revenue	Capital Expenditures	Long-Lived Assets	Total Assets
Mexico	Ps. 114,640	Ps. 11,032	Ps. 104,630	Ps. 138,660
Latincentro [1]	12,853	1,209	16,833	21,284
Venezuela	15,217	715	6,883	9,817
Mercosur [2]	25,755	1,278	19,821	27,815
Consolidation adjustments	(443)	—	—	(10,392)
Consolidated	Ps. 168,022	Ps. 14,234	Ps. 148,167	Ps. 187,184

(1) Includes Guatemala, Nicaragua, Costa Rica, Panama and Colombia.

(2) Includes Brazil and Argentina.

2007	Total Revenue	Capital Expenditures	Long-Lived Assets	Total Assets
Mexico	Ps. 106,136	Ps. 9,137	Ps. 98,302	Ps. 120,965
Latincentro [(1)]	11,901	971	13,739	18,268
Venezuela	9,792	(9)	4,155	6,364
Mercosur [(2)]	20,127	1,158	16,114	24,149
Consolidation adjustments	(400)	—	—	(3,951)
Consolidated	Ps. 147,556	Ps. 11,257	Ps. 132,310	Ps. 165,795

(1) Includes Guatemala, Nicaragua, Costa Rica, Panama and Colombia.
(2) Includes Brazil and Argentina.

NOTE 26. DIFFERENCES BETWEEN MEXICAN FRS AND U.S. GAAP.

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

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, stockholders' equity and comprehensive income to U.S. GAAP is presented in Note 27. It should be noted that this reconciliation to U.S. GAAP as of December 31, 2007, does not include the reversal of the restatement of the financial statements required by NIF Bulletin B-10, "Recognition of the Effects of Inflation in the Financial Information" of Mexican FRS; as of December 31, 2009 and 2008, the Company adopted NIF B-10 "Effects of Inflation" which does not require it to restate the financial information if the company operates in an noninflationary economic environment (see Note 4 A).

The application of NIF B-10 represents a comprehensive measure of the effects of price-level changes in inflationary economic environments.

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) Consolidation of Coca-Cola FEMSA:

In 2008 and 2007, under Mexican FRS, the Company consolidated Coca-Cola FEMSA in accordance with the requirements of prior Bulletin B-8 "Consolidated and Combined Financial Statements and Valuation of Long-Term Investments in Shares." In 2009, Mexican FRS NIF B-8 "Consolidated and Combined Financial Statements" came into effect as described in Note 2 E.

For U.S. GAAP purposes, the existence of substantive participating rights held by the Coca-Cola Company (noncontrolling interest), as addressed in the shareholder agreement, did not allow FEMSA to consolidate Coca-Cola FEMSA in its financial statements. Therefore, FEMSA's investment in Coca-Cola FEMSA has been accounted for by the equity method in FEMSA's consolidated financial statement under US GAAP for the years ended December 31, 2009, 2008 and 2007.

On February 1, 2010, FEMSA and the Coca-Cola Company signed an amendment to the shareholder agreement. This amendment allowed FEMSA to consolidate Coca-Cola FEMSA for Mexican FRS purposes during 2009, because the Company has controlled operating and financial policies. Additionally, in this amendment, substantive rights held by The Coca-Cola Company were amended and became protective rights. For U.S. GAAP, this amendment to the shareholder agreement would impact financial information of FEMSA in 2010 as of that date, and the Company would recognize a business combination without transfer of consideration in order to comply with ASC 805.

Beginning in 2008, as a result of discontinuing inflationary accounting for Coca-Cola FEMSA's subsidiaries that operate in non-inflationary economic environments, the financial statements are no longer considered to be presented in a reporting currency that comprehensively includes the effects of price level changes; therefore, the effects of inflation generated beginning in 2008 result in a difference to be reconciled for U.S. GAAP purposes. The equity method recorded by FEMSA as of December 31, 2008 considers this difference.

As of December 31, 2009 and 2008, fair value of FEMSA's investment in Coca-Cola FEMSA represented by 992,078,519 equivalent to 53.7% for both years, of its outstanding shares amount to Ps. 85,135 and Ps. 59,706 based on quoted market prices of those dates.

Summarized consolidated balance sheets and income statements under U.S. GAAP are presented as follows as of December 31:

Consolidated Balance Sheets		**2009**		2008
Current assets	**Ps.**	**24,676**	Ps.	18,685
Property, plant and equipment		**29,835**		28,045
Other assets		**53,918**		51,243
Total assets	**Ps.**	**108,429**	Ps.	97,973
Current liabilities	**Ps.**	**23,460**	Ps.	21,345
Long-term liabilities		**18,932**		20,160
Total liabilities		**42,392**		41,505
Total stockholders' equity:				
Controlling interest		**63,704**		54,761
Noncontrolling interest in consolidated subsidiaries		**2,333**		1,707
Total stockholders' equity	**Ps.**	**66,037**	Ps.	56,468
Total liabilities and stockholders' equity	**Ps.**	**108,429**	Ps.	97,973

Consolidated Income Statements		**2009**		2008		2007
Total revenues	**Ps.**	**100,393**	Ps.	81,099	Ps.	69,131
Income from operations		**14,215**		12,042		10,734
Income before income taxes		**12,237**		7,685		10,215
Income taxes		**3,525**		1,987		3,272
Consolidated net income		**8,853**		5,802		6,953
Less: Net income attributable to the noncontrolling interest		**(446)**		(231)		(188)
Net income attributable to the controlling interest		**8,407**		5,571		6,765
Other comprehensive income		**2,506**		717		1,946
Comprehensive income	**Ps.**	**10,913**	Ps.	6,288	Ps.	8,711

B) Restatement of Prior Year Financial Statements:

Under U.S. GAAP, the Company applies the regulations of the Securities and Exchange Commission of the United States of America ("SEC"), which allows it to not reconcile 2007 financial statements which were previously 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 years 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 previously realized and unrealized results of holding non-monetary assets (RETANM) of previous periods was reclassified to retained earnings as described in Note 2 G. This reclassification does not result in a difference to reconcile for U.S. GAAP purposes since those amounts are ultimately recognized in the Company's financial statements.

As disclosed in Note 4 A, the three year cumulative inflation rate for Venezuela was 87.5% for the period 2006 through 2008. The three year cumulative inflation rate for Venezuela was 101.6% as of December 31, 2009. Accordingly, the Company anticipates that Venezuela will be accounted for as a hyper-inflationary economy for U.S. GAAP purposes beginning January 1, 2010.

C) Classification Differences:

Certain items require a different classification in the balance sheet or income statement under U.S. GAAP. These include:

- As explained in Note 4 D, under Mexican FRS, advances to suppliers are recorded as inventories. Under U.S. GAAP advances to suppliers are classified as prepaid expenses;
- Impairment of goodwill and other long-lived assets, the gains or losses on the disposition of fixed assets, all severance payments associated with an ongoing benefit and amendments to pension plans, financial expenses from labor liabilities and employee profit sharing are recorded as part of operating income under U.S. GAAP; and
- Under Mexican FRS, deferred taxes are classified as non-current, while under U.S. GAAP they are based on the classification of the related asset or liability or their estimated reversal date when not associated with an asset or liability.

D) Start-Up Expenses:

As explained in Note 4 J, through 2008, under Mexican FRS, start-up expenses were capitalized and amortized using the straight-line method in accordance with the terms of the lease contracts at the start of operations. Under U.S. GAAP, these expenses must be recorded in the income statement as incurred. Beginning on January 1, 2009, the Company adopted NIF C-8, which establishes that start-up expenses have to be recorded in the income statement as incurred (see Note 4 J). As a result, since 2009, there are no differences between Mexican FRS and U.S. GAAP.

E) Intangible Assets:

According to Mexican FRS, in 2003 the amortization of goodwill was discontinued. For U.S. GAAP purposes, since 2002 goodwill and indefinite-lived intangible assets are no longer subject to amortization.

As a result of the change in U.S. GAAP, the Company performed an initial impairment test as of January 1, 2002 and found no impairment. Subsequent impairment tests are performed annually by the Company, if events or changes in circumstances between annual tests indicate that the asset might be impaired.

F) Restatement of Imported Equipment:

Through December 2007, the Company restated imported machinery and equipment applying the inflation rate and the exchange rate of the currency of the country of origin; then the Company translated those amounts into Mexican pesos using the period-end exchange rate.

As explained in Note 2 G, on January 1, 2008, the Company adopted NIF B-10, “Effects of Inflation” which establishes that imported machinery and equipment are recorded using the exchange rate of the acquisition date. Subholding Companies that operate in inflationary economic environments have to restate those assets by applying the inflation rate of the country where the asset is acquired. The change in this methodology did not impact significantly the consolidated financial position of the Company (see Note 2 G).

Under U.S. GAAP, the Company applies SEC regulations referred to above; as such amounts are not reconciled during the preparation of U.S. GAAP financial information for 2007 figures.

G) Capitalization of the Comprehensive Financing Result:

According to Mexican FRS D-6, the Company has capitalized the comprehensive financing result generated by borrowing obtained to finance investment projects.

According to U.S. GAAP, if interest expense is incurred during the construction of qualifying assets and the net effect is material, capitalization is required for all assets that require a period of time to get them ready for their intended use. The net effect of interest expenses incurred to bring qualifying assets to the condition for their intended use was Ps. 90, Ps. 56 and Ps. 55 for the years ended on December 31, 2009, 2008 and 2007, respectively.

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

H) Fair Value Measurements:

In 2008, the Company adopted a FASB pronouncement that establishes a framework for measuring fair value providing a consistent definition that focuses on exit price and prioritizes the use of market based inputs over company specific inputs. This pronouncement requires companies to consider their own nonperformance risk when measuring 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.

Additionally, U.S. GAAP establishes a three level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs are full described in Note 19. The Company has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date as shown in Note 19.

The Company is exposed to counterparty credit risk on all derivative financial instruments. Because the amounts are recorded at fair value, the full amount of the Company's exposure is the carrying value of these instruments. Credit risk is monitored through established approval procedures, which consider grading counterparties periodically in order to offset the net effect of counterparty's credit risk. As a result the Company only enters into derivative transactions with well-established financial institutions; and estimates that such risk is minimal.

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

In accordance with the financial instruments disclosures, it is necessary to disclose, in the body of the financial statements or in the notes, the fair value of financial instruments for which it is practicable to estimate it, and the method(s) used to estimate the fair value. The Company estimates that carrying amounts of cash and cash equivalents, accounts receivable, interest payable, suppliers, accounts payable and other current liabilities approximate their fair value due to their short maturity.

Additionally as explained in Note 16, the Company has a bonus program in which the cost of the equity instruments is measured based on the fair value of the instruments on the date they are granted.

I) 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 as follows:

- Under Mexican FRS, inflation effects on the deferred taxes balance generated by monetary items are recognized in the income statement as part of the result of monetary position of inflationary economic environments. Under U.S. GAAP, the deferred taxes balance is classified as a non-monetary 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 from 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 interest expenses, employee benefits, deferred employee profit sharing and through 2008 start-up expenses, explained in Note 26 D, F, G and J, generate a difference when calculating the deferred income taxes under U.S. GAAP compared to that presented under Mexican FRS (see Note 23 D).

The reconciliation of deferred income tax and employee profit sharing, as well as the changes in the balances of deferred taxes, are as follows:

Reconciliation of Deferred Income Taxes, Net		2009		2008
Deferred income taxes under Mexican FRS	Ps.	(282)	Ps.	1,153
Deferred income taxes of Coca-Cola FEMSA		(1,640)		(434)
U.S. GAAP adjustments:				
Start-up expenses		—		(62)
Restatement of imported equipment		(29)		(23)
Capitalization of interest expense		62		74
Tax deduction for deferred employee profit sharing		(38)		(60)
Employee benefits		(478)		(611)
Total U.S. GAAP adjustments		(483)		(682)
Deferred income taxes, net, under U.S. GAAP	Ps.	(2,405)	Ps.	37

Changes in the Balance of Deferred Income Taxes		2009		2008		2007
Initial balance	Ps.	37	Ps.	1,604	Ps.	1,808
Provision for the year		(795)		(1,243)		(539)
Financial instruments		319		(622)		124
Application of tax loss carryforwards due to amnesty adoption		2,066		—		—
Reversal of tax loss carryforward allowance		(2,066)		—		—
Effect in tax loss carryforwards		(1,874)		—		—
Change in the statutory income tax rate		(90)		—		—
Cumulative translation adjustment		(134)		437		178
Unrecognized labor liabilities		132		(139)		33
Ending balance	Ps.	(2,405)	Ps.	37	Ps.	1,604

Reconciliation of Deferred Employee Profit Sharing		2009		2008
Deferred employee profit sharing under Mexican FRS	Ps.	—	Ps.	—
U.S. GAAP adjustments:				
Allowance for doubtful accounts		(5)		(7)
Inventories		22		58
Prepaid expenses		6		6
Property, plant and equipment		211		278
Deferred charges		(34)		(18)
Intangible assets		32		54
Capitalization of interest expense		2		2
Start-up expenses		—		(19)
Derivative financial instruments		15		18
Labor liabilities		(405)		(410)
Other reserves		(187)		(113)
Total U.S. GAAP adjustments		(343)		(151)
Valuation allowance		477		365
Deferred employee profit sharing under U.S. GAAP	Ps.	134	Ps.	214

Changes in the Balance of Deferred Employee Profit Sharing		2009		2008		2007
Initial balance	Ps.	214	Ps.	483	Ps.	650
Provision for the year		(234)		(576)		(180)
Labor liabilities		42		(58)		13
Valuation allowance		112		365		—
Ending balance	Ps.	134	Ps.	214	Ps.	483

The deferred employee profit sharing includes total reduction by a valuation allowance since the Company estimates it will not be realized.

According to U.S. GAAP, the Company is required to recognize in its financial statements the impact of a tax position 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 upon ultimate settlement. Any difference 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 unrecognized benefit. Similarly, if a tax position fails to meet the more-likely-than-not recognition threshold, the benefit taken in tax return will also result in the recognition of a liability in the financial statements for the full amount of the unrecognized benefit. 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. However, this difference between Mexican FRS and U.S. GAAP is not material to the Company's consolidated financial statements during any of the periods presented herein, and has thus not resulted in a reconciling item.

J) Employee Benefits:

On January 1, 2008, the Company adopted NIF D-3 "Employee Benefits" according to Mexican FRS. This standard eliminates the recognition of the additional labor liability resulting from the difference between actual benefits and the net projected liabilities, establishes a maximum of five years to amortize the beginning balance of past labor costs of pension plans and severance indemnities and requires recording actuarial gains or losses of severance indemnities as part of the income from operations during the period when those are incurred. The adoption of NIF D-3 generates a difference in the unamortized net transition obligation and in the amortization expense of pension plans and severance indemnities. Under U.S. GAAP the Company is required to fully recognize as an asset or liability from the overfunded or underfunded status of defined pension and other postretirement benefit plans.

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

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

Cost for the Year	**2009**	2008	2007
Net cost recorded under Mexican FRS	**Ps. 1,143**	Ps. 1,203	Ps. 789
Net cost of Coca-Cola FEMSA	**(313)**	(451)	(176)
U.S. GAAP adjustments:			
Amortization of unrecognized transition obligation	**(53)**	(55)	(8)
Amortization of prior service cost	**5**	4	8
Amortization of net actuarial loss	**2**	(36)	—
Total U.S. GAAP adjustment	**(46)**	(87)	—
Cost for the year under U.S. GAAP	**Ps. 784**	Ps. 665	Ps. 613

Labor Liabilities	**2009**	2008
Employee benefits under Mexican FRS	**Ps. 3,354**	Ps. 2,886
Employee benefits of Coca-Cola FEMSA	**(1,088)**	(936)
U.S. GAAP adjustments:		
Unrecognized net transition obligation	**287**	403
Unrecognized prior service	**696**	740
Unrecognized net actuarial loss	**730**	1,040
U.S. GAAP adjustments to stockholders' equity	**1,713**	2,183
Labor liabilities under U.S. GAAP	**Ps. 3,979**	Ps. 4,133

Estimates of the unrecognized items expected to be recognized as components of net periodic pension cost during 2010 are shown in the table below:

	Pension and Retirement Plans	Seniority Premiums	Postretirement Medical Services
Actuarial net loss and prior service cost recognized in cumulative other comprehensive income during the year	Ps. (169)	Ps. (4)	Ps. (90)
Actuarial net loss and prior service cost recognized as a component of net periodic cost	71	3	22
Net transition liability recognized as a component of net periodic cost	49	2	9
Actuarial net loss, prior service cost and transition liability included in cumulative other comprehensive income	1,097	3	404
Estimate to be recognized as a component of net periodic cost over the following fiscal year:			
Transition asset/(obligation)	48	1	(5)
Prior service credit/(cost)	49	—	—
Actuarial gain/(loss)	13	(1)	(16)

K) Kaiser and Coca-Cola FEMSA Noncontrolling Interest Acquisitions:

In 2006, FEMSA Cerveza indirectly acquired an additional equity interest in Kaiser. According to Mexican FRS Bulletin B-7, "Business Acquisitions," this is a transaction between existing shareholders that does not impact the net assets of the Company, and the payment in excess of the book value of the shares acquired is recorded in stockholders' equity as a reduction of additional paid-in capital. U.S. GAAP, in effect at that time, establishes that purchases of noncontrolling interest represent a "step acquisition" that must be recorded utilizing the purchase method, whereby the purchase price is allocated to the proportionate fair value of assets and liabilities acquired. The Company did not recognize any goodwill as a result of this acquisition.

Additionally, on August 31, 2007, FEMSA Cerveza sold 16.88% of Kaiser's outstanding shares to Heineken NV. The excess of the price paid over the book value was recorded directly in stockholders' equity in accordance with Mexican FRS. Under U.S. GAAP, a parent shall account for the deconsolidation of a subsidiary by recognizing a gain or loss in net income attributable to the parent.

In 2006, FEMSA indirectly acquired an additional 8.02% of the total outstanding equity of Coca-Cola FEMSA. According to Mexican FRS Bulletin B-7, this is a transaction between shareholders that does not impact the net assets of the Company, and the payment in excess of the book value of the shares acquired is recorded in stockholders' equity as a reduction of additional paid-in capital. Under U.S. GAAP, purchases of noncontrolling interest represent a "step acquisition" that must be accounted for under the purchase method, whereby the purchase price is allocated to the proportionate fair value of assets and liabilities acquired. The difference between the fair value and the price paid for the 8.02% of Coca-Cola FEMSA equity is presented as part of investment in Coca-Cola FEMSA shares in the consolidated balance sheet under U.S. GAAP. The Company did not recognize any goodwill as a result of this acquisition. For the periods presented, the acquisition of the additional 8.02% interest in Coca-Cola FEMSA did not affect the consolidation analysis discussed above because substantive participating rights of The Coca-Cola Company's were not affected.

L) Noncontrolling Interests:

Under Mexican FRS, the noncontrolling interest in consolidated subsidiaries is presented as a separate component within stockholders' equity in the consolidated balance sheet.

Beginning as of January 1, 2009, under U.S. GAAP, this item must be presented as separate component within consolidated stockholders' equity in the consolidated balance sheet. Additionally, consolidated net income shall be adjusted to include the net income attributed to the noncontrolling interest. And consolidated comprehensive income shall be adjusted to include the net income attributed to the noncontrolling interest. Because these changes are to be applied retrospectively, they eliminate the differences between MFRS and U.S. GAAP in the presentation of the noncontrolling interest in the consolidated financial statements.

M) FEMSA's Noncontrolling Interest Acquisition:

In accordance with Mexican FRS, the Company applied the entity theory to the acquisition of the noncontrolling interest by FEMSA in May 1998, through an exchange offer. Accordingly, no goodwill was created as a result of such acquisition and the difference between the book value of the shares acquired by FEMSA and the FEMSA shares exchanged was recorded as additional paid-in capital. The direct out-of-pocket costs identified with the purchase of noncontrolling interest were included in other expenses.

In accordance with U.S. GAAP, the acquisition of noncontrolling interest must be accounted for under the purchase method, using the market value of shares received by FEMSA in the exchange offer to determine the cost of the acquisition of such noncontrolling interest and the related goodwill. Under U.S. GAAP, the direct out-of-pocket costs identified with the purchase of noncontrolling interest are treated as additional goodwill.

Additionally, accounting standards related to goodwill, require the allocation of all goodwill to the related reporting units to the operating segment or component that will generate the related cash flows. The allocation of the goodwill generated by the previously mentioned acquisition of noncontrolling interest was as follows:

FEMSA Cerveza	Ps. 10,600
Coca-Cola FEMSA	4,753
FEMSA Comercio	1,085
Other	918
	Ps. 17,356

N) Statement of Cash Flows:

In 2008, the Company adopted NIF B-2 "Statement of Cash Flows" which is similar to cash flows standards for U.S. GAAP except for the presentation of restricted cash, different presentation of interest costs, and certain other supplemental disclosures.

In 2007, the Company presented a consolidated statement of changes in financial position in accordance with Mexican FRS Bulletin B-12, "Statement of Changes in Financial Position," which differs from the cash flows presentation. Bulletin B-12 identified the generation and application of resources by the differences between beginning and ending balance sheet items presented in constant Mexican pesos. Bulletin B-12 also required that monetary and foreign exchange gains and losses be treated as cash items for the determination of resources generated by operating activities.

O) Financial Information Under U.S. GAAP:

Consolidated Balance Sheets		**2009**		2008
ASSETS				
Current Assets:				
Cash and cash equivalents	**Ps.**	**7,896**	Ps.	2,919
Accounts receivable		**6,688**		6,219
Inventories		**9,416**		8,531
Recoverable taxes		**1,755**		2,009
Other current assets		**1,987**		2,472
Total current assets		**27,742**		22,150
Investments in shares:				
Coca-Cola FEMSA		**35,730**		30,996
Other investments		**175**		169
Property, plant and equipment		**36,386**		35,340
Deferred taxes		**2,116**		—
Intangible assets		**37,547**		35,438
Bottles and cases		**2,248**		2,111
Other assets		**16,056**		13,015
TOTAL ASSETS	**Ps.**	**158,000**	Ps.	139,219
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Bank loans	**Ps.**	**1,400**	Ps.	3,821
Interest payable		**109**		109
Current maturities of long-term debt		**2,026**		1,936
Suppliers		**11,257**		9,594
Deferred taxes liability and employee profit sharing		**77**		235
Taxes payable		**2,961**		2,167
Accounts payable, accrued expenses and other liabilities		**5,709**		5,792
Total current liabilities		**23,539**		23,654
Long-Term Liabilities:				
Bank loans and notes payable		**24,119**		19,557
Deferred taxes liability		**738**		504
Labor liabilities		**3,979**		4,133
Other liabilities		**6,183**		5,329
Total long-term liabilities		**35,019**		29,523
Total Liabilities		**58,558**		53,177
Equity:				
Controlling interest		**98,168**		85,537
Noncontrolling interest		**1,274**		505
Total Equity		**99,442**		86,042
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**Ps.**	**158,000**	Ps.	139,219

Consolidated Statements of Income and Comprehensive Income [1]		**2009**		2008		2007
Net sales	**Ps.**	**102,039**	Ps.	90,941	Ps.	82,887
Other operating revenues		**863**		709		475
Total revenues		**102,902**		91,650		83,362
Cost of sales		**59,841**		53,419		48,831
Gross profit		**43,061**		38,231		34,531
Operating expenses:						
Administrative		**7,949**		6,113		5,944
Selling		**26,451**		24,237		20,920
		34,400		30,350		26,864
Income from operations		**8,661**		7,881		7,667
Comprehensive financing result:						
Interest expense		**(3,013)**		(2,561)		(2,417)
Interest income		**310**		181		158
Foreign exchange (loss) gain, net		**(26)**		(217)		592
(Loss) gain on monetary position, net		**(1)**		(1)		664
Market value gain (loss) on ineffective portion of derivative financial instruments		**73**		(24)		(2)
		(2,657)		(2,622)		(1,005)
Other (expenses) income, net		**52**		241		(124)
Income before taxes		**6,056**		5,500		6,538
Taxes		**(127)**		1,787		1,610
Income before participation in affiliated companies		**6,183**		3,713		4,928
Participation in affiliated companies:						
Coca-Cola FEMSA		**4,516**		2,994		3,635
Other associates companies		**(14)**		(108)		26
		4,502		2,886		3,661
Net income	**Ps**	**10,685**	Ps.	6,599	Ps.	8,589
Less: Net income attributable to the noncontrolling interest		**(783)**		253		(32)
Net income attributable to controlling interest	**Ps.**	**9,902**	Ps.	6,852	Ps.	8,557
Other comprehensive income		**4,335**		(2,241)		2,149
Comprehensive income	**Ps.**	**14,237**	Ps.	4,611	Ps.	10,706
Less: Comprehensive income attributable to the noncontrolling interest		**7**		(60)		(500)
Comprehensive income attributable to controlling interest	**Ps.**	**14,244**	Ps.	4,551	Ps.	10,206
Net income per share:						
Per Series “B” share	**Ps.**	**0.49**	Ps.	0.34	Ps.	0.43
Per Series “D” share		**0.62**		0.43		0.53

(1) Expressed in millions of historical Mexican pesos, except for the data share information.

Consolidated Cash Flows		2009		2008		2007
Cash flows from operating activities:						
Net income	Ps.	10,685	Ps.	6,599	Ps.	8,589
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Inflation effect		(1)		(1)		(722)
Depreciation		2,786		2,439		2,114
Amortization		2,487		2,469		2,347
Participation in affiliated companies		(4,502)		(2,886)		(3,661)
Deferred taxes		(3,185)		(1,819)		(719)
Other non-cash charges		5,353		2,779		750
Changes in operating assets and liabilities net of business acquisitions:						
Working capital investment		(1,640)		(914)		(340)
Dividends received from Coca-Cola FEMSA		722		508		435
Payable (recoverable) taxes, net		673		(354)		(422)
Interest payable		(370)		(276)		27
Labor obligations		(512)		(453)		(171)
Derivative financial instruments		(428)		(1,208)		(273)
Net cash flows provided by operating activities		12,068		6,883		7,954
Cash flows from investing activities:						
Acquisitions by FEMSA Cerveza, net of cash acquired		—		(27)		356
Sale of property, plant and equipment		422		48		150
Acquisition of property, plant and equipment		(3,709)		(5,612)		(3,825)
Other assets		(3,660)		(3,432)		(3,885)
Bottles and cases		(70)		(260)		(245)
Investment in shares		—		—		9
Net cash flows used in investing activities		(7,017)		(9,283)		(7,440)
Cash flows from financing activities:						
Bank loans obtained		16,775		18,465		6,660
Bank loans paid		(14,541)		(14,662)		(6,368)
Dividends declared and paid		(1,620)		(1,620)		(1,486)
Restricted cash activity for the year		(88)		(134)		—
Other financing activities		(4)		257		30
Net cash flows provided (used in) by financing activities		522		2,306		(1,164)
Effect of exchange rate changes on cash and cash equivalents		(596)		99		101
Cash and cash equivalents:						
Net increase (decrease)		4,977		5		(549)
Initial balance		2,919		2,914		3,463
Ending balance	Ps.	7,896	Ps.	2,919	Ps.	2,914
Supplemental cash flow information:						
Interest paid	Ps.	(2,586)	Ps.	(2,268)	Ps.	(2,310)
Income taxes and tax on assets paid		(3,737)		(2,849)		(2,699)

The effect of exchange rate changes on cash balances held in foreign currencies were Ps. 596 as losses as of December 31, 2009, and gains of Ps. 99 and Ps. 101 as of December 31, 2008 and 2007, respectively.

Consolidated Statements of Changes in Stockholders' Equity		**2009**		2008
Stockholders' equity at the beginning of the year	**Ps.**	**86,042**	Ps.	83,304
Dividends declared and paid		**(1,620)**		(1,620)
Noncontrolling interest variation		**(7)**		60
Other comprehensive income (loss):				
Derivative financial instruments		**993**		(1,649)
Labor liabilities		**285**		(306)
Cumulative translation adjustment		**3,810**		493
Reversal of inflation effect		**(746)**		(839)
Other comprehensive income		**4,342**		(2,301)
Net income		**10,685**		6,599
Stockholders' equity at the end of the year	**Ps.**	**99,442**	Ps.	86,042

NOTE 27. RECONCILIATION OF MEXICAN FRS TO U.S. GAAP.

A) Reconciliation of Net Income:

		2009		2008		2007
Net consolidated income under Mexican FRS	**Ps.**	**15,082**	Ps.	9,278	Ps.	11,936
Noncontrolling interest under Mexican FRS of Coca-Cola FEMSA		**(4,390)**		(2,819)		(3,392)
U.S. GAAP adjustments:						
Participation in Coca-Cola FEMSA (Note 26 A)		**(63)**		(14)		(77)
Start-up expenses (Note 26 D)		**—**		(16)		(10)
Restatement of imported equipment (Note 26 F)		**(12)**		(14)		(31)
Capitalization of interest expense (Note 26 G)		**(49)**		(49)		(48)
Deferred income taxes (Note 26 I)		**(9)**		(65)		18
Deferred employee profit sharing (Note 26 I)		**80**		211		180
Employee benefits (Note 26 J)		**46**		87		—
Sale of noncontrolling interest (Note 26 K)		**—**		—		13
Total U.S. GAAP adjustments		**(7)**		140		45
Net income under U.S. GAAP	**Ps.**	**10,685**	Ps.	6,599	Ps.	8,589

Under U.S. GAAP, as of December 31, 2007, 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 as well as pension plan liabilities, which are non-monetary.

B) Reconciliation of Stockholders' Equity:

	2009	2008
Total stockholders' equity under Mexican FRS	Ps. 115,829	Ps. 96,895
Noncontrolling interest under Mexican FRS of Coca-Cola FEMSA	(32,918)	(27,576)
U.S. GAAP adjustments:		
Participation in Coca-Cola FEMSA (Note 26 A)	(1,328)	(618)
Start-up expenses (Note 26 D)	—	(223)
Intangible assets and goodwill (Note 26 E)	54	54
Restatement of imported equipment (Note 26 F)	134	152
Capitalization of interest expense (Note 26 G)	215	264
Deferred income taxes (Note 26 I)	483	682
Deferred employee profit sharing (Note 26 I)	(134)	(214)
Employee benefits (Note 26 J)	(1,713)	(2,183)
Acquisition of Coca-Cola FEMSA noncontrolling interest (Note 26 K)	1,609	1,609
Acquisitions by FEMSA Cerveza (Note 26 K)	66	55
FEMSA's noncontrolling interest acquisition (Note 26 M)	17,145	17,145
Total U.S. GAAP adjustments	16,531	16,723
Stockholders' equity under U.S. GAAP	Ps. 99,442	Ps. 86,042

C) Reconciliation of Comprehensive Income:

	2009	2008	2007
Consolidated comprehensive income under Mexican FRS	Ps. 21,355	Ps. 9,085	Ps. 12,978
Comprehensive income of the noncontrolling interest under Mexican FRS	(6,734)	(3,515)	(3,561)
Comprehensive income of the controlling interest under Mexican FRS	14,621	5,570	9,417
U.S. GAAP adjustments:			
Net income (Note 27 A)	(7)	144	46
Cumulative translation adjustment	91	(18)	—
Reversal of inflation effect	(746)	(839)	—
Result of holding non-monetary assets	—	—	420
Additional labor liability in excess of unamortized transition obligation	285	(306)	323
Comprehensive income under U.S. GAAP	Ps. 14,244	Ps. 4,551	Ps. 10,206

NOTE 28. FUTURE IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS NOT YET IN EFFECT.

A) Mexican FRS:

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

- NIF B-5, "Financial Information by Segment"

  NIF B-5 "Financial Information by Segment" includes definitions and criteria for reporting financial information by operating segment. NIF B-5 establishes that an operating segment shall meet the following criteria: i) the segment engages in business activities from which it earns or is in the process of obtaining revenues, and incurs in the related costs and expenses; ii) the operating results are reviewed regularly by the main authority of the entity's decision maker; and iii) specific financial information is available. NIF B-5 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. NIF B-5 is effective beginning on January 1, 2011 and this guidance shall be applied retrospectively for comparable purposes.

- NIF B-9, "Interim Financial Reporting"

  NIF B-9 "Interim Financial Reporting" prescribes the content to be included in a complete or condensed set of financial statements for an interim period. In accordance with the standard, the complete set of financial statements shall include: a) a statement of financial position as of the end of the period, b) an income statement for the period, c) a statement of changes in equity for the period, d) a statement of cash flows for the period, and e) notes providing the relevant accounting policies and other explanatory notes. Condensed financial statements shall include: a) condensed statement of financial position, b) condensed income statement, c) condensed statement of changes in equity, d) condensed statement of cash flows, and e) selected explanatory notes. NIF B-9 is effective beginning on January 1, 2011. Interim financial statements shall be presented in a comparative form.

- NIF C-1, "Cash and Cash Equivalents"

  NIF C-1 "Cash and Cash Equivalents" establishes that cash shall be measured at nominal value, and cash equivalents shall be measured at acquisition cost for initial recognition. Subsequently, cash equivalents should be measured according to its designation: precious metals shall be measured at fair value, foreign currencies shall be translated to the reporting currency applying the closing exchange rate, other cash equivalents denominated in a different measure of exchange shall be recognized to the extent provided for this purpose at the closing date of financial statements, and available-for-sale investments shall be presented at fair value. Cash and cash equivalents will be presented in the first line of assets (including restricted cash). NIF C-1 is effective beginning on January 1, 2010 and shall be applied retrospectively.

B) U.S. GAAP:

The following accounting standards have been issued under U.S. GAAP, the application of which is required as indicated. The Company is in the process of assessing the effect of adopting these new standards.

- "Accounting for Transfer for Financial Assets—Amendment No. 2009-16" or SFAS No. 166, ASC 860

  This statement provides for the removal of the concept of a qualifying special-purpose entity and removes the exception from applying variable interest entity accounting to qualifying special-purpose entities. It also clarifies that one objective is to determine whether a transferor and all of the entities included in the transferor's financial statements being presented have surrendered control over transferred financial assets. SFAS No. 166 modifies the financial-component approach previously used, and limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. SFAS No. 166 also defines the term participating interest to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale. It requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor's beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. Enhanced disclosures are also required by this statement. This statement must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009. This statement must be applied to transfers occurring on or after the effective date.

- "Amendments to SFAS Interpretation FIN 46R," or SFAS No. 167, ASC 810

  The objective of issuing SFAS No. 167 is to improve financial reporting by enterprises involved with variable interest entities. The Board undertook this project to address (1) the effects on certain provisions of ASC 810 "Consolidation" as a result of the elimination of the qualifying special-purpose entity concept in SFAS No. 166, and (2) constituent concerns about the application of certain key provisions of ASC 810, including those in which the accounting and disclosures under ASC 810 do not always provide timely and useful information about an enterprise's involvement in a variable interest. This Statement retains the scope of ASC 810 with the addition of entities previously considered qualifying special-purpose entities, as the concept of these entities was eliminated in SFAS No. 166. SFAS No. 167 shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009. Earlier application is prohibited.

- "Employer's Disclosures about Postretirement Benefit Plan Assets," ASC 715 (formerly FSP FAS 132(R)-1)

  This amends previous GAAP to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. Enhanced disclosures about investment policies and strategies, categories of plan assets, fair value measurements of plan assets, and significant concentrations of risk are also required. The disclosures about plan assets required shall be provided for fiscal years ending after December 15, 2009. Upon initial application, the provisions are not required for earlier periods that are presented for comparative purposes. Earlier application of the provisions is permitted.

NOTE 29. SUBSEQUENT EVENTS.

- On January 8, 2010, Venezuelan President Hugo Chavez announced the devaluation of the bolivar (BsF). The official exchange rate of 2.150 bolivars to the dollar, in effect since 2005, was replaced effective January 11, 2010, with a dual-rate regime. The two-tiered official exchange rates will be (1) "the essentials rate" at BsF 2.60 per dollar and (2) "the non-essentials rate" at BsF 4.30 per dollar. The president announced that importers of essential items such as food, medicine, heavy machinery, family remittances, and public sector imports including school supply, science, and technology needs, will be able to buy dollars at a rate of 2.60 bolivars, and a higher rate of 4.30 bolivars will apply to most of the economy, including the automobile, chemicals, rubber and plastics, appliances, textile, electronics, tobacco, beverages, and telecommunications sectors, as well as to repatriation of dividends by foreign investors. The Company is assessing the impact of this event in its consolidated financial information for Mexican FRS and U.S. GAAP purposes.
- On January 11, 2010, the Company announced that it will exchange its FEMSA Cerveza business unit for a 20% economic interest in Heineken, one of the world's leading brewers. Under the terms of the agreement, the Company will receive 43,018,320 shares of Heineken Holding N.V. and 72,182,201 shares of Heineken N.V., of which 29,172,502 will be delivered pursuant to an allotted share delivery instrument. The total transaction is valued at approximately US$7.355 billion, based on closing prices of Heineken Holding N.V. and Heineken N.V. shares as of January 8, 2010, including the assumed debt of US$2.1 billion. This transaction is subject to customary regulatory approvals, as well as the approval by the Company, Heineken N.V. and Heineken Holding N.V. shareholders, and if approved is expected to be completed during the first half of 2010.
- On February 5, 2010, Coca-Cola FEMSA closed the issuance of US$500 million in Senior Notes, bearing interest at a fixed rate of 4.625%, which are due February 15, 2020. Coca-Cola FEMSA has entered into a registration rights agreement with the holders of the Senior Notes requiring Coca-Cola FEMSA to register the Senior Notes with the US SEC which is expected to be completed in the current year.
- On January 7, 2010, Venezuela's National Consumer Price Index for December 2009 was released. The cumulative three-year inflation rates for both of Venezuela's inflation indices are over 100 percent. As a result, beginning on January 1, 2010, the Company is considering Venezuela as highly inflationary and financial statements of Venezuelan entities will be remeasured as if the functional currency were the reporting currency as of January 1, 2010, only for U.S. GAAP purposes. For Mexican FRS, Venezuela is considered an inflationary economy since cumulative 3-year inflation rate is higher than 26%; this event will impact the Company's consolidated financial information for U.S. GAAP purposes.
- On February 1, 2010, the Company and The Coca-Cola Company signed a second amendment to the shareholders agreement that confirms contractually the capability of the Company to govern the operating and financial policies of Coca-Cola FEMSA, to exercise control over the operations in the ordinary course of business and grants protective rights to The Coca-Cola Company on such items as mergers, acquisitions or sales of any line of business. These amendments were signed without transfer of any consideration. The percentage of voting interest of the Company in Coca-Cola FEMSA remains the same after the signing of this amendment. Under U.S. GAAP, this amendment will be accounted for as a business acquisition without transfer of any consideration. As of the issuance of these consolidated financial statements, the Company is in the process of determining the fair value based on recognized techniques of Coca-Cola FEMSA as of the acquisition date in order to comply with all the accounting and disclosure requirements for business combinations, and to identify the existence of any goodwill or intangible assets as a result of the control acquisition.

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STOCK EXCHANGE AND SYMBOL

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

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The FEMSA 2009 Annual Report may contain certain forward-looking statements concerning FEMSA and its subsidiaries' future performance and should be considered as good faith estimates of FEMSA and its subsidiaries. These forward-looking statements reflect management's expectations and are based upon currently available data. Actual results are subject to further events and uncertainties which could materially impact the Company's subsidiaries' actual performance.

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