Consolidated Statements of Financial Position

As of December 31, 2012, 2011 and as of January 1, 2011 (Date of transition to IFRS)
Amounts expressed in millions of U.S. dollars ($)
and in millions of Mexican pesos (Ps.)

	Note	December 2012 (*)	December 2012	December 2011	January 1, 2011
ASSETS					
Current Assets:					
Cash and cash equivalents	5	$ 2,817	Ps. 36,521	Ps. 25,841	Ps. 26,705
Investments	6	123	1,595	1,329	66
Accounts receivable, net	7	837	10,837	10,498	7,701
Inventories	8	1,261	16,345	14,360	11,314
Recoverable taxes		484	6,277	5,343	5,152
Other current financial assets	9	196	2,546	1,018	409
Other current assets	9	103	1,334	1,594	976
Total current assets		5,821	75,455	59,983	52,323
Investments in associates and joint ventures	10	6,467	83,840	78,643	68,793
Property, plant and equipment, net	11	4,756	61,649	54,563	42,182
Intangible assets, net	12	5,237	67,893	63,030	44,253
Deferred tax assets	24	156	2,028	2,000	3,734
Other financial assets	13	174	2,254	2,745	1,388
Other assets, net	13	218	2,823	2,398	2,022
TOTAL ASSETS		$ 22,829	Ps. 295,942	Ps. 263,362	Ps. 214,695
LIABILITIES AND EQUITY					
Current Liabilities:					
Bank loans and notes payable	18	$ 325	Ps. 4,213	Ps. 638	Ps. 1,578
Current portion of long-term debt	18	346	4,489	4,935	1,725
Interest payable		16	207	216	165
Suppliers		1,900	24,629	21,475	17,458
Accounts payable		503	6,522	5,488	5,151
Taxes payable		389	5,048	4,241	3,089
Other current financial liabilities	25	258	3,347	2,135	1,726
Current portion of other long-term liabilities		6	61	197	276
Total current liabilities		3,743	48,516	39,325	31,168
Long-Term Liabilities:					
Bank loans and notes payable	18	2,209	28,640	23,819	21,935
Post-employment and other long-term employee benefits	16	283	3,675	2,584	2,338
Deferred tax liabilities	24	54	700	414	223
Other financial liabilities	25	65	836	1,493	1,972
Provisions and other long-term liabilities	25	263	3,414	3,556	3,661
Total long-term liabilities		2,874	37,265	31,866	30,129
Total liabilities		6,617	85,781	71,191	61,297
Equity:					
Controlling interest:					
Capital stock		258	3,346	3,345	3,345
Additional paid-in capital		1,754	22,740	20,656	14,757
Retained earnings		9,913	128,508	114,487	103,695
Cumulative other comprehensive income		52	665	5,734	80
Total controlling interest		11,977	155,259	144,222	121,877
Non-controlling interest in consolidated subsidiaries	21	4,235	54,902	47,949	31,521
Total equity		16,212	210,161	192,171	153,398
TOTAL LIABILITIES AND EQUITY		$ 22,829	Ps. 295,942	Ps. 263,362	Ps. 214,695

(*) Convenience translation to U.S. dollars ($) – see Note 2.2.3

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

Javier Astaburuaga Sanjines
Chief Financial and Strategic Development Officer

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

Consolidated Income Statements

For the years ended December 31, 2012 and 2011
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.), except per share amounts

	Note	2012 (*)	2012	2011
Net sales		$ 18,276	Ps. 236,922	Ps. 200,426
Other operating revenues		107	1,387	1,114
Total revenues		18,383	238,309	201,540
Cost of goods sold		10,569	137,009	117,244
Gross profit		7,814	101,300	84,296
Administrative expenses		737	9,552	8,172
Selling expenses		4,789	62,086	50,685
Other income	19	135	1,745	381
Other expenses	19	(152)	(1,973)	(2,072)
Interest expense	18	(193)	(2,506)	(2,302)
Interest income		60	783	1,014
Foreign exchange (loss) gain, net		(14)	(176)	1,148
(Loss) gain on monetary position for subsidiaries in hyperinflationary economies		(1)	(13)	53
Market value gain (loss) on financial instruments		1	8	(109)
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method		2,124	27,530	23,552
Income taxes	24	613	7,949	7,618
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	10	653	8,470	4,967
Consolidated net income		$ 2,164	Ps. 28,051	Ps. 20,901
Attributable to:				
Controlling interest		1,597	20,707	15,332
Non-controlling interest		567	7,344	5,569
Consolidated net income		$ 2,164	Ps. 28,051	Ps. 20,901
Basic net controlling interest income:				
Per series “B” share	23	$ 0.08	Ps. 1.03	Ps. 0.77
Per series “D” share	23	0.10	1.30	0.96
Diluted net controlling interest income:				
Per series “B” share	23	0.08	1.03	0.76
Per series “D” share	23	0.10	1.29	0.96

(*) Convenience translation to U.S. dollars ($) – see Note 2.2.3

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2012 and 2011

Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

	Note	2012 (*)	2012	2011
Consolidated net income		$ **2,164**	Ps. **28,051**	Ps. 20,901
Other comprehensive income:				
Items that may be reclassified to consolidated net income, net of tax:				
Unrealized gain on available for sale securities	6	**-**	**(2)**	4
Valuation of the effective portion of derivative financial instruments		**(19)**	**(243)**	118
Exchange differences on translating foreign operations		**(405)**	**(5,250)**	9,008
Share of other comprehensive income of associates and joint ventures	10	**(60)**	**(781)**	(1,395)
Total items that may be reclassified		**(484)**	**(6,276)**	7,735
Items that will not to be reclassified to consolidated net income, net of tax:				
Remeasurements of the net defined benefit liability	16	**(22)**	**(279)**	(59)
Total items that will not be reclassified		**(22)**	**(279)**	(59)
Total other comprehensive income, net of tax		**(506)**	**(6,555)**	7,676
Consolidated comprehensive income, net of tax		**1,658**	**21,496**	28,577
Controlling interest comprehensive income		**1,206**	**15,638**	20,986
Reatribution to non-controlling interest of other comprehensive income by acquisition of FOQUE		**2**	**29**	-
Reatribution to non-controlling interest of other comprehensive income by acquisition of Grupo Tampico		**-**	**-**	37
Reatribution to non-controlling interest of other comprehensive income by acquisition of Grupo CIMSA		**-**	**-**	50
Controlling interest, net of reatribution		**1,208**	**15,667**	21,073
Non-controlling interest comprehensive income		**452**	**5,858**	7,591
Reatribution from controlling interest of other comprehensive income by acquisition of FOQUE		**(2)**	**(29)**	-
Reatribution from controlling interest of other comprehensive income by acquisition of Grupo Tampico		**-**	**-**	(37)
Reatribution from controlling interest of other comprehensive income by acquisition of Grupo CIMSA		**-**	**-**	(50)
Non-controlling interest, net of reatribution		**450**	**5,829**	7,504
Consolidated comprehensive income		**$ 1,658**	**Ps. 21,496**	Ps. 28,577

(*) Convenience translation to U.S. dollars ($) – see Note 2.2.3

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

Consolidated Statements of Changes in Equity

For the years ended December 31, 2012 and 2011

Amounts expressed in millions of Mexican pesos (Ps.)

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available for Sale Securities
Balances at January 1, 2011	**Ps. 3,345**	**Ps. 14,757**	**Ps. 103,695**	**Ps. -**
Net income			15,332	
Other comprehensive income, net of tax				4
Comprehensive income			15,332	4
Dividends declared			(4,600)	
Issuance (repurchase) or shares associated with share-based payment plans		50		
Acquisition of Grupo Tampico through issuance of Coca-Cola FEMSA shares (see Note 4)		2,854		
Acquisition of Grupo CIMSA through issuance of Coca-Cola FEMSA shares (see Note 4)		3,040		
Other transactions of non-controlling interest		(45)		
Other movements of equity method of associates, net of taxes			60	
Balances at December 31, 2011	**3,345**	**20,656**	**114,487**	**4**
Net income			20,707	
Other comprehensive income, net of tax				(2)
Comprehensive income			20,707	(2)
Dividends declared			(6,200)	
Issuance (repurchase) of shares associated with share-based payment plans	1	(50)		
Acquisition of Grupo Fomento Queretano (see Note 4)		2,134		
Other transactions of non-controlling interest				
Other movements of equity method of associates, net of taxes			(486)	
Balances at December 31, 2012	**Ps. 3,346**	**Ps. 22,740**	**Ps. 128,508**	**Ps. 2**

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

Valuation of the Effective Portion of Derivative Financial Instrument	Exchange Differences on Translation of Foreign Operations	Remeasurements of the Net Defined Benefit Liability	Total Controlling Interest	Non-Controlling Interest	Total Equity
Ps. 139	**Ps. -**	**Ps. (59)**	**Ps. 121,877**	**Ps. 31,521**	**Ps. 153,398**
			15,332	5,569	20,901
228	5,810	(301)	5,741	1,935	7,676
228	5,810	(301)	21,073	7,504	28,577
			(4,600)	(2,025)	(6,625)
			50	(19)	31
(1)	(39)	3	2,817	5,011	7,828
(1)	(54)	5	2,990	6,027	9,017
			(45)	(70)	(115)
			60	-	60
365	**5,717**	**(352)**	**144,222**	**47,949**	**192,171**
			20,707	7,344	28,051
(17)	(3,725)	(1,296)	(5,040)	(1,515)	(6,555)
(17)	(3,725)	(1,296)	15,667	5,829	21,496
			(6,200)	(2,986)	(9,186)
			(49)	(12)	(61)
1	(31)	1	2,105	4,172	6,277
			-	(50)	(50)
			(486)	-	(486)
Ps. 349	**Ps. 1,961**	**Ps. (1,647)**	**Ps. 155,259**	**Ps. 54,902**	**Ps. 210,161**

Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011

Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

		2012 (*)		2012		2011
Cash flows from operating activities:						
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method	$	2,124	Ps.	27,530	Ps.	23,552
Adjustments for:						
Non-cash operating expenses		258		3,333		1,711
Depreciation		553		7,175		5,694
Amortization		55		715		469
Gain on sale of long-lived assets		(10)		(132)		(95)
Gain on sale of shares		(166)		(2,148)		-
Disposal of long-lived assets		10		133		656
Impairment of long-lived assets		30		384		146
Interest income		(60)		(783)		(1,014)
Interest expenses		193		2,506		2,302
Foreign exchange loss (gain), net		14		176		(1,148)
Monetary position loss (gain), net		1		13		(53)
Market value (gain) loss on financial instruments		(1)		(8)		109
Cash flow from operating activities before changes in working capital and provisions		3,001		38,894		32,329
Accounts receivable and other current assets		(57)		(746)		(2,990)
Other current financial assets		(75)		(977)		(94)
Inventories		(177)		(2,289)		(2,277)
Derivative financial instruments		(1)		(17)		(43)
Suppliers and other accounts payable		296		3,833		1,364
Other long-term liabilities		(1)		(18)		(391)
Other current financial liabilities		25		329		116
Post-employment and other long-term employee benefits		(16)		(209)		(348)
Cash generated from operations		2,995		38,800		27,666
Income taxes paid		(618)		(8,015)		(6,419)
Net cash generated by operating activities		2,377		30,785		21,247
Cash flows from investing activities:						
Acquisition of Grupo Tampico, net of cash acquired (see Note 4)		-		-		(2,414)
Acquisition of Grupo CIMSA, net of cash acquired (see Note 4)		-		-		(1,912)
Acquisition of Grupo Fomento Queretano, net of cash acquired (see Note 4)		(86)		(1,114)		-
Disposals of subsidiaries and associates, net of cash		81		1,055		-
Purchase of investments		(217)		(2,808)		(1,351)
Proceeds from investments		195		2,534		68
Interest received		60		777		1,029
Derivative financial instruments		7		94		6
Dividends received from associates and joint ventures		131		1,697		1,661
Long-lived assets acquisitions		(1,145)		(14,844)		(12,046)
Proceeds from the sale of long-lived assets		28		362		535
Acquisition of intangible assets		(34)		(441)		(639)
Other assets		(191)		(2,471)		(2,102)
Other financial assets		40		516		(924)
Net cash used in investing activities	$	(1,131)	Ps.	(14,643)	Ps.	(18,089)
Cash flows from financing activities:						
Proceeds from borrowings	$	1,084	Ps.	14,048	Ps.	6,606
Payments of bank loans		(453)		(5,872)		(3,732)
Interest paid		(168)		(2,172)		(2,020)
Derivative financial instruments		(16)		(209)		(359)
Dividends paid		(709)		(9,186)		(6,625)
Acquisition of non-controlling interests		-		(6)		(115)
Other financing activities		(2)		(21)		(13)
Net cash used in financing activities		(264)		(3,418)		(6,258)
Increase (decrease) in cash and cash equivalents		982		12,724		(3,100)
Initial balance of cash and cash equivalents		1,993		25,841		26,705
Effects of exchange rate changes and inflation effects on cash and cash equivalents held in foreign currencies		(158)		(2,044)		2,236
Ending balance of cash and cash equivalents	$	2,817	Ps.	36,521	Ps.	25,841

(*) Convenience translation to U.S. dollars ($) – see Note 2.2.3

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

Notes to the Consolidated Financial Statements

As of December 31, 2012, 2011 and as of January 1, 2011 (Date of transition to IFRS)
Amounts expressed in millions of U.S. dollars ($) and in millions of Mexican pesos (Ps.)

1 Activities of the Company

Fomento Económico Mexicano, S.A.B. de C.V. ("FEMSA") is a Mexican holding company. The principal activities of FEMSA and its subsidiaries (the "Company"), as an economic unit, are carried out by operating subsidiaries and companies under direct and indirect holding company subsidiaries (the "Subholding Companies") of FEMSA.

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

Subholding Company	% Ownership December 31, **2012**	December 31, 2011	January 1, 2011	Activities
Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries ("Coca-Cola FEMSA")	48.9% [(1) (2)] (63.0% of the voting shares)	50.0% [(1) (3)] (63.0% of the voting shares)	53.7% [(1)] (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. At December 31, 2012, The Coca-Cola Company indirectly owns 28.7% of Coca-Cola FEMSA's capital stock. In addition, shares representing 22.4% of Coca-Cola FEMSA's capital stock are traded on the Bolsa Mexicana de Valores (Mexican Stock Exchange "BMV"). Its American Depositary Shares ("ADS") trade on the New York Stock Exchange, Inc (NYSE).
FEMSA Comercio, S.A. de C.V. and subsidiaries ("FEMSA Comercio")	100%	100%	100%	Operation of a chain of convenience stores in Mexico and Colombia under the trade name "OXXO."
CB Equity, LLP ("CB Equity")	100%	100%	100%	This Company holds Heineken N.V. and Heineken Holding N.V. shares, which represents in the aggregated a 20% economic interest in both entities ("Heineken Company").
Other companies	100%	100%	100%	Companies engaged in the production and distribution of coolers, commercial refrigeration equipment and plastic cases; as well as transportation logistics and maintenance services to FEMSA's subsidiaries and to third parties.

(1) The Company controls the operating and financial policies.
(2) The ownership decreased from 50.0% as of December 31, 2011 to 48.9% as of December 31, 2012 as a result of merger transactions (see Note 4).
(3) The ownership decreased from 53.7% as of January 1, 2011 to 50.0% as of December 31, 2011 as a result of merger transactions (see Note 4).

2 Basis of Preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements of the Company for the year ended December 31, 2012 are the first annual financial statements that comply with IFRS and where IFRS 1, *First Time Adoption of International Financial Reporting Standards*, has been applied.

The Company's transition date to IFRS is January 1, 2011 and management prepared the opening balance sheet under IFRS as of that date. Until the year ended December 31, 2011, the Company prepared its consolidated financial information under Mexican Financial Reporting Standards ("Mexican FRS"). The differences in the requirements for recognition, measurement and presentation between IFRS and Mexican FRS were reconciled for purposes of the Company's equity at the date of transition and at December 31, 2011, and for purposes of consolidated comprehensive income for the year ended December 31, 2011. Reconciliations and explanations of how the transition to IFRS has affected the consolidated financial position, results of operations and cash flows of the Company are provided in Note 27.

The accompanying consolidated financial statements and its notes were approved for issuance in accordance with the resolution of the board of directors on February 27, 2013 and subsequent events have been considered through that date (see Note 29). These consolidated financial statements and their accompanying notes will be presented at the Company's shareholders meeting in March 15, 2013. The Company's shareholders have the faculty to approve or modify the Company's consolidated financial statements.

2.2 Basis of measurement and presentation

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Available-for-sale investments.
- Derivative financial instruments.
- Long-term notes payable on which fair value hedge accounting is applied.
- Trust assets of post-employment and other long-term employee benefit plans.
- The financial statements of subsidiaries whose functional currency is the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the end of the reporting period.

2.2.1 Presentation of consolidated income statement

The Company classifies its costs and expenses by function in the consolidated income statements, in order to conform to the industry practices where the Company operates.

2.2.2 Presentation of consolidated statements of cash flows

The Company´s consolidated statements of cash flows is presented using the indirect method.

2.2.3 Convenience translation to U.S. dollars ($)

The consolidated financial statements are stated in millions of Mexican pesos ("Ps.") and rounded to the nearest million unless stated otherwise. However, solely for the convenience of the readers, the consolidated statement of financial position as of December 31, 2012, the consolidated income statement, the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2012 were converted into U.S. dollars at the exchange rate of 12.9635 pesos per U.S. dollar as established by the U.S. Federal Reserve Board in its H.10 Weekly Release of Foreign Exchange Rates as of that date. This arithmetic conversion should not be construed as a representation that the amounts expressed in Mexican pesos may be converted into U.S. dollars at that or any other exchange rate.

2.3 Critical accounting judgments and estimates

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.3.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

2.3.1.1 Impairment of indefinite lived intangible assets, goodwill and depreciable long-lived assets

Intangible assets with indefinite lives as well as goodwill are subject to annual impairment tests. An impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. In order to determine whether such assets are impaired, the Company initially calculates an estimation of the value in use of the cash-generating units to which such assets have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The Company reviews annually the carrying value of our intangible assets with indefinite lives and goodwill for impairment based on recognized valuation techniques. While the Company believes that its estimates are reasonable, different assumptions regarding such estimates could materially affect its evaluations. Impairment losses are recognized in current earnings in the period the related impairment is determined.

The Company assesses at each reporting date whether there is an indication that a depreciable long lived asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. The key assumptions used to determine the recoverable amount for the Company's CGUs, including a sensitivity analysis, are further explained in Notes 3.15 and 12.

2.3.1.2 Useful lives of property, plant and equipment and intangible assets with defined useful lives
Property, plant and equipment, including returnable bottles as they are expected to provide benefits over a period of more than one year, as well as intangible assets with defined useful lives are depreciated/amortized over their estimated useful lives. The Company bases it estimates on the experience of its technical personnel as well as based on its experience in the industry for similar assets, see Notes 3.11, 3.13, 11 and 12.

2.3.1.3 Post-employment and other long-term employee benefits
The Company annually evaluates the reasonableness of the assumptions used in its post-employment and other long-term employee benefit computations. Information about such assumptions is described in Note 16.1.

2.3.1.4 Income taxes
Deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. For its particular Mexican subsidiaries, the Company recognizes deferred income taxes, based on its financial projections depending on whether it expects to incur the regular income tax ("ISR") or the business flat tax ("IETU") in the future. Additionally, the Company regularly reviews its deferred tax assets for recoverability, and records a deferred tax asset based on its judgment regarding the probability of historical taxable income, projected future taxable income and the expected timing of the reversals of existing temporary differences (see Note 24).

2.3.1.5 Tax, labor and legal contingencies and provisions
The Company is subject to various claims and contingencies related to tax, labor and legal proceedings as described in Note 25. Due to their nature, such legal proceedings involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions. Management periodically assesses the probability of loss for such contingencies and accrues a provision and/or discloses the relevant circumstances, as appropriate. If the potential loss of any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues a provision for the estimated loss.

2.3.1.6 Valuation of financial instruments
The Company is required to measure all derivative financial instruments at fair value.

The fair values of derivative financial instruments are determined considering quoted prices in recognized markets. If such instruments are not traded, fair value is determined by applying techniques based upon technical models supported by sufficient reliable and verifiable data, recognized in the financial sector. The Company bases its forward price curves upon market price quotations. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments (see Note 20).

2.3.1.7 Business combinations
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities assumed by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, *Income Taxes* and IAS 19, *Employee Benefits*, respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, *Share-based Payment* at the acquisition date, see Note 3.23; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Company's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Company's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

For each business combination, the Company elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

2.3.1.8 Investments in associates
If the Company holds, directly or indirectly, 20 per cent or more of the voting power of the investee, it is presumed that it has significant influence, unless it can be clearly demonstrated that this is not the case. If the Company holds, directly or indirectly, less than 20 per cent of the voting power of the investee, it is presumed that the Company does not have significant influence, unless such influence can be clearly demonstrated. Decisions regarding the propriety of utilizing the equity method of accounting for a less than 20 per cent-owned corporate investee require a careful evaluation of voting rights and their impact on the Company's ability to exercise significant influence. Management considers the existence of the following circumstances which may indicate that the Company is in a position to exercise significant influence over a less than 20 per cent-owned corporate investee:

- Representation on the board of directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;

- Material transactions between the Company and the investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

Management also considers the existence and effect of potential voting rights that are currently exercisable or currently convertible securities should also be considered when assessing whether the Company has significant influence.

In addition, the Company evaluates the following indicators that provide evidence of significant influence:

- The Company's extent of ownership is significant relative to other shareholdings (i.e., a lack of concentration of other shareholders);
- The Company's significant stockholders, its parent, fellow subsidiaries, or officers of the Company, hold additional investment in the investee; and
- The Company is a part of significant investee committees, such as the executive committee or the finance committee.

3 Significant Accounting Policies

3.1 Basis of consolidation
The consolidated financial statements incorporate the financial statements of FEMSA and subsidiaries controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. Total consolidated net income (loss) and comprehensive income (loss) of subsidiaries is attributed to the controlling interest and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

All intercompany transactions, balances, income and expenses have been eliminated in the consolidated financial statements.

Note 1 to the consolidated financial statements lists all significant subsidiaries that are controlled by the Company as of December 31, 2012, 2011 and January 1, 2011 (transition date to IFRS).

3.1.1 Acquisitions of non-controlling interests
Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are measured at carrying amount and reflected in equity as part of additional paid-in capital.

3.1.2 Special Purpose Entities ("SPEs")
An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Company and the SPE's risks and rewards, the Company concludes that it controls the SPE. SPEs controlled by the Company were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the Company receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

3.1.3 Loss of control
Upon the loss of control, the Company derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in consolidated net income, including the share by the controlling interest of components previously recognized in other comprehensive income. If the Company retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for by the equity method or as a financial asset depending on the level of influence retained.

3.1.4 Disposals without loss of control
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

In equity transactions, carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company (the controlling interest).

3.2 Business combinations
Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Company. In assessing control, the Company takes into consideration potential voting rights that are currently exercisable.

The Company measures goodwill at the acquisition date as the fair value of the consideration transferred plus the fair value of any previously-held equity interest in the acquiree and the recognized amount of any non-controlling interests in the acquiree (if any), less the net recognized amount of the identifiable assets acquired and liabilities assumed. If after reassessment, the excess is negative, a bargain purchase gain is recognized in consolidated net income at the time of the acquisition.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in consolidated net income of the Company.

Costs related to the acquisition, other than those associated with the issuance of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent considerations are recognized in consolidated net income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete, and discloses that its allocation is preliminary in nature. Those provisional amounts are adjusted during the measurement period (not greater than 12 months), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3.3 Foreign currencies and consolidation of foreign subsidiaries, investments in associates and joint ventures

In consolidating the financial statements of each individual subsidiary, investment in associates and joint venture, transactions in currencies other than the individual entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not remeasured.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- The variations in the net investment in foreign subsidiaries generated by exchange rate fluctuation are included as part of the exchange differences on translation of foreign operations within the cumulative other comprehensive income (loss) item, which is recorded in equity.
- Intercompany financing balances with foreign subsidiaries that 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 is included in the exchange differences on translation of foreign operations within the cumulative other comprehensive income (loss) item, which is recorded in equity.
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

For incorporation into the Company's consolidated financial statements, each foreign subsidiary, associates or joint venture's individual financial statements are translated into Mexican pesos, as described as follows:

- For hyperinflationary 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 consolidated statements of financial position and consolidated income statements and comprehensive income; and
- For non-inflationary economic environments, assets and liabilities are translated into Mexican pesos using the year-end exchange rate, equity is translated into Mexican pesos using the historical exchange rate, and the income statement and comprehensive income is translated using the exchange rate at the date of each transaction. The Company uses the average exchange rate of each month only if the exchange rate does not fluctuate significantly.

		Exchange Rates of Local Currencies Translated to Mexican Pesos				
		Average Exchange Rate for		Exchange Rate as of		
Country or Zone	Functional / Recording Currency	**2012**	2011	December 31, **2012**	December 31, 2011	January 1, 2011[(1)]
Mexico	Mexican peso	**Ps. 1.00**	Ps. 1.00	**Ps. 1.00**	Ps. 1.00	Ps. 1.00
Guatemala	Quetzal	**1.68**	1.59	**1.65**	1.79	1.54
Costa Rica	Colon	**0.03**	0.02	**0.03**	0.03	0.02
Panama	U.S. dollar	**13.17**	12.43	**13.01**	13.98	12.36
Colombia	Colombian peso	**0.01**	0.01	**0.01**	0.01	0.01
Nicaragua	Cordoba	**0.56**	0.55	**0.54**	0.61	0.56
Argentina	Argentine peso	**2.90**	3.01	**2.65**	3.25	3.11
Venezuela	Bolivar	**3.06**	2.89	**3.03**	3.25	2.87
Brazil	Reai	**6.76**	7.42	**6.37**	7.45	7.42
Euro Zone	Euro (€)	**16.92**	17.28	**17.12**	18.05	16.41

(1) December 31, 2010 exchange rates used for conversion of financial information as of the opening balance sheet on January 1, 2011.

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 of raw materials purchased in local currency. In January 2010, the Venezuelan government announced a devaluation of its official exchange rate to 4.30 bolivars to one U.S. dollar.

The translation of the financial statements of Coca-Cola FEMSA's Venezuelan subsidiary is performed using the 4.30 bolivars exchange rate per U.S. dollar (see also Note 29).

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company (the controlling interest) are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or jointly controlled entities that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in equity as part of the exchange differences on translation of foreign operations item.

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.

3.4 Recognition of the effects of inflation in countries with hyperinflationary economic environments

The Company recognizes the effects of inflation on the financial information of its Venezuelan subsidiary that operates in a hyperinflationary economic environment (its cumulative inflation of the three preceding years is approaching, or exceeds, 100% or more in addition to other qualitative factors), which consists of:

- Using inflation factors to restate non-monetary assets, such as inventories, property, plant and equipment, 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, net income, retained earnings and items of other comprehensive income by the necessary amount to maintain the purchasing power equivalent in the currency of Venezuela on the dates such capital was contributed or income was generated up to the date of these consolidated financial statements are presented; and
- Including the monetary position gain or loss in consolidated net income.

The Company restates the financial information of a subsidiaries that operates in hyperinflationary economic environment (Venezuela) using the consumer price index of that country.

3.5 Cash and cash equivalents and restricted cash

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

The Company also maintains restricted cash held as collateral to meet certain contractual obligations (see Note 9.2). Restricted cash is presented within other current financial assets given that the restrictions are short-term in nature.

3.6 Financial assets

Financial assets are classified into the following specified categories: "at fair value through profit or loss (FVTPL)," "held-to-maturity investments," "available-for-sale," "loans and receivables" or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the nature and purpose of holding the financial assets and is determined at the time of initial recognition.

When a financial asset or financial liability is recognised initially, the Company measures it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The Company's financial assets include cash and cash equivalents, investments, loans and receivables, derivative financial instruments and other financial assets.

3.6.1 Effective interest method

The effective interest rate method is a method of calculating the amortized cost of loans and receivables and other financial assets (designated as held-to-maturity) and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.6.2 Investments
Investments consist of debt securities and bank deposits with maturities of more than three months at the acquisition date. Management determines the appropriate classification of investments at the time of purchase and assesses such designation as of each reporting date (see Note 6).

3.6.2.1 Available-for-sale investments are carried at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive income. Interest and dividends on investments classified as available-for-sale are included in interest income. The fair values of the investments are readily available based on quoted market prices. The exchange effects of securities available for sale are recognized in the consolidated income statement in the period in which they arise.

3.6.2.2 Held-to maturity investments are those that the Company has the positive intent and ability to hold to maturity, and after initial measurement, such financial assets are subsequently measured at amortized cost, which includes any cost of purchase and premium or discount related to the investment. Subsequently, the premium/discount is amortized over the life of the investment based on its outstanding balance utilizing the effective interest method, less any impairment. Interest and dividends on investments classified as held-to maturity are included in interest income.

3.6.3 Loans and receivables
Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. For the years ended December 31, 2012 and 2011, the interest income recognized in the interest income line item within the consolidated income statements for loans and receivable is Ps. 87 and Ps. 61, respectively.

3.6.4 Other financial assets
Other financial assets are non current accounts receivable and derivative financial instruments. Other financial assets with a relevant period are measured at amortized cost using the effective interest method, less any impairment.

3.6.5 Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, there is an incurred "loss event" and that loss event has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

Evidence of impairment may include indicators as follows:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquent in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance for doubtful accounts. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit and loss.

As of December 31, 2012, the Company recognized an impairment charge of Ps. 384 (see Note 19).

3.6.6 Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the financial asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.6.7 Offsetting of financial instruments

Financial assets are required to be offset against financial liabilities and the net amount reported in the consolidated statement of financial position if, and only when the Company:

- Currently has an enforceable legal right to offset the recognised amounts, and
- Intends to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.7 Derivative financial instruments

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

The Company values and records all derivative financial instruments and hedging activities, in the consolidated statement of financial position 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. Such techniques may include using recent arm's length market transactions, reference to the current fair value or another instrument that is substantially the same and a discounted cash flow analysis of other valuation models. Changes in the fair value of derivative financial instruments are recorded each year in current earnings or as a component of cumulative other comprehensive income based on the item being hedged and the effectiveness of the hedge.

3.7.1 Hedge accounting

The Company designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

3.7.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading valuation of the effective portion of derivative financial instruments. The gain or loss relating to the ineffective portion is recognized immediately in consolidated net income, and is included in the market value gain (loss) on financial instruments line item within the consolidated income statements.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to consolidated net income in the periods when the hedged item is recognized in consolidated net income, in the same line of the consolidated income statement as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in cumulative other comprehensive income in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in consolidated net income. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in consolidated net income.

3.7.3 Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in consolidated net income immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the consolidated income statement relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to consolidated net income from that date over the remaining term of the hedge using the effective interest method.

3.8 Inventories and cost of sales

Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Inventories represent the acquisition or production cost which is incurred when purchasing or producing a product, and are based on the weighted average cost formula. The operating segments of the Company use inventory costing methodologies to value their inventories, such as the standard cost method in Coca-Cola FEMSA and retail method in FEMSA Comercio.

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

3.9 Other current assets

Other current assets, which will be realized within a period of less than one year from the reporting date, are comprised of prepaid assets and agreements with customers.

Prepaid assets principally consist of advances to suppliers of raw materials, advertising, leasing and insurance expenses. Prepaid assets are carried to the appropriate caption when inherent benefits and risks have already been transferred to the Company or services have been received.

Prepaid advertising costs consist of television and radio advertising airtime paid in advance: these expenses are generally amortized over the period based on the transmission of the television and radio spots. The related production costs are recognized in consolidated net income as incurred.

Coca-Cola FEMSA has agreements with customers for the right to sell and promote the Company's products over a certain period. The majority of these agreements have terms of more than one year, and the releted costs are amortized using the straight-line method over the term of the contract, with amortization presented as a reduction of net sales. For the years ended December 31, 2012 and 2011, such amortization aggregated to Ps. 970 and Ps. 793, respectively. The costs of agreements with terms of less than one year recorded as a reduction in net sales when incurred.

3.10 Investments in associates and joint ventures

Investments in associates are those entities in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control over the financial and operating policies. Joint ventures are those companies over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and joint ventures are accounted for using the equity method and initial recognition comprises the investment's purchase price and any directly attributable expenditure necessary to acquire it.

The consolidated financial statements include the Company's share of the consolidated net income and other comprehensive income, after adjustments to align the accounting policies with those of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Profits and losses resulting from 'upstream' and 'downstream' transactions between the Company (including its consolidated subsidiaries) and an associate are recognised in the consolidated financial statements only to the extent of unrelated investors' interests in the associate. 'Upstream' transactions are, for example, sales of assets from an associate to the investor. 'Downstream' transactions are, for example, sales of assets from the Company to an associate. The Company's share in the associate's profits and losses resulting from these transactions is eliminated.

When the Company's share of losses exceeds the carrying amount of the associate or joint venture, including any long-term investments, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has a legal or constructive obligation or has made payments on behalf of the associate or joint venture.

Goodwill identified at the acquisition date is presented as part of the investment in shares of the associate or joint venture in the consolidated statement of financial position. Any goodwill arising on the acquisition of the Company's interest in a jointly controlled entity or associate is measured in accordance with the Company's accounting policy for goodwill arising in a business combination, see Note 3.2.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on its investment in its associate. For investments in shares, the Company determines at each reporting date whether there is any objective evidence that the investment in shares is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognizes the amount in the share of the profit or loss of associates and joint ventures accounted for using the equity method in the consolidated income statements.

3.11 Property, plant and equipment

Property, plant and equipment are initially recorded at their cost of acquisition and/or construction, and are presented net of accumulated depreciation and/or accumulated impairment losses, if any. The borrowing costs related to the acquisition or construction of qualifying asset is capitalized as part of the cost of that asset.

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

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

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

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

	Years
Buildings	40-50
Machinery and equipment	10-20
Distribution equipment	7-15
Refrigeration equipment	5-7
Returnable bottles	1.5-4
Leasehold improvements	12-15
Information technology equipment	3-5
Other equipment	3-10

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds (if any) and the carrying amount of the asset and is recognized in consolidated net income.

Returnable and non-returnable bottles:
Coca-Cola FEMSA has two types of bottles: returnable and non-returnable.

- Non returnable: Are recorded in consolidated net income at the time of product sale.
- Returnable: Are classified as long-lived assets as a component of property, plant and equipment. Returnable bottles are recorded at acquisition cost; for countries with hyperinflationary economies, restated according to IAS 29. Depreciation of returnable bottles is computed using the straight-line method considering their estimated useful lives.

There are two types of returnable bottles:

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

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

Coca-Cola FEMSA's returnable bottles in the market and for which a deposit from customers has been received are depreciated according to their estimated useful lives.

3.12 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs may include:

- Interest expense;
- Finance charges in respect of finance leases; and
- Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in consolidated net income in the period in which they are incurred.

3.13 Intangible assets
Intangible assets are identifiable non monetary assets without physical substance and represent payments whose benefits will be received in future years. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite, in accordance with the period over which the Company expects to receive the benefits.

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

- Information technology and management system costs incurred during the development stage which are currently in use. Such amounts are capitalized and then amortized using the straight-line method over their expected useful lives. Expenses that do not fulfill the requirements for capitalization are expensed as incurred.
- Long-term alcohol licenses are amortized using the straight-line method over their estimated useful lives, which range between 12 and 15 years, and are presented as part of intangible assets with finite useful lives.

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

Intangible assets with an indefinite life are not amortized and are subject to impairment tests on an annual basis as well as whenever certain circumstances indicate that the carrying amount of those intangible assets exceeds their recoverable value.

The Company's intangible assets with an indefinite life mainly consist of rights to produce and distribute Coca-Cola trademark products in the Company's territories. These rights are contained in agreements that are standard contracts that The Coca-Cola Company has with its bottlers.

In Mexico, Coca-Cola FEMSA has eight bottler agreements for Coca-Cola FEMSA's territories in Mexico; two expire in June 2013, two expire in May 2015 and additionally four contracts that arose from the merger with Grupo Tampico, CIMSA and Grupo Fomento Queretano, expire in September 2014, April and July 2016 and January 2013 respectively. The bottler agreement for Argentina expires in September 2014, for Brazil expires in April 2014, in Colombia in June 2014, in Venezuela in August 2016, in Guatemala in March 2015, in Costa Rica in September 2017, in Nicaragua in May 2016 and in Panama in November 2014.. These bottler agreements are automatically renewable for ten-years terms, subject to the right of either party to give prior notice that it does not wish to renew the agreement. In addition, these agreements generally may be terminated in the case of material breach. Termination would prevent Coca-Cola FEMSA from selling Coca-Cola trademark beverages in the affected territory and would have an adverse effect on its business, financial conditions, results from operations and prospects.

Goodwill equates to synergies both existing in the acquired operations and those further expected to be realized upon integration. Goodwill recognized separately is tested annually for impairment and is carried at cost, less accumulated impairment losses. Gains and losses on the sale of an entity include the carrying amount of the goodwill related to that entity. Goodwill is allocated to CGUs in order to test for impairment losses. The allocation is made to CGUs that are expected to benefit from the business combination that generated the goodwill.

3.14 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.15 Impairment of non financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest CGUs for which a reasonable and consistent allocation basis can be identified.

For goodwill and other indefinite lived intangible assets, 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 recoverable value.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated net income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in consolidated net income. Impairment losses related to goodwill are not reversible.

For the year ended December 31, 2011, the Company recognized impairment of Ps. 146 (see Note 12) regarding to indefinite life intangible assets. No impairment was recognized regarding to depreciable long-lived assets, goodwill nor investment in associates and joint ventures.

3.16 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in consolidated net income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Leasehold improvements on operating leases are amortized using the straight-line method over the shorter of either the useful life of the assets or the related lease term.

3.17 Financial liabilities and equity instruments

3.17.1 Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.17.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.17.3 Financial liabilities

Initial recognition and measurement.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Company financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments, see Note 3.7.

Subsequent measurement.

The measurement of financial liabilities depends on their classification as described below:

3.17.4 Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated income statements when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest method. The effective interest method amortization is included in interest expense in the consolidated income statements.

3.17.5 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statements.

3.18 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Company recognizes a provision for a loss contingency when it is probable (i.e., the probability that the event will occur is greater than the probability that it will not) that certain effects related to past events, would materialize and can be reasonably quantified. These events and their financial impact are also disclosed as loss contingencies in the consolidated financial statements when the risk of loss is deemed to be other than remote. The Company does not recognize an asset for a gain contingency until the gain is realized, see Note 25.

Restructuring provisions are recognized only when the recognition criteria for provisions are fulfilled. The Company has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected must have been notified of the plan's main features.

3.19 Post-employment and other long-term employee benefits

Post-employment and other long-term employee benefits, which are considered to be monetary items, include obligations for pension and retirement plans, seniority premiums and postretirement medical services, all based on actuarial calculations, using the projected unit credit method.

In Mexico and Brazil, the economic benefits and retirement pensions are granted to employees with 10 years of service and minimum age of 60 and 65, respectively. In accordance with Mexican Labor Law, the Company provides seniority premium benefits to its employees under certain circumstances. These benefits consist of a one-time payment equivalent to 12 days wages for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit. For qualifying employees, the Company also provides certain post employment healthcare benefits such as the medical-surgical services, pharmaceuticals and hospital.

For defined benefit retirement plans and other long-term employee benefits, such as the Company's sponsored pension and retirement plans, seniority premiums and postretirement medical service plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. All remeasurements of the Company's defined benefit obligation such as actuarial gains and losses are recognized directly in other comprehensive income ("OCI"). The Company presents service costs within cost of goods sold, administrative and selling expenses in the consolidated income statements. The Company presents net interest cost within interest expense in the consolidated income statements. The projected benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation as of the end of each reporting period. Certain subsidiaries of the Company have established plan assets for the payment of pension benefits, seniority premiums and postretirement medical services through irrevocable trusts of which the employees are named as beneficiaries, which serve to increase the funded status of such plans' related obligations.

The Company also provides statutorily mandated severance benefits (termination benefits) to its employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months wages plus 20 days wages for each year of service payable upon involuntary termination without just cause. The Company records a liability for such severance benefits when the event that gives rise to an obligation occurs upon the termination of employment as termination benefits result from either management's decision to terminate the employment or an employee's decision to accept an offer of benefits in exchange for termination of employment.

Costs related to compensated absences, such as vacations and vacation premiums, are recognized on an accrual basis.

The Company recognizes a liability and expense for termination benefits at the earlier of the following dates:

a. When it can no longer withdraw the offer of those benefits; and

b. When it recognizes costs for a restructuring and it involves the payment of termination benefits.

The Company is demonstrably committed to a termination when, and only when, the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

A settlement occurs when an employer enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan. A curtailment arises from an isolated event such as closing of a plant, discountinuance of an operation or termination or suspension of a plan. Gains or losses on the settlement or curtailment of a defined benefit plan are recognized when the settlement or curtailment occurs.

3.20 Revenue recognition

Sales of products are recognized as revenue upon delivery to the customer, and once all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

All of the above conditions are typically met at the point in time that goods are delivered to the customer at the customers' facilitities. Net sales reflect units delivered at list prices reduced by promotional allowances, discounts and the amortization of the agreements with customers to obtain the rights to sell and promote the Company's products.

During 2007 and 2008, 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, 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, 2012 and 2011 and January 1, 2011 amounted to Ps. 98, Ps. 302 and Ps. 547, respectively. As of December 31, 2012 , 2011 and January 1, 2011 the short-term portions of such amounts presented as current portion of other long-term liabilities in the consolidated statements of financial position, amounted to Ps. 61, Ps. 197 and Ps. 276, respectively.

Other operating revenues:

Revenue arising from services of sales of waste material and packing of raw materials are recognized in the other operating revenues caption in the consolidated income statement.

The Company recognizes these transactions as revenues in accordance with the requirements established in the IAS 18, delivery of goods and rendering of services, which are:

a. The amount of revenue can be measured reliably; and

b. It is probable that the economic benefits associated with the transaction will flow to the entity.

Interest income:

Revenue arising from the use by others of entity assets yielding interest is recognised once all the following conditions are satisfied:

- The amount of the revenue can be measured reliably; and
- It is probable that the economic benefits associated with the transaction will flow to the entity.

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate ("EIR"), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The related interest income is included in the consolidated income statements.

3.21 Administrative and selling expenses

Administrative expenses include labor costs (salaries and other benefits, including employee profit sharing ("PTU")) of employees not directly involved in the sale of the Company's products, as well as professional service fees, the depreciation of office facilities, amortization of capitalized information technology system implementation costs and any other similar costs.

Selling expenses include:

- Distribution: labor costs (salaries and other related 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, 2012 and 2011, these distribution costs amounted to Ps. 16,839 and Ps. 14,967, respectively;
- Sales: labor costs (salaries and other benefits, including PTU) and sales commissions paid to sales personnel;
- Marketing: labor costs (salaries and other benefits), promotional expenses and advertising costs.

PTU is paid by the Company's Mexican and Venezuelan subsidiaries to its eligible employees. In Mexico, employee profit sharing is computed at the rate of 10% of the individual company taxable income, except for considering cumulative dividends received from resident legal persons in Mexico, depreciation of historical rather restated values, foreign exchange gains and losses, which are not included until the asset is disposed of or the liability is due and other effects of inflation are also excluded. In Venezuela, employee profit sharing is computed at a rate equivalent to 15% of after tax income, and it is no more than four months of salary.

3.22 Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. Income taxes are charged to consolidated net income as they are incurred, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

3.22.1 Current income taxes

Income taxes are recorded in the results of the year they are incurred.

3.22.2 Deferred income taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized and if any, future benefits from tax loss carryforwards and certain tax credits. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from initial recognition of goodwill (no recognition of deferred tax liabilities) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred income taxes are classified as a long-term asset or liability, regardless of when the temporary differences are expected to reverse.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

In Mexico, the income tax rate is 30% for 2011 and 2012, on 2013 will remain in 30% according with new resolution of Federal Income Law, then in 2014 and 2015 will decrease to 29% and 28%, respectively.

3.23 Share-based payments arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed and recognized based on the graded vesting method over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment within equity.

3.24 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its shares. Basic EPS is calculated by dividing the net income attributable to controlling interest by the weighted average number of shares outstanding during the period adjusted for the weighted average of own shares purchased in the year. Diluted EPS is determined by adjusting the weighted average number of shares outstanding including the weighted average of own shares purchased in the year for the effects of all potentially dilutive securities, which comprise share rights granted to employees described above.

3.25 Issuance of subsidiary stock

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

4 Mergers, Acquisitions and Disposals

4.1 Mergers and Acquisitions

The Company made certain business mergers and acquisitions that were recorded using the acquisition method of accounting. The results of the acquired operations have been included in the consolidated financial statements since the date on which the Company obtained control of the business, as disclosed below. Therefore, the consolidated income statements and the consolidated statements of financial position in the years of such acquisitions are not comparable with previous periods. The consolidated statements of cash flows for the years ended December 31, 2012 and 2011 show the merged and acquired operations net of the cash related to those mergers and acquisitions.

4.1.1 Merger with Grupo Fomento Queretano

On May 4, 2012, Coca-Cola FEMSA completed the merger of 100% of Grupo Fomento Queretano, S.A.P.I. ("Grupo Fomento Queretano") a bottler of Coca-Cola trademark products in the state of Queretaro, Mexico. This acquisition was made so as to reinforce Coca-Cola FEMSA's leadership position in Mexico and Latin America. The transaction involved the issuance of 45,090,375 shares of previously unissued Coca-Cola FEMSA L shares, along with the cash payment prior to closing of Ps. 1,221, in exchange for 100% share ownership of Grupo Fomento Queretano, which was accomplished through a merger. The total purchase price was Ps. 7,496 based on a share price of Ps. 139.22 per share on May 4, 2012. Transaction related costs of Ps. 12 were expensed by Coca-Cola FEMSA as incurred, and recorded as a component of administrative expenses in the accompanying consolidated income statements. Grupo Fomento Queretano was included in operating results from May 2012.

The fair value of the Grupo Fomento Queretano's net assets acquired is as follows:

		2012
Total current assets, including cash acquired of Ps. 107	Ps.	445
Total non-current assets		2,123
Distribution rights		2,921
Total assets		5,489
Total liabilities		(598)
Net assets acquired		4,891
Goodwill		2,605
Total consideration transferred	Ps.	7,496

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to Coca-Cola FEMSA's cash generating unit in Mexico.

Selected income statement information of Grupo Fomento Queretano for the period from May to December 31, 2012 is as follows:

Income Statement		2012
Total revenues	Ps.	2,293
Income before taxes		245
Net income	Ps.	186

4.1.2 Acquisition of Grupo CIMSA

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

The fair value of Grupo CIMSA's net assets acquired is as follows:

		2011 Preliminary		Fair Value Adjustments		2011 Final
Total current assets, including cash acquired of Ps. 188	Ps.	737	Ps.	(134)	Ps.	603
Total non-current assets		2,802		253		3,055
Distribution rights		6,228		(42)		6,186
Total assets		9,767		77		9,844
Total liabilities		(586)		28		(558)
Net assets acquired		9,181		105		9,286
Goodwill		1,936		(105)		1,831
Total consideration transferred	Ps.	11,117	Ps.	-	Ps.	11,117

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to Coca-Cola FEMSA's cash generating unit in Mexico.

Selected income statement information of Grupo CIMSA for the period from December to December 31, 2011 is as follows:

Income Statement		2011
Total revenues	Ps.	429
Income before taxes		32
Net income	Ps.	23

4.1.3 Acquisition of Grupo Tampico

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

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

		2011 Preliminary		Fair Value Adjustments		2011 Final
Total current assets, including cash acquired of Ps. 22	Ps.	461	Ps.	-	Ps.	461
Total non-current assets		2,529		(17)		2,512
Distribution rights		5,499		-		5,499
Total assets		8,489		(17)		8,472
Total liabilities		(804)		60		(744)
Net assets acquired		7,685		43		7,728
Goodwill		2,579		(43)		2,536
Total consideration transferred	Ps.	10,264	Ps.	-	Ps.	10,264

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to Coca-Cola FEMSA's cash generating unit in Mexico.

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

Income statement		2011
Total revenues	Ps.	1,056
Income before taxes		43
Net income	Ps.	31

Unaudited Pro Forma Financial Data

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

Below are pro-forma 2012 results as if Grupo Fomento Queretano was acquired on January 1, 2012:

	Grupo Fomento Queretano unaudited pro forma consolidated financial data for the period January 1 - December 31, 2012
Total revenues	**Ps. 239,297**
Income before taxes	**27,618**
Net income	**28,104**
Basic net controlling interest income per share Series "B"	**1.03**
Basic net controlling interest income per share Series "D"	**Ps. 1.30**

Below are pro-forma 2011 results as if Grupo Tampico and Grupo CIMSA were acquired on January 1, 2011:

	Grupo Tampico and CIMSA unaudited pro forma consolidated financial data for the period January 1 - December 31, 2011
Total revenues	Ps. 210,760
Income before taxes	24,477
Net income	21,536
Basic net controlling interest income per share Series "B"	0.78
Basic net controlling interest income per share Series "D"	Ps. 0.98

4.2 Disposals

During 2012, gain on sale for shares from the disposal of subsidiaries and investments of associates amounted to Ps. 1,215, primarily related to the sale of the Company's subsidiary Industria Mexicana de Quimicos, S.A. de C.V., a manufacturer and supplier of cleaning and sanitizing products and services related to food and beverage industrial processes, as well as of water treatment, for an amount of Ps. 975. The Company recognized a gain of Ps. 871, as a sales of shares within other income, which is the difference between the fair value of the consideration received and the book value of the net assets disposed. None of the Company's other disposals was individually significant. (see Note 19).

5 Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and cash equivalents, which represent short-term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with a maturity date of less than three months at their acquisition date. Cash and cash equivalents is comprised as follow:

	December 31, **2012**		December 31, 2011		January 1, 2011	
Cash and bank balances	**Ps.**	**10,577**	Ps.	8,256	Ps.	7,072
Cash equivalents (see Note 3.5)		**25,944**		17,585		19,633
	Ps.	**36,521**	Ps.	25,841	Ps.	26,705

6 Investments

As of December 31, 2012 and 2011 investments are classified as available-for-sale and held-to maturity. The carrying value of held-to maturity investments is similar to its fair value. The following is a detail of available-for-sale and held-to maturity investments.

	2012		2011		January 1, 2011 (2)	
Available-for-Sale (1)						
Debt Securities						
Acquisition cost	**Ps.**	**10**	Ps.	326	Ps.	66
Unrealized gain recognized in other comprehensive income		**2**		4		-
Fair value	**Ps.**	**12**	Ps.	330	Ps.	66
Held-to Maturity (3)						
Bank Deposits						
Acquisition cost	**Ps.**	**1,579**	Ps.	993	Ps.	-
Accrued interest		**4**		6		-
Amortized cost	**Ps.**	**1,583**	Ps.	999	Ps.	-
Total investments	**Ps.**	**1,595**	Ps.	1,329	Ps.	66

(1) Investments contracted in U.S. dollars as of December 31, 2012 and 2011.

(2) Investments contracted in Mexican Pesos.

(3) Investments contracted in euros at a fixed interest rate. Investments as of December 31, 2012 mature during 2013.

For the years ended December 31, 2012 and 2011, the effect of the investments in the consolidated income statements under the interest income caption is Ps. 23 and Ps. 37, respectively.

7 Accounts Receivable, Net

	December 31, 2012	December 31, 2011	January 1, 2011
Trade receivables	**Ps. 7,649**	Ps. 8,175	Ps. 5,739
Allowance for doubtful accounts	**(413)**	(343)	(249)
Current trade customer notes receivable	**434**	182	286
The Coca-Cola Company (see Note 14)	**1,835**	1,157	1,030
Loans to employees	**172**	146	111
Travel advances to employees	**46**	54	51
Other related parties (see Note 14)	**253**	283	216
Others	**861**	844	517
	Ps. 10,837	Ps. 10,498	Ps. 7,701

7.1 Accounts receivable

Accounts receivable representing rights arising from sales and loans to employees or any other similar concept, are presented net of discounts and the allowance for doubtful accounts.

Coca-Cola FEMSA has accounts receivable from The Coca-Cola Company arising from the latter's participation in advertising and promotional programs and investment in refrigeration equipment and returnable bottles made by Coca-Cola FEMSA.

The carrying value of accounts receivable approximates its fair value as of December 31, 2012 and 2011 and as of January 1, 2011.

Aging of past due but not impaired

	December 31, 2012	December 31, 2011	January 1, 2011
60-90 days	**Ps. 242**	Ps. 25	Ps. 78
90-120 days	**69**	34	25
120+ days	**144**	30	145
Average age (days outstanding)	**Ps. 455**	Ps. 89	Ps. 248

7.2 Movement in the allowance for doubtful accounts

	December 31, 2012	December 31, 2011
Opening balance	**Ps. 343**	Ps. 249
Allowance for the year	**330**	146
Charges and write-offs of uncollectible accounts	**(232)**	(84)
Restatement of beginning balance in hyperinflationary economies	**(28)**	32
Ending balance	**Ps. 413**	Ps. 343

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Aging of impaired trade receivables (days outstanding)

	December 31, 2012	December 31, 2011	January 1, 2011
60-90 days	**Ps. 4**	Ps. 33	Ps. 10
90-120 days	**12**	31	17
120+ days	**397**	279	222
Total	**Ps. 413**	Ps. 343	Ps. 249

7.3 Payments from The Coca-Cola Company

The Coca-Cola Company participates in certain advertising and promotional programs as well as in the Company's refrigeration equipment and returnable bottles investment program. Contributions received by the Company for advertising and promotional incentives are recognized as a reduction in selling expenses and contributions received for the refrigeration equipment and returnable bottles investment program are recorded as a reduction in the investment in refrigeration equipment and returnable bottles items. Contributions received were Ps. 3,018 and Ps. 2,595 for the years ended December 31, 2012 and 2011, respectively.

8 Inventories

	December 31, 2012	December 31, 2011	January 1, 2011
Finished products	**Ps. 9,630**	Ps. 8,326	Ps. 7,192
Raw materials	**4,541**	3,582	2,614
Spare parts	**978**	779	710
Work in process	**63**	82	60
Inventories in transit	**1,118**	1,529	525
Other	**15**	62	213
	Ps. 16,345	Ps. 14,360	Ps. 11,314

For the years ended at 2012 and 2011, the Company recognized write-downs of its inventories for Ps. 793 and Ps. 747 to net realizable value, respectively.

9 Other Current Assets and Other Current Financial Assets

9.1 Other Current Assets

	December 31, 2012	December 31, 2011	January 1, 2011
Prepaid expenses	**Ps. 1,108**	Ps. 1,282	Ps. 638
Agreements with customers	**128**	194	90
Short-term licenses	**47**	28	24
Other	**51**	90	224
	Ps. 1,334	Ps. 1,594	Ps. 976

Prepaid expenses as of December 31, 2012 and 2011 and as of January 1, 2011 are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Advances for inventories	**Ps. 86**	Ps. 513	Ps. 133
Advertising and promotional expenses paid in advance	**284**	212	203
Advances to service suppliers	**339**	258	154
Prepaid leases	**101**	87	84
Prepaid insurance	**61**	56	27
Others	**237**	156	37
	Ps. 1,108	Ps. 1,282	Ps. 638

Advertising and deferred promotional expenses recorded in the consolidated income statement for the years ended December 31, 2012 and 2011 amounted to Ps. 4,471 and Ps. 4,695, respectively.

9.2 Other Current Financial Assets

	December 31, 2012	December 31, 2011	January 1, 2011
Restricted cash	**Ps. 1,465**	Ps. 488	Ps. 394
Derivative financial instruments	**106**	530	15
Short term accounts receivable	**975**	-	-
	Ps. 2,546	Ps. 1,018	Ps. 409

The Company has pledged part of its short-term deposits in order to fulfill the collateral requirements for account payables in different currencies. As of December 31, 2012 and 2011 and as of January 1, 2011, the fair values of the short-term deposit pledged were:

	December 31, 2012	December 31, 2011	January 1, 2011
Venezuelan bolivars	**Ps. 1,141**	Ps. 324	Ps. 143
Brazilian reais	**183**	164	249
Colombian pesos	**141**	-	-
Argentine pesos	**-**	-	2
	Ps. 1,465	Ps. 488	Ps. 394

10 Investments in Associates and Joint Ventures

Details of the Company's associates at the end of the reporting period are as follows:

Investee	Principal Activity	Place of Incorporation	Ownership Percentage December 31, **2012**	December 31, 2011	January 1, 2011	Carrying Amount December 31, **2012**	December 31, 2011	January 1, 2011
Heineken Company [1] [2]	Beverages	The Netherlands	**20.0%** [3]	20.0% [3]	20.0% [3]	**Ps. 77,484**	Ps. 74,746	Ps. 66,478
Coca-Cola FEMSA:								
Joint ventures:								
Compañía Panameña de Bebidas, S.A.P.I., S.A. de C.V. [1] [5]	Holding	Panama	**50.0%**	50.0%	-	**756**	703	-
Dispensadoras de Café, S.A.P.I. de C.V. [1] [5]	Services	Mexico	**50.0%**	50.0%	-	**167**	161	-
Estancia Hidromineral Itabirito, LTDA [1] [5]	Bottling and distribution	Brazil	**50.0%**	50.0%	50.0%	**147**	142	87
Associates:								
Promotora Industrial Azucarera, S.A. de C.V. ("PIASA") [2]	Sugar	Mexico	**26.1%**	13.2%	-	**1,447**	281	-
Industria Envasadora de Querétaro, S.A. de C.V. ("IEQSA") [2]	Canned	Mexico	**27.9%**	19.2%	13.5%	**141**	100	67
Industria Mexicana de Reciclaje, S.A. de C.V.	Recycling	Mexico	**35.0%**	35.0%	35.0%	**74**	70	69
Jugos del Valle, S.A.P.I. de C.V. [2]	Beverages	Mexico	25.1%	24.0%	19.8%	**1,351**	819	603
KSP Partiçipações, LTDA	Beverages	Brazil	38.7%	38.7%	38.7%	**93**	102	93
SABB Sistema de Alimentos e Bebidas Do Brasil, LTDA [2][4]	Beverages	Brazil	19.7%	19.7%	19.9%	**902**	931	814
Holdfab2 Partiçipações Societárias, LTDA ("Holdfab2")	Beverages	Brazil	27.7%	27.7%	27.7%	**205**	262	300
Other investments in Coca-Cola FEMSA companies	Various		**Various**	Various	Various	**69**	85	75
FEMSA Comercio:								
Café del Pacífico, S.A.P.I. de C.V. (Caffenio) [1] [2]	Coffee	Mexico	**40.0%**	-	-	**459**	-	-
Other investments	Various		**Various**	Various	Various	**545**	241	207
						Ps. 83,840	Ps. 78,643	Ps. 68,793

[1] Equity method.

[2] The Company has significant influence due to the fact that it has representation on the board of directors and participates in the operating and financial decisions of the investee.

[3] As of December 31, 2012, comprised of 12.53% of Heineken, N.V. and 14.94% of Heineken Holding, N.V., which represents an economic interest of 20% in Heineken.

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

[5] The Company has joint control over this entity's operating and financial policies.

On October 1, 2012 FEMSA Comercio acquired a 40% ownership interest in Café del Pacífico, S.A.P.I de C.V., a Mexican coffee producing company for Ps. 462. On the acquisition date, the difference between the cost of its investment and the Company's share of the net book value and net fair value of the associate's identifiable assets, liabilities and contingent liabilities was accounted for in accordance with the Company's accounting policy described in Note 2.3.1.7 and resulted in the identification of amortizable intangible assets, primarily customer lists, step-up adjustments associated with the fair value of acquired fixed assets, including the associated deferred tax impacts as well as goodwill, which is not amortized, all of which are included in the carrying amount of the investment in associates. The Company made adjustments to its share of the associate's profits after the acquisition date to account for the depreciation of the depreciable assets and amortizable intangible assets based on their fair values at the acquisition date, net of their deferred tax impact and recognized a loss of Ps. 23 associated with its investment in this associate for the period from October 1, 2012 to December 31, 2012.

As mentioned in Note 4, on May 4, 2012 and December 9, 2011, Coca-Cola FEMSA completed the acquisition of 100% of Grupo FOQUE and Grupo CIMSA. As part of the acquisition of Grupo FOQUE and Grupo CIMSA, the Company also acquired a 26.1% equity interest in Promotora Industrial Azucarera, S.A de C.V.

During 2012 the Company made an additional equity investment in Jugos del Valle, S.A. de C.V. for Ps. 469. The funds were mainly used by Jugos del Valle to acquire Santa Clara (a non-carbonated beverage Company).

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

On March 17, 2011, a consortium of investors formed by FEMSA, the Macquarie Mexican Infrastructure Fund and other investors, acquired Energía Alterna Istmeña, S. de R.L. de C.V. ("EAI"), and Energía Eólica Mareña, S.A. de C.V. ("EEM"), from subsidiaries of Preneal, S.A. ("Preneal"). EAI and EEM are the owners of a 396 megawatt late-stage wind energy project in the southeastern region of the State of Oaxaca. On February 23, 2012, a wholly-owned subsidiary of Mitsubishi Corporation, and Stichting Depositary PGGM Infrastructure Funds, a pension fund managed by PGGM, acquired the 45% interest held by FEMSA in the parent companies of the Mareña Renovables Wind Power Farm. The sale of FEMSA's participation as an investor resulted in a gain of Ps. 933. Certain subsidiaries of FEMSA, FEMSA Comercio and Coca-Cola FEMSA have entered into 20-year wind power supply agreements with the Mareña Renovables Wind Power Farm to purchase some of the energy output produced by it. These agreements will remain in full force and effect.

Heineken's main activities are the production, distribution and marketing of beer worldwide. The Company recognized an equity income of Ps. 8,311 and Ps. 4,880, net of taxes regarding its interest in Heineken for the years ended December 31, 2012 and 2011, respectively.

Summarized financial information in respect of the associate Heineken accounted for under the equity method is set out below.

	December 31, **2012**	December 31, 2011	January 1, 2011
Total current assets	**€. 5,537**	€. 4,708	€. 4,318
Total non-current assets	**30,442**	22,419	22,344
Total current liabilities	**7,800**	6,159	5,623
Total non-current liabilities	**15,417**	10,876	10,819
Total revenue	**€. 19,893**	€. 17,187	
Total cost and expenses	**16,202**	14,972	
Net income	**3,109**	1,560	

As of December 31, 2012 and 2011 and as of January 1, 2011 fair value of Company's investment in Heineken N.V. Holding and Heineken N.V. represented by shares equivalent to 20% of its outstanding shares amounted to € 5,425, € 3,942 million and € 4,048 million based on quoted market prices of those dates. As of February 27, 2013, issuance date of these consolidated financial statements, fair value amounted to € 6,036 million.

During the years ended December 31, 2012 and 2011, the Company received dividends distributions from Heineken, amounted to Ps. 1,697 and Ps. 1,661, respectively.

Summarized financial information in respect of Coca-Cola FEMSA associates and joint ventures accounted for under the equity method is set out below.

	December 31, **2012**	December 31, 2011	January 1, 2011
Total current assets	**Ps. 8,569**	Ps. 8,129	Ps. 7,164
Total non-current assets	**14,639**	12,941	8,649
Total current liabilities	**5,340**	5,429	2,306
Total non-current liabilities	**2,457**	2,208	1,433
Total revenue	**Ps. 18,796**	Ps. 18,183	
Total cost and expenses	**17,776**	16,987	
Net income	**781**	1,046	

The Company's share of other comprehensive income of associates that may be reclassified to consolidated net income, net of taxes as of December 31, 2012 and 2011 are as follows:

	2012	2011
Valuation of the effective portion of derivative financial instruments	**Ps. 113**	Ps. 94
Exchange differences on translating foreign operations	**183**	(1,253)
Remeasurements of the net defined benefit liability	**(1,077)**	(236)
	Ps. (781)	Ps. (1,395)

11 Property, Plant and Equipment, Net

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
Cost as of January 1, 2011	Ps. 4,006	Ps. 10,273	Ps. 32,600	Ps. 8,462	Ps. 2,930	Ps. 3,082	Ps. 7,270	Ps. 629	Ps. 69,252
Additions	233	271	3,348	960	1,236	5,849	45	104	12,046
Additions from business combinations	597	1,103	2,309	314	183	202	-	-	4,708
Transfer of completed projects in progress	23	379	2,542	421	521	(5,162)	1,277	(1)	-
Transfer to assets classified as held for sale	111	144	(13)	-	-	-	-	(68)	174
Disposals	(58)	(15)	(2,315)	(325)	(901)	5	(331)	(162)	(4,102)
Effects of changes in foreign exchange rates	141	414	981	536	143	76	12	82	2,385
Changes in value on the recognition of inflation effects	91	497	1,155	268	3	50	-	11	2,075
Capitalization of borrowing costs	-	-	17	-	-	-	-	-	17
Cost as of December 31, 2011	Ps. 5,144	Ps. 13,066	Ps. 40,624	Ps. 10,636	Ps. 4,115	Ps. 4,102	Ps. 8,273	Ps. 595	Ps. 86,555
Cost									
Cost as of January 1, 2012	**Ps. 5,144**	**Ps. 13,066**	**Ps. 40,624**	**Ps. 10,636**	**Ps. 4,115**	**Ps. 4,102**	**Ps. 8,273**	**Ps. 595**	**Ps. 86,555**
Additions	**329**	**415**	**4,607**	**1,176**	**1,434**	**6,511**	**186**	**186**	**14,844**
Additions from business combinations	**206**	**390**	**486**	**84**	**18**	**-**	**-**	**-**	**1,184**
Adjustments of fair value of past business combinations	**57**	**312**	**(462)**	**(39)**	**(77)**	**-**	**(1)**	**-**	**(210)**
Transfer of completed projects in progress	**137**	**339**	**1,721**	**901**	**765**	**(5,183)**	**1,320**	**-**	**-**
Transfer to assets classified as held for sale	**-**	**-**	**(34)**	**-**	**-**	**-**	**-**	**-**	**(34)**
Disposals	**(82)**	**(131)**	**(963)**	**(591)**	**(324)**	**(14)**	**(100)**	**(69)**	**(2,274)**
Effects of changes in foreign exchange rates	**(107)**	**(485)**	**(2,051)**	**(451)**	**(134)**	**(28)**	**(60)**	**(41)**	**(3,357)**
Changes in value on the recognition of inflation effects	**85**	**471**	**1,138**	**275**	**17**	**(31)**	**-**	**83**	**2,038**
Capitalization of borrowing costs	**-**	**-**	**16**	**-**	**-**	**-**	**-**	**-**	**16**
Cost as of December 31, 2012	**Ps. 5,769**	**Ps. 14,377**	**Ps. 45,082**	**Ps. 11,991**	**Ps. 5,814**	**Ps. 5,357**	**Ps. 9,618**	**Ps. 754**	**Ps. 98,762**
Accumulated Depreciation									
Accumulated Depreciation as of January 1, 2011		Ps. (3,347)	Ps. (15,829)	Ps. (4,778)	Ps. (478)	Ps. -	Ps. (2,464)	Ps. (174)	Ps. (27,070)
Depreciation for the year		(328)	(2,985)	(948)	(853)	-	(533)	(47)	(5,694)
Transfer (to) assets classified as held for sale		(41)	(3)	-	-	-	-	-	(44)
Disposals		6	2,146	154	335	-	298	67	3,006
Effects of changes in foreign exchange rates		(171)	(525)	(270)	(35)	-	-	(29)	(1,030)
Changes in value on the recognition of inflation effects		(280)	(653)	(202)	-	-	-	(25)	(1,160)
Accumulated Depreciation as of December 31, 2011		Ps. (4,161)	Ps. (17,849)	Ps. (6,044)	Ps. (1,031)	Ps. -	Ps. (2,699)	Ps. (208)	Ps. (31,992)

Accumulated Depreciation	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
Accumulated Depreciation as of January 1, 2012	**Ps.(4,161)**	**Ps. (17,849)**	**Ps. (6,044)**	**Ps. (1,031)**	**Ps. -**	**Ps. (2,699)**	**Ps. (208)**	**Ps.(31,992)**
Depreciation for the year	**(361)**	**(3,781)**	**(1,173)**	**(1,149)**	**-**	**(639)**	**(72)**	**(7,175)**
Transfer (to) assets classified as held for sale	**1**	**10**	**-**	**-**	**-**	**-**	**(26)**	**(15)**
Disposals	**158**	**951**	**492**	**200**	**-**	**94**	**1**	**1,896**
Effects of changes in foreign exchange rates	**200**	**749**	**303**	**(5)**	**-**	**68**	**(5)**	**1,310**
Changes in value on the recognition of inflation effects	**(288)**	**(641)**	**(200)**	**(3)**	**-**	**-**	**(5)**	**(1,137)**
Accumulated Depreciation as of December 31, 2012	**Ps.(4,451)**	**Ps. (20,561)**	**Ps. (6,622)**	**Ps. (1,988)**	**Ps. -**	**Ps. (3,176)**	**Ps. (315)**	**Ps.(37,113)**

Carrying Amount	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
As of January 1, 2011	Ps. 4,006	Ps. 6,926	Ps. 16,771	Ps. 3,684	Ps. 2,452	Ps. 3,082	Ps. 4,806	Ps. 455	Ps. 42,182
As of December 31, 2011	5,144	8,905	22,775	4,592	3,084	4,102	5,574	387	54,563
As of December 31, 2012	**5,769**	**9,926**	**24,521**	**5,369**	**3,826**	**5,357**	**6,442**	**439**	**61,649**

During the years ended December 31, 2012 and 2011 the Company capitalized Ps.16 and Ps.17, respectively of borrowing costs in relation to Ps. 196 and Ps. 256 in qualifying assets, respectively. The rates used to determine the amounts of borrowing costs eligible for capitalization were 4.3% and 5.8%, respectively.

For the years ended December 31, 2012 and 2011 interest expense, interest income and net foreign exchange losses (gains) are analyzed as follows:

	2012	2011
Interest expense, interest income and foreign exchange losses (gains)	**Ps. 1,937**	Ps. 325
Amount capitalized [(1)]	**38**	185
Net amount in consolidated income statements	**Ps. 1,899**	Ps. 140

[(1)] Amount capitalized in property, plant and equipment and amortized intangible assets.

Commitments to acquisitions of property, plant and equipment are disclosed in Note 25.

12 Intangible Assets, Net

Cost	Rights to Produce and Distribute Coca-Cola Trademark Products	Goodwill	Other Indefinite Lived Intangible Assets	Total Unamortized Intangible Assets	Technology Costs and Management Systems	Systems in Development	Alcohol Licenses	Other	Total Amortized Intangible Assets	Total Intangible Assets
Balance as of January 1, 2011	Ps. 41,173	Ps. -	Ps. 386	Ps. 41,559	Ps. 1,627	Ps. 1,389	Ps. 499	Ps. 226	Ps. 3,741	Ps. 45,300
Purchases	-	-	9	9	221	300	61	48	630	639
Acquisition from business combinations	11,878	4,515	-	16,393	66	3	-	-	69	16,462
Transfer of completed development systems	-	-	-	-	261	(261)	-	-	-	-
Effect of movements in exchange rates	1,072	-	-	1,072	30	-	-	7	37	1,109
Changes in value on the recognition of inflation effect	815	-	-	815	-	-	-	-	-	815
Capitalization of borrowing costs	-	-	-	-	168	-	-	-	168	168
Balance as of December 31, 2011	Ps. 54,938	Ps. 4,515	Ps. 395	Ps. 59,848	Ps. 2,373	Ps. 1,431	Ps. 560	Ps. 281	Ps. 4,645	Ps. 64,493
Cost										
Balance as of January 1, 2012	**Ps. 54,938**	**Ps. 4,515**	**Ps. 395**	**Ps. 59,848**	**Ps. 2,373**	**Ps. 1,431**	**Ps. 560**	**Ps. 281**	**Ps. 4,645**	**Ps. 64,493**
Purchases	**-**	**-**	**6**	**6**	**35**	**90**	**166**	**106**	**397**	**403**
Acquisition from business combinations	**2,973**	**2,605**	**-**	**5,578**	**-**	**-**	**-**	**-**	**-**	**5,578**
Internally developed	**-**	**-**	**-**	**-**	**-**	**38**	**-**	**-**	**38**	**38**
Adjustments of fair value of past business combinations	**(42)**	**(148)**	**-**	**(190)**	**-**	**-**	**-**	**-**	**-**	**(190)**
Transfer of completed development systems	**-**	**-**	**-**	**-**	**559**	**(559)**	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**(62)**	**(62)**	**(7)**	**-**	**-**	**-**	**(7)**	**(69)**
Effect of movements in exchange rates	**(478)**	**-**	**-**	**(478)**	**(97)**	**(3)**	**-**	**(3)**	**(103)**	**(581)**
Changes in value on the recognition of inflation effects	**(121)**	**-**	**-**	**(121)**	**-**	**-**	**-**	**-**	**-**	**(121)**
Capitalization of borrowing costs	**-**	**-**	**-**	**-**	**-**	**22**	**-**	**-**	**22**	**22**
Balance as of December 31, 2012	**Ps. 57,270**	**Ps. 6,972**	**Ps. 339**	**Ps. 64,581**	**Ps. 2,863**	**Ps. 1,019**	**Ps. 726**	**Ps. 384**	**Ps. 4,992**	**Ps. 69,573**
Amortization and Impairment Losses										
Balance as of January 1, 2011	Ps. -	Ps. -	Ps. -	Ps. -	Ps. (914)	Ps. -	Ps. (87)	Ps. (46)	Ps. (1,047)	Ps. (1,047)
Amortization expense	-	-	-	-	(187)	-	(27)	(41)	(255)	(255)
Impairment losses	-	-	(103)	(103)	-	-	-	(43)	(43)	(146)
Effect of movements in exchange rates	-	-	-	-	(15)	-	-	-	(15)	(15)
Balance as of December 31, 2011	Ps. -	Ps. -	Ps. (103)	Ps. (103)	Ps. (1,116)	Ps. -	Ps. (114)	Ps. (130)	Ps. (1,360)	Ps. (1,463)

Amortization and Impairment Losses	Rights to Produce and Distribute Coca-Cola Trademark Products	Goodwill	Other Indefinite Lived Intangible Assets	Total Unamortized Intangible Assets	Technology Costs and Management Systems	Systems in Development	Alcohol Licenses	Other	Total Amortized Intangible Assets	Total Intangible Assets
Balance as of January 1, 2012	**Ps. -**	**Ps. -**	**Ps. (103)**	**Ps. (103)**	**Ps. (1,116)**	**Ps. -**	**Ps. (114)**	**Ps. (130)**	**Ps.(1,360)**	**Ps. (1,463)**
Amortization expense	**-**	**-**	**-**	**-**	**(202)**	**-**	**(36)**	**(66)**	**(304)**	**(304)**
Disposals	**-**	**-**	**-**	**-**	**25**	**-**	**-**	**-**	**25**	**25**
Effect of movements in exchange rates	**-**	**-**	**-**	**-**	**65**	**-**	**-**	**(3)**	**62**	**62**
Balance as of December 31, 2012	**Ps. -**	**Ps. -**	**Ps. (103)**	**Ps. (103)**	**Ps. (1,228)**	**Ps. -**	**Ps. (150)**	**Ps. (199)**	**Ps. (1,577)**	**Ps. (1,680)**
Carrying Amount										
As of January 1, 2011	Ps. 41,173	Ps. -	Ps. 386	Ps. 41,559	Ps. 713	Ps. 1,389	Ps. 412	Ps. 180	Ps. 2,694	Ps. 44,253
As of December 31, 2011	54,938	4,515	292	59,745	1,257	1,431	446	151	3,285	63,030
As of December 31, 2012	**57,270**	**6,972**	**236**	**64,478**	**1,635**	**1,019**	**576**	**185**	**3,415**	**67,893**

During the years ended December 31, 2012 and 2011 the Company capitalized Ps. 22 and Ps. 168, respectively of borrowing costs in relation to Ps. 674 and Ps. 1,761 in qualifying assets, respectively. The rates used to determine the amounts of borrowing costs eligible for capitalization were 4.3% and 5.8%, respectively.

For the year ended in December 31, 2012, the amortization of intangible assets is recognized in cost of goods sold, selling expenses and administrative expenses and amounted to Ps. 3, Ps. 97 and Ps. 204, respectively.

For the year ended in December 31, 2011, the amortization of intangible assets is recognized in cost of goods sold, selling expenses and administrative expenses and amounted to Ps. 4, Ps. 100 and Ps. 151, respectively.

The remaining period for the Company's intangible assets that are subject to amortization is as follows:

	Years
Technology Costs and Management Systems	9-11
Alcohol Licenses	11

Coca-Cola FEMSA impairment Tests for Cash-Generating Units Containing Goodwill

For the purpose of impairment testing, goodwill and distribution rights are allocated and monitored on an individual country basis, which is considered to be the CGU.

The aggregate carrying amounts of goodwill and distribution rights allocated to each CGU are as follows:

	December 31, **2012**	December 31, 2011
Mexico	**Ps. 47,492**	Ps. 42,099
Guatemala	**299**	325
Nicaragua	**407**	459
Costa Rica	**1,114**	1,201
Panama	**781**	839
Colombia	**6,387**	6,240
Venezuela	**3,236**	2,941
Brazil	**4,416**	5,169
Argentina	**110**	180
Total	**Ps. 64,242**	Ps. 59,453

Throughout the year, total goodwill mainly increased due to the acquisition of the Fomento Queretano "FOQUE."

Goodwill and distribution rights are tested for impairments annually. The recoverable amounts of the CGUs are based on value-in-use calculations. Value in use was determined by discounting the future cash flows generated from the continuing use of the reporting unit using a discount rate.

The key assumptions used for the value-in-use calculations are as follows:

- Cash flows were projected based on actual operating results and the five-year business plan. Cash flows for a further five-year were forecasted maintaining the same stable growth and margins per country of the last year base. Coca-Cola FEMSA believes that this forecasted period is justified due to the non-current nature of the business and past experiences.
- Cash flows after the first ten-year period were extrapolated using a perpetual growth rate equal to the expected annual population growth, in order to calculate the terminal recoverable amount.
- A per CGU-specific Weighted Average Cost of Capital ("WACC") was applied as a hurdle rate to discount cash flows to get the recoverable amount of the units also the calculation assumes, size premium adjusting.

The values assigned to the key assumptions used for the value in use calculations are as follows:

CGU	WACC Real	Expected Annual Long-Term Inflation 2013-2023	Expected Volume Growth Rates 2013-2023
Mexico	5.5%	3.6%	2.8%
Colombia	5.8%	3.0%	6.1%
Venezuela	11.3%	25.8%	2.8%
Costa Rica	7.7%	5.7%	2.8%
Guatemala	8.1%	5.3%	4.0%
Nicaragua	9.5%	6.6%	5.1%
Panama	7.7%	4.6%	3.6%
Argentina	10.7%	10.0%	4.2%
Brazil	5.5%	5.8%	3.8%

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data). Coca-Cola FEMSA consistently applied its methodology to determine CGU specific WACC's to perform its annual impairment testing.

Sensitivity to Changes in Assumptions

Coca-Cola FEMSA performed an additional impairment sensitivity calculation, taking into account an adverse change of a 100 basis point in the key assumptions noted above, and concluded that no impairment would be recorded.

CGU	Change in WACC	Change in Volume Growth Rate	Effect on Valuation
Mexico	+1.0 %	-1.0 %	Passes by 3.4x
Colombia	+1.0 %	-1.0 %	Passes by 6.2x
Venezuela	+1.0 %	-1.0 %	Passes by 8.1x
Costa Rica	+1.0 %	-1.0 %	Passes by 3.2x
Guatemala	+1.0 %	-1.0 %	Passes by 7.0x
Nicaragua	+1.0 %	-1.0 %	Passes by 4.4x
Panama	+1.0 %	-1.0 %	Passes by 7.5x
Argentina	+1.0 %	-1.0 %	Passes by 103x
Brazil	+1.0 %	-1.0 %	Passes by 12.6x

13 Other Assets, Net and Other Financial Assets

13.1 Other assets, net

	December 31, **2012**	December 31, 2011	January 1, 2011
Agreement with customers, net	**Ps. 278**	Ps. 256	Ps. 186
Long term prepaid advertising expenses	**78**	113	125
Guarantee deposits [1]	**953**	948	897
Prepaid bonuses	**117**	97	84
Advances in acquisitions of property, plant and equipment	**973**	362	227
Recoverable taxes	**93**	353	152
Others	**331**	269	351
	Ps. 2,823	Ps. 2,398	Ps. 2,022

[1] As is customary in Brazil, the Company has been required by authorities to collaterize tax, legal and labor contingencies by guarantee deposits.

13.2 Other financial assets

	December 31, **2012**	December 31, 2011	January 1, 2011
Long term accounts receivable	**Ps. 1,110**	Ps. 1,895	Ps. 681
Derivative financial instruments	**1,144**	850	707
	Ps. 2,254	Ps. 2,745	Ps. 1,388

14 Balances and Transactions with Related Parties and Affiliated Companies

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed as follows:

The consolidated statements of financial position and consolidated income statement include the following balances and transactions with related parties and affiliated companies:

	December 31, 2012	December 31, 2011	January 1, 2011
Balances			
Due from The Coca-Cola Company (see Note 7) (1) (8)	**Ps. 1,835**	Ps. 1,157	Ps. 1,030
Balance with BBVA Bancomer, S.A. de C.V. (2)	**2,299**	2,791	2,944
Balance with Grupo Financiero Banamex, S.A. de C.V. (2)	**-**	-	2,103
Due from Heineken Company (1) (6)	**462**	857	425
Due from Grupo Estrella Azul (3) (7)	**828**	825	-
Other receivables (1)	**211**	505	295
Due to BBVA Bancomer, S.A. de C.V. (4)	**Ps. 1,136**	Ps. 1,076	Ps. 960
Due to The Coca-Cola Company (5) (8)	**4,088**	2,853	1,911
Due to Caffenio (5) (6)	**144**	-	-
Due to Grupo Financiero Banamex, S.A. de C.V. (4)	**-**	-	500
Due to British American Tobacco Mexico (5)	**395**	316	287
Due to Heineken Company (5) (6)	**1,939**	2,148	1,463
Other payables (5)	**488**	524	210

(1) Presented within accounts receivable.

(2) Presented within cash and cash equivalents.

(3) Presented within other assets.

(4) Recorded within bank loans.

(5) Recorded within accounts payable.

(6) Associates.

(7) Joint venture.

(8) Non controlling interest.

Balances due from related parties are considered to be recoverable. Accordingly, for the years ended December 31, 2012 and 2011, there was no expense resulting from the uncollectibility of balances due from related parties.

Transactions		2012		2011
Income:				
Services to Heineken Company (1)	**Ps.**	**2,979**	Ps.	2,169
Logistic services to Grupo Industrial Saltillo, S.A. de C.V. (4)		**242**		241
Sales of Grupo Inmobiliario San Agustin, S.A. shares to Instituto Tecnologico y de Estudios Superiores de Monterrey, A.C. (4)		**391**		-
Logistic services to Jugos del Valle (1)		**431**		-
Other revenues from related parties		**341**		469
Expenses:				
Purchase of concentrate from The Coca-Cola Company (3)	**Ps.**	**23,886**	Ps.	20,882
Purchases of raw material, beer and operating expenses from Heineken Company (1)		**11,013**		9,397
Purchase of Caffenio (1)		**342**		-
Purchase of baked goods and snacks from Grupo Bimbo, S.A.B. de C.V. (4)		**2,394**		2,270
Purchase of cigarettes from British American Tobacco Mexico (4)		**2,342**		1,964
Advertisement expense paid to The Coca-Cola Company (3)		**1,052**		872
Purchase of juices from Jugos del Valle, S.A.P.I. de C.V. (1)		**1,985**		1,564
Interest expense and fees paid to BBVA Bancomer, S.A. de C.V. (4)		**205**		128
Purchase of sugar from Beta San Miguel (4)		**1,439**		1,397
Purchase of sugar, cans and aluminum lids from Promotora Mexicana de Embotelladores, S.A. de C.V. (4)		**711**		701
Purchase of canned products from IEQSA (1)		**483**		262
Advertising paid to Grupo Televisa, S.A.B. (4)		**124**		86
Interest expense paid to Grupo Financiero Banamex, S.A. de C.V. (4)		**-**		28
Insurance premiums for policies with Grupo Nacional Provincial, S.A.B. (4)		**57**		59
Donations to Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C. (4)		**109**		81
Donations to Fundación FEMSA, A.C. (4)		**864**		46
Purchase of plastic bottles from Embotelladora del Atlántico, S.A. (formerly Complejo Industrial Pet, S.A.) (4)		**99**		56
Purchase of juice and milk powder from Grupo Estrella Azul (2)		**-**		60
Donations to Difusión y Fomento Cultural, A.C. (4)		**29**		21
Interest expense paid to The Coca-Cola Company (3)		**24**		7
Other expenses with related parties		**389**		321

(1) Associates.
(2) Joint Venture.
(3) Non controlling interest.
(4) Members of the board of directors in FEMSA participate in board of directors of this entity.

Commitments with related parties

Related Party	Commitment		Amount	Conditions
Heineken Company	Supply	Ps.	-	Supply of all beer products in Mexico's OXXO stores. The contract may be renewed for five years on additional periods. At the end of the contract OXXO will not hold exclusive contract with another supplier of beer for the next 3 years. Commitment term, Jan 1st, 2010 to Jun 30, 2020.
		Ps.	-	

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

		2012		2011
Short-term employee benefits paid	**Ps.**	**1,022**	Ps.	998
Postemployment benefits		**161**		117
Termination benefits		**13**		13
Share based payments		**275**		253

15 Balances and Transactions in Foreign Currencies

Assets, liabilities and transactions denominated in foreign currencies are those realized in a currency different than the functional currency of each subsidiary of the Company. As of the end and for the years ended on December 31, 2012 and 2011 and as of January 1, 2011, assets, liabilities and transactions denominated in foreign currencies, expressed in Mexican pesos are as follows:

	Assets		Liabilities	
Balances	Short-Term	Long-Term	Short-Term	Long- Term
As of December 31, 2012				
U.S. dollars	**Ps. 21,236**	**Ps. 912**	**Ps. 6,588**	**Ps.14,493**
Euros	**-**	**-**	**38**	**-**
Other currencies	**8**	**-**	**75**	**250**
Total	**Ps. 21,244**	**Ps. 912**	**Ps. 6,701**	**Ps.14,743**
As of December 31, 2011				
U.S. dollars	Ps. 13,756	Ps. 1,049	Ps. 2,325	Ps. 7,199
Euros	18	-	41	-
Other currencies	-	-	164	445
Total	Ps. 13,774	Ps. 1,049	Ps. 2,530	Ps. 7,644
As of January 1, 2011				
U.S. dollars	Ps. 11,761	Ps. 321	Ps. 1,501	Ps. 6,402
Euros	-	-	245	-
Other currencies	480	-	490	560
Total	Ps. 12,241	Ps. 321	Ps. 2,236	Ps. 6,962

	Incomes			Expenses				
Transactions	Revenues	Disposal Shares	Other Revenues	Purchases of Raw Materials	Interest Expense	Consulting Fees	Assets Acquisitions	Other
For the year ended December 31, 2012								
U.S. dollars	**Ps. 1,631**	**Ps. 1,127**	**Ps. 717**	**Ps. 12,016**	**Ps. 380**	**Ps. 13**	**Ps. 154**	**Ps. 1,585**
Euros	**-**	**-**	**-**	**-**	**-**	**-**	**32**	**10**
Other currencies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**68**
Total	**Ps. 1,631**	**Ps. 1,127**	**Ps. 717**	**Ps. 12,016**	**Ps. 380**	**Ps. 13**	**Ps. 186**	**Ps. 1,663**
For the year ended December 31, 2011								
U.S. dollars	Ps. 1,067	Ps. -	Ps. 497	Ps. 9,424	Ps. 319	Ps. 11	Ps. 306	Ps. 1,075
Euros	-	-	-	-	-	-	-	-
Other currencies	-	-	2	-	5	-	-	90
Total	Ps. 1,067	Ps. -	Ps. 499	Ps. 9,424	Ps. 324	Ps. 11	Ps. 306	Ps. 1,165

Mexican peso exchange rates in effect at the dates of the consolidated statements of financial position and at the issuance date of the Company's consolidated financial statements were as follows:

	December 31,		January 1,	February 27,
	2012	2011	2011	2013
U.S. dollar	**13.0101**	13.9787	12.3817	12.7028
Euro	**17.0889**	18.0454	16.3881	16.8262

16 Post-Employment and Other Long-Term Employee Benefits

The Company has various labor liabilities for employee benefits in connection with pension, seniority and post-retirement medical benefits. Benefits vary depending upon the country where the individual employees are located. Presented below is a discussion of the Company's labor liabilities in Mexico, Brazil and Venezuela, which comprise the substantial majority of those recorded in the consolidated financial statements.

16.1 Assumptions

The Company annually evaluates the reasonableness of the assumptions used in its labor liability for post-employment and other non-current employee benefits computations.

Actuarial calculations for pension and retirement plans, seniority premiums and post-retirement medical benefits, as well as the associated cost for the period, were determined using the following long-term assumptions for non-hyperinflationary countries:

Mexico	December 31, 2012	December 31, 2011	January 1, 2011
Financial:			
Discount rate used to calculate the defined benefit obligation	**7.10%**	7.64%	7.64%
Salary increase	**4.79%**	4.79%	4.79%
Future pension increases	**3.50%**	3.50%	3.50%
Healthcare cost increase rate	**5.10%**	5.10%	5.10%
Biometric:			
Mortality (1)	**EMSSA 82-89**	EMSSA 82-89	EMSSA 82-89
Disability (2)	**IMSS - 97**	IMSS - 97	IMSS - 97
Normal retirement age	**60 years**	60 years	60 years
Employee turnover table (3)	**BMA R 2007**	BMA R 2007	BMA R 2007

Measurement date December:

(1) EMSSA. Mexican Experience of social security.

(2) IMSS. Mexican Experience of Instituto Mexicano del Seguro Social.

(3) BMAR. Actuary experience.

Brazil	December 31, 2012	December 31, 2011	January 1, 2011
Financial:			
Discount rate used to calculate the defined benefit obligation	**9.30%**	9.70%	9.70%
Salary increase	**5.00%**	5.00%	5.00%
Future pension increases	**4.00%**	4.00%	4.00%
Biometric:			
Mortality (1)	**UP84**	UP84	UP84
Disability (2)	**IMSS - 97**	IMSS - 97	IMSS - 97
Normal retirement age	**65 years**	65 years	65 years
Employee turnover table	**Brazil**	Brazil	Brazil

Measurement date December:

(1) UP84. Unisex mortality table.

(2) IMSS. Mexican Experience of Instituto Mexicano del Seguro Social.

Venezuela is a hyper-inflationary economy. The actuarial calculations for post-employment benefit (termination indemnity), as well as the associated cost for the period, were determined using the following long-term assumptions which are "real" assumptions (excluding inflation):

Venezuela	December 31, 2012
Financial:	
Discount rate used to calculate the defined benefit obligation	**1.50%**
Salary increase	**1.50%**
Biometric:	
Mortality (1)	**EMSSA 82-89**
Disability (2)	**IMSS - 97**
Normal retirement age	**65 years**
Employee turnover table (3)	**BMA R 2007**

Measurement date December:

(1) EMSSA. Mexican Experience of social security.

(2) IMSS. Mexican Experience of Instituto Mexicano del Seguro Social.

(3) BMAR. Actuary experience.

In Mexico the methodology used to determine the discount rate was the Yield or Internal Rate of Return ("IRR") which involves a yield curve. In this case, the expected rates of each period were taken from a yield curve of Mexican Federal Government Treasury Bond (known as CETES in Mexico).

In Brazil the methodology used to determine the discount rate was the Yield or Internal Rate of Return ("IRR") which involves a yield curve. In this case, the expected rates of each period were taken from a yield curve of fixed long term bonds of Federal Republic of Brazil.

In Venezuela the methodology used to determine the discount rate started with reference to the interest rate bonds of similar denomination issued by the Republic of Venezuela, with subsequent consideration of other economic assumptions appropriate for hyper-inflationary economy. Ultimately, the discount rates disclosed in the table below are calculated in real terms (without inflation).

In Mexico upon retirement, the Company purchases an annuity for the employee, which will be paid according to the option chosen by the employee.

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

	Pension and Retirement Plans	Seniority Premiums	Post Retirement Medical Services	Post-employment (Venezuela)	Total
2013	Ps. 472	Ps. 20	Ps. 14	Ps. 37	**Ps. 543**
2014	256	19	13	27	**315**
2015	261	21	13	21	**316**
2016	234	23	13	18	**288**
2017	345	26	13	17	**401**
2018 to 2022	1,738	175	55	79	**2,047**

16.2 Balances of the liabilities for post-employment and other long-term employee benefits

	December 31, **2012**	December 31, 2011	January 1, 2011
Pension and Retirement Plans:			
Defined benefit obligation	**Ps. 4,495**	Ps. 3,972	Ps. 3,297
Pension plan funds at fair value	**(2,043)**	(1,927)	(1,501)
Net defined benefit liability	**2,452**	2,045	1,796
Effect due to asset ceiling	**105**	127	199
Net defined benefit liability after asset ceiling	**Ps. 2,557**	Ps. 2,172	Ps. 1,995
Seniority Premiums:			
Defined benefit obligation	**Ps. 324**	Ps. 241	Ps. 154
Seniority premium plan funds at fair value	**(18)**	(19)	-
Net defined benefit liability	**Ps. 306**	Ps. 222	Ps. 154
Postretirement Medical Services:			
Defined benefit obligation	**Ps. 267**	Ps. 235	Ps. 232
Medical services funds at fair value	**(49)**	(45)	(43)
Net defined benefit liability	**Ps. 218**	Ps. 190	Ps. 189
Post-employment:			
Defined benefit obligation	**Ps. 594**	Ps. -	Ps. -
Post-employment plan funds at fair value	**-**	-	-
Net defined benefit liability (asset)	**Ps. 594**	Ps. -	Ps. -
Total post-employment and other long-term employee benefits	**Ps. 3,675**	Ps. 2,584	Ps. 2,338

The net defined benefit liability of the pension and retirement plan includes an asset generated in Brazil (the following information is included in the consolidated information of the tables above), which is as follows:

	December 31, **2012**	December 31, 2011	January 1, 2011
Defined benefit obligation	**Ps. 313**	Ps. 370	Ps. 345
Pension plan funds at fair value	(589)	(616)	(595)
Net defined benefit asset	**(276)**	(246)	(250)
Effect due to asset ceiling	**105**	127	199
Net defined benefit asset after asset ceiling	**Ps. (171)**	Ps. (119)	Ps. (51)

16.3 Trust assets

Trust assets consist of fixed and variable return financial instruments recorded at market value, which are invested as follows:

Type of Instrument	December 31, **2012**	December 31, 2011	January 1, 2011
Fixed return:			
Traded securities	**10%**	7%	8%
Bank instruments	**5%**	2%	6%
Federal government instruments of the respective countries	**65%**	76%	67%
Variable return:			
Publicly traded shares	**20%**	15%	19%
	100%	100%	100%

In Mexico, the regulatory framework for pension plans is established in the Income Tax Law and its Regulations, the Federal Labor Law and the Mexican Social Security Institute Law. None of these laws establish minimum funding levels or a minimum required level of contributions.

In Brazil, the regulatory framework for pension plans is established by the Brazilian Social Security Institute (INSS), which indicates that the contributions must be made by the Company and the workers.

In Venezuela, the regulatory framework for post-employment benefits is established by the Organic Labor Law for Workers (LOTTT). The organic nature of this law means that its purpose is to defend constitutional rights, and therefore has precedence over other laws.

In Mexico, the Income Tax Law requires that, in the case of private plans, certain notifications must be submitted to the authorities and a certain level of instruments must be invested in Federal Government securities among others.

The Company's various pension plans have a technical committee that is responsible for verifying the correct operation of the plans with regard to the payment of benefits, actuarial valuations of the plan, and supervise the trustee. The committee is responsible for determining the investment portfolio and the types of instruments the fund will be invested in. This technical committee is also responsible for reviewing the correct operation of the plans in all of the countries in which the Company has these benefits.

The risks related to the Company's employee benefit plans are primarily attributable to the plan assets. The Company's plan assets are invested in a diversified portfolio, which considers the term of the plan so as to invest in assets whose expected return coincides with the estimated future payments.

Since the Mexican Tax Law limits the plan asset investment to 10% for related parties, this risk is not considered to be significant for purposes of the Company's Mexican subsidiaries.

The Company's policy is to invest at least 30% of the fund assets of the Mexico plan in Mexican Federal Government instruments. Guidelines for the target portfolio have been established for the remaining percentage and investment decisions are made to comply with these guidelines insofar as the market conditions and available funds allow.

In Brazil, the investment target is to obtain the consumer price index (inflation), plus six percent. Investment decisions are made to comply with this guideline insofar as the market conditions and available funds allow.

On May 7, 2012, the President of Venezuela amended the LOTTT, which establishes a minimum level of social welfare benefits to which workers have a right when their labor relationship ends for whatever reason. This benefit is computed based on the last salary received by the worker and retroactive to June 19, 1997 for any employee who joined the Company prior to that date. For employees who joined the Company after June 19, 1997, the benefit is computed based on the date on which the employee joined the Company. An actuarial computation was performed using the projected unit credit method to determine the amount of the labor obligations that arise, and the Company recorded Ps. 381 in the other expenses caption in the consolidated income statement reflecting past service costs (see Note 19).

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

	December 31, **2012**	December 31, 2011	January 1, 2011
Debt:			
CEMEX, S.A.B. de C.V.	**Ps. -**	Ps. -	Ps. 20
BBVA Bancomer, S.A. de C.V.	**10**	30	11
Grupo Televisa, S.A.B. de C.V.	**3**	3	-
Grupo Financiero Banorte, S.A.B. de C.V.	**8**	7	-
Coca-Cola FEMSA	**-**	2	2
El Puerto de Liverpool, S.A.B. de C.V.	**5**	-	-
Grupo Industrial Bimbo, S. A. B. de C. V.	**3**	2	2
Capital:			
FEMSA	**70**	58	97
Coca-Cola FEMSA	**8**	5	-
Grupo Televisa, S.A.B. de C.V.	**10**	-	8
Alfa, S.A.B. de C.V.	**5**	-	-
Grupo Aeroportuario del Sureste, S.A.B. de C.V.	**8**	-	-

In Brazil, the amounts and types of securities of the Company included in plan assets are as follows:

Brazil Portfolio	December 31, **2012**	December 31, 2011	January 1, 2011
Debt:			
HSBC - Sociedad de inversión Atuarial INPC (Brazil)	**Ps. 485**	Ps. 509	Ps. 461
Capital:			
HSBC - Sociedad de inversión Atuarial INPC (Brazil)	**104**	107	134

During the years ended December 31, 2012 and 2011, the Company did not make significant contributions to the plan assets and does not expect to make material contributions to the plan assets during the following fiscal year.

16.4 Amounts recognized in the consolidated income statements and the consolidated statement of comprehensive income

	Income Statement								OCI	
December 31, **2012**		Current Service Cost		Past Service Cost		Gain or Loss on Settlement		Net Interest on the Net Defined Benefit Liability		Remeasurements of the Net Defined Benefit Liability [(1)]
Pension and retirement plans	**Ps.**	**184**	**Ps.**	**-**	**Ps.**	**1**	**Ps.**	**136**	**Ps.**	**499**
Seniority premiums		**42**		**-**		**-**		**17**		**38**
Postretirement medical services		**8**		**-**		**-**		**14**		**25**
Post-employment Venezuela		**49**		**381**		**-**		**63**		**71**
Total	**Ps.**	**283**	**Ps.**	**381**	**Ps.**	**1**	**Ps.**	**230**	**Ps.**	**633**
December 31, 2011										
Pension and retirement plans	Ps.	164	Ps.	-	Ps.	5	Ps.	151	Ps.	272
Seniority premiums		30		-		-		12		3
Postretirement medical services		9		-		(6)		14		1
Total	Ps.	203	Ps.	-	Ps.	(1)	Ps.	177	Ps.	276

(1) Interests due to asset ceiling amounted to Ps. 11 and Ps. 19 in 2012 and 2011, respectively.

For the years ended December 31, 2012 and 2011, current service cost of Ps. 283 and Ps. 203 have been included in the consolidated income statement as cost of goods sold and in administrative and selling expenses.

Remeasurements of the net defined benefit liability recognized in other comprehensive income are as follows:

		December 31, **2012**		December 31, 2011
Amount accumulated in other comprehensive income as of the beginning of the period, net of tax	**Ps.**	**190**	Ps.	131
Actuarial gains and losses arising from exchange rates		**(13)**		-
Remeasurements during the year, net of tax		**20**		119
Actuarial gains and losses arising from changes in financial assumptions		**281**		-
Changes in the effect of limiting a net defined benefit asset to the asset ceiling		**(9)**		(60)
Amount accumulated in other comprehensive income as of the end of the period, net of tax	**Ps.**	**469**	Ps.	190

Remeasurements of the net defined benefit liability include the following:

- The return on plan assets, excluding amounts included in interest expense.
- Actuarial gains and losses arising from changes in demographic assumptions.
- Actuarial gains and losses arising from changes in financial assumptions.
- Changes in the effect of limiting a net defined benefit asset to the asset ceiling, excluding amounts included in interest expense.

16.5 Changes in the balance of the defined benefit obligation for post-employment and other long-term employee benefits

		December 31, 2012		December 31, 2011
Pension and Retirement Plans:				
Initial balance	**Ps.**	**3,972**	Ps.	3,297
Current service cost		**185**		164
Interest expense		**288**		263
Settlement		**1**		5
Remeasurements of the net defined benefit liability		**238**		85
Foreign exchange (gain) loss		**(67)**		45
Benefits paid		**(154)**		(142)
Acquisitions		**32**		255
Ending balance	**Ps.**	**4,495**	Ps.	3,972
Seniority Premiums:				
Initial balance	**Ps.**	**241**	Ps.	154
Current service cost		**42**		30
Interest expense		**19**		12
Curtailment		**(2)**		-
Remeasurements of the net defined benefit liability		**33**		2
Benefits paid		**(23)**		(19)
Acquisitions		**14**		62
Ending balance	**Ps.**	**324**	Ps.	241
Postretirement Medical Services:				
Initial balance	**Ps.**	**235**	Ps.	232
Current service cost		**8**		9
Interest expense		**17**		15
Curtailment		**-**		(6)
Remeasurements of the net defined benefit liability		**25**		-
Benefits paid		**(18)**		(15)
Ending balance	**Ps.**	**267**	Ps.	235
Post-employment:				
Initial balance	**Ps.**	**-**	Ps.	-
Current service cost		**48**		-
Past service cost		**381**		-
Interest expense		**63**		-
Remeasurements of the net defined benefit liability		**108**		-
Benefits paid		**(6)**		-
Ending balance	**Ps.**	**594**	Ps.	-

16.6 Changes in the balance of plan assets

		December 31, 2012		December 31, 2011
Total Plan Assets				
Initial balance	**Ps.**	**1,991**	Ps.	1,544
Actual return on trust assets		**145**		53
Foreign exchange (gain) loss		**(91)**		6
Life annuities		**29**		152
Benefits paid		**(12)**		(12)
Acquisitions		**48**		248
Ending balance	**Ps.**	**2,110**	Ps.	1,991

As a result of the Company's investments in life annuities plan for qualified employees of Mexican Subsidiaries, management does not expect to make material contributions to plan assets during the following fiscal year.

16.7 Variation in assumptions

The Company decided that the relevant actuarial assumptions that are subject to sensitivity and valuated through the projected unit credit method, are the discount rate, the salary increase rate and healthcare cost increase rate. The reasons for choosing these assumptions are as follows:

- Discount rate: The rate that determines the value of the obligations over time.
- Salary increase rate: The rate that considers the salary increase which implies an increase in the benefit payable.
- Healthcare cost increase rate: The rate that considers the trends of health care costs which implies an impact on the postretirement medical service obligations and the cost for the year.

The following table presents the impact in absolute terms of a variation of 1% in the significant actuarial assumptions on the net defined benefit liability associated with the Company's defined benefit plans:

+1%:	Income Statement				OCI
Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability	Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest on the Net Defined Benefit Liability	Remeasurements of the Net Defined Benefit Liability (Asset)
Pension and retirement plans	Ps. 161	Ps. -	Ps. 1	Ps. 128	Ps. 104
Seniority premiums	38	-	-	17	5
Postretirement medical services	6	-	-	15	(7)
Post-employment	34	320	-	52	15
Total	Ps. 239	Ps. 320	Ps. 1	Ps. 212	Ps. 117
Expected salary increase					
Pension and retirement plans	Ps. 215	Ps. -	Ps. 1	Ps. 161	Ps. 793
Seniority premiums	48	-	-	20	73
Post-employment	58	511	-	85	302
Total	Ps. 321	Ps. 511	Ps. 1	Ps. 266	Ps. 1,168
Assumed rate of increase in healthcare costs					
Postretirement medical services	Ps. 10	Ps. -	Ps. -	Ps. 17	Ps. 63
-1%:					
Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability					
Pension and retirement plans	Ps. 217	Ps. -	Ps. 1	Ps. 148	Ps. 917
Seniority premiums	47	-	-	19	72
Postretirement medical services	10	-	-	15	65
Post-employment	51	457	-	76	225
Total	Ps. 325	Ps. 457	Ps. 1	Ps. 258	Ps. 1,279
Expected salary increase					
Pension and retirement plans	Ps. 163	Ps. -	Ps. 1	Ps. 123	Ps. 228
Seniority premiums	37	-	-	15	3
Post-employment	29	279	-	45	(44)
Total	Ps. 229	Ps. 279	Ps. 1	Ps. 183	Ps. 187
Assumed rate of increase in healthcare costs					
Postretirement medical services	Ps. 6	Ps. -	Ps. -	Ps. 12	Ps. (6)

16.8 Post-employment and other long-term employee benefits expense

Fot the years ended December 31, 2012 and 2011, employee benefits expenses recognized in the consolidated income statements are as follows:

	2012	2011
Post employment benefits	**Ps. 283**	Ps. 203
Post employment benefits recognized in other expenses (see Note 19)	**381**	-
Share-based payments	**275**	253
Termination benefits	**541**	411
	Ps. 1,480	Ps. 867

17 Bonus Program

17.1 Quantitative and qualitative objectives

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.

The bonus amount is determined based on each eligible participant's level of responsibility and based on the EVA generated by the applicable business unit the employee works for. This formula is established by considering the level of responsibility within the organization, the employees' evaluation and competitive compensation in the market. The bonus is granted to the eligible employee on an annual basis and after withholding applicable taxes. The Company contributes the individual employee's special bonus (after taxes) in cash to the Administrative Trust (which is controlled and consolidated by FEMSA), who then uses the funds to purchase FEMSA or Coca-Cola FEMSA shares (as instructed by the Administrative Trust's Technical Committee), which are then allocated to such employee.

17.2 Share-based payment bonus plan

The Company has implemented a stock incentive plan for the benefit of its executive officers. As discussed above, this plan uses as its main evaluation metric the Economic Value Added, or EVA. Under the EVA stock incentive plan, eligible executive officers are entitled to receive a special annual bonus, to be paid in shares of FEMSA or Coca-Cola FEMSA, as applicable or (2) stock options (the plan considers providing stock options to employees; however, since inception only shares of FEMSA or Coca-Cola FEMSA have been granted).

The plan is managed by FEMSA's chief executive officer (CEO), with the support of the board of directors, together with the CEO of the respective sub-holding company. FEMSA's Board of Directors is responsible for approving the plan's structure, and the annual amount of the bonus. Each year, FEMSA's CEO in conjunction with the Evaluation and Compensation Committee of the board of directors and the CEO of the respective sub-holding company determine the employees eligible to participate in the plan and the bonus formula to determine the number of shares to be received, which vest ratably over a six year period. On such date, the Company and the eligible employee agree to the share-based payment arrangement, being when it and the counterparty have a shared understanding of the terms and conditions of the arrangement. FEMSA accounts for its share-based payment bonus plan as an equity-settled share based payment transaction as it will ultimately settle its obligations with its employees by issuing its own shares or those of its subsidiary Coca-Cola FEMSA.

The Administrative Trust tracks the individual employees' account balance. FEMSA created the Administrative Trust with the objective of administering the purchase of FEMSA and Coca-Cola FEMSA shares by each of its subsidiaries with eligible executives participating in the stock incentive plan. The Administrative Trust's objectives are to acquire FEMSA shares, or shares of Coca-Cola FEMSA and to manage the shares granted to the individual employees based on instructions set forth by the Technical Committee. Once the shares are acquired following the Technical Committee's instructions, the Administrative Trust assigns to each participant their respective rights. As the trust is controlled and therefore consolidated by FEMSA, shares purchased in the market and held within the Administrative Trust are presented as treasury stock (as it relates to FEMSA's shares) or as a reduction of the noncontrolling interest (as it relates to Coca-Cola FEMSA's shares) in the consolidated statement of changes in equity, line issuance (repurchase) of shares associated with share-based payment plans. Should an employee leave prior to their shares vesting, they would lose the rights to such shares, which would then remain within the Administrative Trust and be able to be reallocated to other eligible employees as determined by the Company. 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. For the years ended December 31, 2012 and 2011, the compensation expense recorded in the consolidated income statement amounted to Ps. 275 and Ps. 253, respectively.

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

As of December 31, 2012 and 2011, the number of shares held by the trust associated with the Company's share based payment plans is as follows:

	Number of Shares			
	FEMSA UBD		KOF L	
	2012	2011	**2012**	2011
Beginning balance	**9,400,083**	10,197,507	**2,714,552**	3,049,376
Shares acquired by the Administrative Trust and granted to employees	**2,390,815**	2,438,590	**749,830**	651,870
Shares released from Administrative trust to employees upon vesting	**(3,374,871)**	(3,236,014)	**(1,042,506)**	(986,694)
Forfeitures	**-**	-	**-**	-
Ending balance	**8,416,027**	9,400,083	**2,421,876**	2,714,552

The fair value of the shares held by the trust as of the end of December 31, 2012 and 2011 was Ps. 1,552 and Ps. 1,297, respectively, based on quoted market prices of those dates.

18 Bank Loans and Notes Payables

(in millions of Mexican pesos)	At December 31, [1] 2013	2014	2015	2016	2017	2018 and Thereafter	Carrying Value at December 31, **2012**	Fair Value at December 31, **2012**	Carrying Value at December 31, 2011 [1]	Carrying Value at January 1, 2011 [1]
Short-term debt:										
Fixed rate debt:										
Argentine pesos										
Bank loans	Ps. 291	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	**Ps. 291**	Ps. 291	Ps. 325	Ps. 506
Interest rate	19.2%	-	-	-	-	-	**19.2%**		14.9%	15.3%
Mexican pesos										
Finance leases	-	-	-	-	-	-	**-**	-	18	-
Interest rate	-	-	-	-	-	-	**-**		6.9%	-
Variable rate debt:										
Colombian pesos										
Bank loans	-	-	-	-	-	-	-	-	295	1,072
Interest rate	-	-	-	-	-	-	-		6.8%	4.4%
Brazilian Reais										
Bank loans	19	-	-	-	-	-	**19**	19	-	-
Interest rate	8.1%	-	-	-	-	-	**8.1%**		-	-
U.S. dollars (bank loans)	3,903	-	-	-	-	-	**3,903**	3,899	-	-
Interest rate	0.6%	-	-	-	-	-	**0.6%**		-	-
Total short-term debt	Ps. 4,213	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	**Ps. 4,213**	Ps. 4,209	Ps. 638	Ps. 1,578
Long-term debt:										
Fixed rate debt:										
Argentine pesos										
Bank loans	180	336	13	-	-	-	**529**	514	595	684
Interest rate	18.7%	20.7%	15.0%	-	-	-	**19.9%**		16.4%	16.5%
Brazilian reais										
Bank loans	17	21	21	21	19	20	**119**	114	82	81
Interest rate	3.8%	3.6%	3.6%	3.6%	3.6%	4.5%	**3.8%**		4.5%	4.5%
Finance leases	4	4	3	-	-	-	**11**	11	17	21
Interest rate	4.5%	4.5%	4.5%	-	-	-	**4.5%**		4.5%	4.5%
U.S. dollars										
Yankee Bond	-	-	-	-	-	6,458	**6,458**	7,351	6,940	6,121
Interest rate	-	-	-	-	-	4.6%	**4.6%**		4.6%	4.6%
Finance leases	-	-	-	-	-	-	-	-	-	4
Interest rate	-	-	-	-	-	-	-		-	3.8%
Mexican pesos										
Units of investment (UDIs)	-	-	-	-	3,567	-	**3,567**	3,567	3,337	3,193
Interest rate	-	-	-	-	4.2%	-	**4.2%**		4.2%	4.2%
Domestic senior notes	-	-	-	-	-	2,495	**2,495**	2,822	2,495	-
Interest rate	-	-	-	-	-	8.3%	**8.3%**		8.3%	-
Subtotal	Ps. 201	Ps. 361	Ps. 37	Ps. 21	Ps. 3,586	Ps. 8,973	**Ps. 13,179**	Ps. 14,379	Ps. 13,466	Ps. 10,104

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

(in millions of Mexican pesos)	At December 31, [1] 2013	2014	2015	2016	2017	2018 and Thereafter	December 31, **2012**	Fair Value at December, 31 **2012**	December, 31 2011 [1]	January 1, 2011 [1]
Variable rate debt:										
U.S. dollars										
Bank loans	Ps. 195	Ps. 2,600	Ps. 5,195	Ps. -	Ps. -	Ps. -	**Ps. 7,990**	Ps. 8,008	Ps. 251	Ps. 222
Interest rate	0.6%	0.9%	0.9%	-	-	-	**0.9%**		0.7%	0.6%
Mexican pesos										
Domestic senior notes	3,500	-	-	2,511	-	-	**6,011**	5,999	8,843	8,000
Interest rate	4.8%	-	-	5.0%	-	-	**5.0%**		4.7%	4.8%
Bank loans	266	1,370	2,744	-	-	-	**4,380**	4,430	4,550	4,340
Interest rate	5.1%	5.1%	5.1%	-	-	-	**5.1%**		5.0%	5.1%
Argentine pesos										
Bank loans	106	-	-	-	-	-	**106**	106	130	-
Interest rate	22.9%	-	-	-	-	-	**22.9%**		27.3%	-
Brazilian reais										
Bank loans	-	106	-	-	-	-	**106**	-	-	-
Interest rate	-	8.9%	-	-	-	-	**8.9%**		-	-
Finance leases	36	40	43	30	-	-	**149**	149	193	-
Interest rate	10.5%	10.5%	10.5%	10.5%	-		**10.5%**		11.0%	-
Colombian pesos										
Bank loans	-	1,023	-	-	-	-	**1,023**	990	935	994
Interest rate	-	6.8%	-	-	-	-	**6.8%**		6.1%	4.7%
Finance leases	185	-	-	-	-	-	**185**	186	386	-
Interest rate	6.8%	-	-	-	-	-	**6.8%**		6.6%	-
Subtotal	4,288	5,139	7,982	2,541	-	-	**19,950**	19,868	15,288	13,556
Total long-term debt	Ps. 4,489	Ps. 5,500	Ps. 8,019	Ps. 2,562	Ps. 3,586	Ps. 8,973	**Ps. 33,129**	Ps. 34,247	Ps. 28,754	Ps. 23,660
Current portion of long-term debt							**(4,489)**		(4,935)	(1,725)
							Ps. 28,640		Ps.23,819	Ps. 21,935

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

Hedging Derivative Financial Instruments [1]	2013	2014	2015	2016	2017	2018 and Thereafter	**2012**	2011	January, 1 2011
			(notional amounts in millions of Mexican pesos)						
Cross currency swaps:									
Units of investments to Mexican pesos and variable rate:	-	-	-	2,500	-	-	**2,500**	2,500	2,500
Interest pay rate	-	-	-	4.7%	-	-	**4.7%**	4.6%	4.7%
Interest receive rate	-	-	-	4.2%	-	-	**4.2%**	4.2%	4.2%
U.S. dollars to Mexican pesos:									
Variable to variable	-	2,553	-	-	-	-	**2,553**	-	-
Interest pay rate	-	3.7%	-	-	-	-	**3.7%**	-	-
Interest receive rate	-	1.4%	-	-	-	-	**1.4%**	-	-
Interest rate swap:									
Mexican pesos									
Variable to fixed rate:	3,787	575	1,963	-	-	-	**6,325**	6,638	5,260
Interest pay rate	8.2%	8.4%	8.6%	-	-	-	**8.4%**	8.3%	8.1%
Interest receive rate	4.9%	5.1%	5.1%	-	-	-	**5.0%**	4.9%	4.9%

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

For the years ended December 31, 2012 and 2011, interest expense is comprised as follows:

	2012	2011
Interest on debts and borrowings	**Ps 2,029**	Ps. 2,083
Finance charges payable under capitalized interest	**(38)**	(185)
Finance charges for employee benefits	**230**	177
Derivative instruments	**142**	111
Finance operating charges	**98**	103
Finance charges payable under finance leases	**45**	13
	Ps. 2,506	Ps. 2,302

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, 2012, the Company has issued the following domestic senior notes: i) on December 7, 2007, the Company issued domestic senior notes composed of Ps. 3,500 (nominal amount) with a maturity date on November 29, 2013 and a floating interest rate; ii) on December 7, 2007, the Company issued domestic senior notes in the amount of 637,587,000 investment units (Ps. 2,500 nominal amount), with a maturity date on November 24, 2017 and a fixed interest rate, iii) on May 26, 2008, the Company issued domestic senior notes composed of Ps. 1,500 (nominal amount), with a maturity date on May 23, 2011 and a floating interest rate, which was paid at maturity.

Coca-Cola FEMSA has the following domestic senior notes: a) issued in the Mexican stock exchange: i) Ps. 2,500 (nominal amount) with a maturity date in 2016 and a variable interest rate and ii) Ps. 2,500 (nominal amount) with a maturity date in 2021 and fixed interest rate of 8.3%; b) issued in the NYSE a Yankee Bond of $500 with interest at a fixed rate of 4.6% and maturity date on February 15, 2020. Propimex, S. de R.L. de C.V. (subsidiary) guaranteed these notes.

During 2012, Coca-Cola FEMSA contracted the following bilateral Bank loans denominated in U.S. dollars: i) $300 (nominal amount) with a maturity date in 2013 and variable interest rate, ii) $200 (nominal amount) with a maturity date in 2014 and variable interest rate and $400 (nominal amount) with a maturity date in 2015 and variable 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.

19 Other Income and Expenses

		2012		2011
Gain on sale of shares (see Note 4)	Ps.	**1,215**	Ps.	-
Gain on sale of long-lived assets		**132**		95
Sale of waste material		**43**		40
Write off-contingencies		**76**		80
Others		**279**		166
Other income	Ps.	**1,745**	Ps.	381
Contingencies associated with prior acquisitions or disposals		**213**		226
Impairment of non current assets		**384**		146
Disposal of long-lived assets (1)		**133**		656
Foreign exchange		**40**		11
Securities taxes from Colombia		**40**		197
Severance payments		**349**		256
Donations (2)		**200**		200
Effect of new labor law (LOTTT) (see Note 16) (3)		**381**		-
Other		**233**		380
Other expenses	Ps.	**1,973**	Ps.	2,072

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

(2) In this caption are included the gain on the sale of 45% interest held by FEMSA in the parent companies of the Mareña Renovables Wind Power Farm (see Note 10) offsetting to the donation made to Fundación FEMSA, A.C. (see Note 14).

(3) This amount relates to the past service cost related to post-employment by Ps. 381 as a result of the effect of the change in LOTTT and it is included in the consolidated income statement under the "Other expenses" caption.

20 Financial Instruments

Fair Value of Financial Instruments

The Company uses a three-level fair value hierarchy to prioritize the inputs used to measure the fair value of its financial instruments.

The three input levels are described as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has 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 the Company's financial assets and liabilities measured at fair value, as of December 31, 2012 and 2011 and as of January 1, 2011:

	December 31, **2012**		December 31, 2011		January 1, 2011	
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
Available-for-sale investments	**12**		330		66	
Derivative financial instrument (current asset)		**106**		530		15
Derivative financial instrument (non-current asset)		**1,144**		850		707
Derivative financial instrument (current liability)		**279**		5		8
Derivative financial instrument (non-current liability)		**212**		563		651

The Company has no assets or liabilities classified as level 3 for fair value measurement.

20.1 Total debt

The fair value of bank and syndicated loans is calculated based on the discounted value of contractual cash flows whereby the discount rate is estimated using rates currently offered for debt of similar amounts and maturities, which is considered to be level 2 in the fair value hierarchy. The fair value of the Company's publicly traded debt is based on quoted market prices as of December 31, 2012 and 2011 and as of January 1, 2011, which is considered to be level 1 in the fair value hierarchy.

	2012	2011	January 1, 2011
Carrying value	**Ps. 37,342**	Ps. 29,392	Ps. 25,238
Fair value	**38,456**	30,302	25,451

20.2 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 have been designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value. The fair value is estimated using formal technical models. The valuation method involves discounting to present value the expected cash flows of interest, calculated from the rate curve of the cash flow currency, and expresses the net result in the reporting currency. Changes in fair value are recorded in cumulative other comprehensive income, net of taxes until such time as the hedged amount is recorded in the consolidated income statements.

At December 31, 2012, the Company has the following outstanding interest rate swap agreements:

Maturity Date	Notional Amount	Fair Value Liability December 31, **2012**	Asset
2013	**Ps. 3,787**	**Ps. (82)**	**Ps. 5**
2014	**575**	**(33)**	**2**
2015	**1,963**	**(160)**	**5**

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

Maturity Date	Notional Amount	Fair Value Liability December 31, 2011	Asset
2012	Ps. 1,600	Ps. (16)	Ps. 4
2013	3,812	(181)	-
2014	575	(45)	2
2015	1,963	(189)	5

A portion of certain interest rate swaps do not meet the criteria for hedge accounting; consequently, changes in the estimated fair value of these portions were recorded within the consolidated income statements under the caption "market value gain(loss) on financial instruments."

The net effect of expired contracts treated as hedges are recognized as interest expense within the consolidated income statements.

20.3 Forward agreements to purchase foreign currency

The Company has entered into forward agreements to reduce its exposure to the risk of exchange rate fluctuations between the Mexican peso and other currencies. Foreign exchange forward contracts measured at fair value are designated hedging instruments in cash flow hedge of forecast inflows in Euros and forecast purchases of raw materials in U.S. dollars. These forecast transactions are highly probable.

These instruments have been designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value which is determined based on prevailing market exchange rates to terminate the contracts at the end of the period. The price agreed in the instrument is compared to the current price of the market forward currency and is discounted to present value of the rate curve of the relevant currency. Changes in the fair value of these forwards are recorded as part ofcumulative other comprehensive income, net of taxes. Net gain/loss on expired contracts is recognized as part of cost of goods sold when the raw material is included in sale transaction, and as a part of foreign exchange when the inflow in Euros are received.

Net changes in the fair value of forward agreements that do not meet hedging criteria for hedge accounting are recorded in the consolidated income statements under the caption "market value gain (loss) on financial instruments."

At December 31, 2012, the Company had the following outstanding forward agreements to purchase foreign currency:

Maturity Date		Notional Amount		Fair Value Asset December 31, **2012**
2013	**Ps.**	**2,803**	**Ps.**	**36**

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

Maturity Date		Notional Amount		Fair Value Asset December 31, 2011
2012	Ps.	2,933	Ps.	183

20.4 Options to purchase foreign currency

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

These instruments have been designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value which is determined based on prevailing market exchange rates to terminate the contracts at the end of the period. They are valued based on the Black & Scholes model, doing a split in the intrinsic and extrinsic value. Changes in the fair value of these options, corresponding to the intrinsic value are initially recorded as part of cumulative other comprehensive income, net of taxes. Changes in the fair value, corresponding to the extrinsic value are recorded in the consolidated income statements under the caption "market value gain (loss) on financial instruments," as part of the consolidated net income. Net gain (loss) on expired contracts is recognized as part of cost of goods sold when the raw material is affecting the cost of good sold.

At December 31, 2012, the Company had the following outstanding collars to purchase foreign currency (composed of a call and a put option with different strike levels with the same notional amount and maturity):

Maturity Date		Notional Amount		Fair Value Asset December 31, **2012**
2013	**Ps.**	**982**	**Ps.**	**47**

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

Maturity Date		Notional Amount		Fair Value Asset December 31, 2011
2012	Ps.	1,901	Ps.	300

20.5 Cross-currency swaps

The Company has contracted for a number of 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. Cross-Currency swaps contracts are designated as hedging instruments through which The Company changes dollar and Units of Investments (UDIs) denominated debt to Mexican Peso denominated debt.

These instruments are recognized in the consolidated statement of financial position at their estimated fair value which is estimated using formal technical models. The valuation method involves discounting to present value the expected cash flows of interest, calculated from the rate curve of the cash flow currency, and expresses the net result in the reporting currency. The Company has contracts that are designated as fair value hedges. The fair values changes related to those cross currency swaps are recorded under the caption "market value gain (loss) on financial instruments," net of changes related to the long-term liability, within the consolidated income statements.

The Company has Cross-Currency contracts designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value. Changes in fair value are recorded in cumulative other comprehensive income, net of taxes until such time as the hedge amount is recorded in the consolidated income statement.

At December 31, 2012, the Company had the following outstanding cross currency swap agreements:

Maturity Date		Notional Amount		Fair Value Asset December 31, **2012**
2014	**Ps.**	**2,553**	**Ps.**	**46**
2017		**2,711**		**1,089**

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

Maturity Date		Notional Amount		Fair Value Asset December 31, 2011
2017	Ps.	2,500	Ps.	860

20.6 Commodity price contracts

The Company has entered into various commodity price contracts to reduce its exposure to the risk of fluctuation in the costs of certain raw material. Those commodities contracts are designated as hedging instruments of purchases of sugar and aluminium.

These instruments have been designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value. The fair value is estimated based on the market valuations to terminate the contracts at the closing date of the period. Commodity price contracts are valued by the Company, based on publicly quoted prices in futures market of Intercontinental Exchange. Changes in the fair value were recorded as part of cumulative other comprehensive income, net of taxes.

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

At December 31, 2012, the Company had the following outstanding commodity price contract:

Maturity Date		Notional Amount		Fair Value Liability December 31, **2012**
2013	**Ps.**	**1,902**	**Ps.**	**(156)**
2014		**856**		**(34)**
2015		**213**		**(10)**

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

Maturity Date		Notional Amount		Fair Value Liability December 31, 2011
2012	Ps.	427	Ps.	(14)
2013		327		(5)

20.7 Net effects of expired contracts that met hedging criteria

Type of Derivatives	Impact in Consolidated Income Statement		**2012**		2011
Interest rate swaps	Interest expense	**Ps.**	**(147)**	Ps.	(120)
Forward agreements to purchase foreign currency	Foreign exchange		**126**		-
Cross-currency swaps	Foreign Exchange / Interest expense		**(44)**		8
Commodity price contracts	Cost of goods sold		**6**		257
Options to purchase foreign currency	Cost of goods sold		**13**		-
Forward agreements to purchase foreign currency	Cost of goods sold		**-**		21

20.8 Net effect of changes in fair value of derivative financial instruments that did not meet the hedging criteria for accounting purposes

Some Interest Rate Swaps do not meet the hedging criteria for accounting purposes; consequently changes in the estimated fair value were recorded in the consolidated results as part of market value gain (loss) on financial instruments.

Type of Derivatives	Impact in Consolidated Income Statement	**2012**	2011
Cross-currency swaps	Market value loss on financial instruments	**(2)**	(2)

20.9 Net effect of expired contracts that did not meet the hedging criteria for accounting purposes

Type of Derivatives	Impact in Consolidated Income Statement	**2012**	2011
Cross-currency swaps	Market value gain (loss) on	**42**	(144)
Interest rate swaps	financial instruments	**(4)**	-
Others		**(29)**	37

20.10 Market risk

Market risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market prices. Market prices include currency risk and commodity price risk.

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and commodity prices. The Company enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk, and commodity prices risk including:

- Forward Agreements to Purchase Foreign Currency in order to reduce its exposure to the risk of exchange rate fluctuations.
- Cross-Currency Swaps in order to reduce its exposure to the risk of exchange rate fluctuations.
- Commodity price contracts in order to reduce its exposure to the risk of fluctuation in the costs of certain raw materials.

The Company tracks the fair value (mark to market) of our derivative financial instruments and its possible changes using scenario analyses.

The following disclosures provide a sensitivity analysis of the market risks management considered to be reasonably possible at the end of the reporting period, which the Company is exposed to as it relates to foreign exchange rates and commodity prices, which it considers in its existing hedging strategy:

Forward Agreements to Purchase Foreign Currency	Change in Exchange Rate		Effect on Equity		Effect on Profit or Loss
2012					
FEMSA	**+9% EUR/+11% USD**	**Ps.**	**(250)**	**Ps.**	**-**
	-9% EUR/-11% USD		**104**		**-**
Coca-Cola FEMSA	**-11% USD**		**(122)**		**-**
2011					
FEMSA	+13% EUR/+15% USD	Ps.	(189)	Ps.	-
	-13% EUR/-15% USD		191		-
Coca-Cola FEMSA	-15% USD		(94)		(53)

Net Cash in Foreign Currency	Change in Exchange Rate		Effect on Profit or Loss
2012			
FEMSA	**+9% EUR/+11% USD**	**Ps.**	**809**
	-9% EUR/-11% USD		**(809)**
Coca-Cola FEMSA	**+15% USD**		**(362)**
2011			
FEMSA	+13% EUR/+15% USD	Ps.	1,188
	-13% EUR/-15% USD		(1,188)
Coca-Cola FEMSA	+16% USD		(398)

Commodity Price Contracts	Change in U.S.$ Rate	Effect on Equity
2012		
Coca-Cola FEMSA	**Sugar - 30%**	**(732)**
	Aluminum - 20%	**(66)**
2011		
Coca-Cola FEMSA	Sugar - 40%	(294)

20.11 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk because it and its subsidiaries borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of the difference derivative financial instruments. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The following disclosures provide a sensitivity analysis of the interest rate risks management considered to be reasonably possible at the end of the reporting period, which the Company is exposed to as it relates to its fixed and floating rate borrowings, which it considers in its existing hedging strategy:

		2012		2011
Change in interest rate		**+100 Bps.**		+100 Bps.
Effect on profit or loss	**Ps.**	**(198)**	Ps.	(98)

20.12 Liquidity risk

Each of the Company's sub-holding companies generally finances its operational and capital requirements on an independent basis. As of December 31, 2012 and 2011, 82.4% and 76.9%, respectively of the Company's outstanding consolidated total indebtedness was at the level of its sub-holding companies. This structure is attributable, in part, to the inclusion of third parties in the capital structure of Coca-Cola FEMSA. Currently, the Company's management expects to continue to finance its operations and capital requirements primarily at the level of its sub-holding companies. Nonetheless, they may decide to incur indebtedness at our holding company in the future to finance the operations and capital requirements of the Company's subsidiaries or significant acquisitions, investments or capital expenditures. As a holding company, the Company depends on dividends and other distributions from our subsidiaries to service the Company's indebtedness.

The Company's principal source of liquidity has generally been cash generated from its operations. The Company has traditionally been able to rely on cash generated from operations because a significant majority of the sales of Coca-Cola FEMSA and FEMSA Comercio are on a cash or short-term credit basis, and FEMSA Comercio's OXXO stores are able to finance a significant portion of their initial and ongoing inventories with supplier credit. The Company's principal use of cash has generally been for capital expenditure programs, debt repayment and dividend payments. Nonetheless, as a result of regulations in certain countries in which the Company operates, it may not be beneficial or, as in the case of exchange controls in Venezuela, practicable to remit cash generated in local operations to fund cash requirements in other countries. Exchange controls like those in Venezuela may also increase the real price of remitting cash from operations to fund debt requirements in other countries. In addition, the Company's liquidity in Venezuela could be affected by changes in the rules applicable to exchange rates as well as other regulations, such as exchange controls.

Ultimate responsibility for liquidity risk management rests with the Company's board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and committed credit facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Company has access to credit in order to face treasury needs; besides, the Company has the highest investor grade (AAA) given by independent rating agencies in Mexico, allowing the Company to evaluate capital markets in case it needs resources.

The Company's management continuously evaluates opportunities to pursue acquisitions or engage in joint ventures or other transactions. We would expect to finance any significant future transactions with a combination of cash from operations, long-term indebtedness and capital stock.

The Company's sub-holding companies generally incur short-term indebtedness in the event that they are temporarily unable to finance operations or meet any capital requirements with cash from operations. A significant decline in the business of any of the Company's sub-holding companies may affect the sub-holding company's ability to fund its capital requirements. A significant and prolonged deterioration in the economies in which we operate or in the Company's businesses may affect the Company's ability to obtain short-term and long-term credit or to refinance existing indebtedness on terms satisfactory to the Company's management.

The Company presents the maturity dates associated with its long-term financial liabilities as of December 31, 2012, see Note 18. The Company generally makes payments associated with its long-term financial liabilities with cash generated from its operations.

The Company's management believes that its sources of liquidity as of December 31, 2012, were adequate for the conduct of its sub-holding companies' businesses and that it will have sufficient working capital available to meet its expenditure demands and financing needs in 2013 and in the following years.

See Note 18 for a disclosure of the Company's maturity dates associated with its non-current financial liabilities as of December 31, 2012. The cash outflows for financial liabilities

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. It includes expected net cash outflows from derivative financial liabilities that are in place as per December 31, 2012. Such expected net cash outflows are determined based on each particular settlement date of an instrument. The amounts disclosed are undiscounted net cash outflows for the respective upcoming fiscal years, based on the earliest date on which the Company could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on economic conditions (like interest rates and foreign exchange rates) existing at December 31, 2012.

(in millions of Ps.)	2013	2014	2015	2016	2017	2018 and Thereafter
Non-derivative financial liabilities:						
Notes and bonds	910	629	629	3,059	746	10,260
Loans from banks	5,448	5,695	8,158	11	11	22
Obligations under finance leases	199	8	7	2	-	-
Derivatives financial liabilities	235	55	50	(15)	(645)	-

The Company generally makes payments associated with its non-current financial liabilities with cash generated from its operations.

20.13 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee.

The Company has a high receivable turnover; hence management believes credit risk is minimal due to the nature of its businesses, which have a large portion of their sales settled in cash.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company manages the credit risk related to its derivative portfolio by only entering into transactions with reputable and credit-worthy counterparties as well as by maintaining in some cases a Credit Support Annex (CSA) that establishes margin requirements. As of December 31, 2012, the Company concluded that the maximum exposure to credit risk related with derivative financial instruments is not significant given the high credit rating of its counterparties.

21 Non-Controlling Interest in Consolidated Subsidiaries

An analysis of FEMSA's non-controlling interest in its consolidated subsidiaries for the years ended December 31, 2012 and 2011 and as of January 1, 2011 is as follows:

	December 31, **2012**	December 31, 2011	January 1, 2011
Coca-Cola FEMSA	**Ps. 54,902**(2)	Ps. 47,906(1)	Ps. 31,485
Other	**-**	43	36
	Ps. 54,902	Ps. 47,949	Ps. 31,521

(1) Changes compared to the prior year mainly resulted from the acquisitions of Grupo Tampico and CIMSA (see Note 4).

(2) Changes compared to the prior year mainly resulted from the acquisition FOQUE (see Note 4).

The changes in the FEMSA's non-controlling interest were as follows:

	2012	2011
Initial balance	**Ps. 47,949**	Ps. 31,521
Net income of non controlling interest	**7,344**	5,569
Other comprehensive income:		
Exchange diferences on translation foreign operation	**(1,342)**	1,944
Remeasurements of the net defined benefits liability	**(60)**	6
Valuation of the effective portion of derivative financial instruments	**(113)**	(15)
Acquisitions effects (see Note 4)	**4,172**	11,038
Disposal effects	**(50)**	(70)
Dividends	**(2,986)**	(2,025)
Share based payment	**(12)**	(19)
Ending balance	**Ps. 54,902**	Ps. 47,949

Non controlling cumulative other comprehensive income is comprised as follows:

	December 31, **2012**	December 31, 2011	January 1, 2011
Exchange diferences on translation foreign operation	**Ps. 602**	Ps. 1,944	Ps. -
Remeasurements of the net defined benefits liability	**(126)**	(66)	(72)
Valuation of the effective portion of derivative financial instruments	**(72)**	41	56
Cumulative other comprehensive income	**Ps. 404**	Ps. 1,919	Ps. (16)

22 Equity

22.1 Shareholders' equity accounts

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, 2012 and 2011 and as of January 1, 2011, 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" shareholders will be 125% of any dividend paid to series "B" shareholders.

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

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

As of December 31, 2012 and 2011 and as of January 1, 2011, FEMSA's outstanding 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 shareholders during the existence of the Company, except as a stock dividend. As of December 31, 2012 and 2011 and January 1, 2011, this reserve amounted to Ps. 596.

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

Dividends paid in excess of CUFIN are subject to income tax at a grossed-up rate based on the current statutory rate. Since 2003, this tax may be credited against the income tax of the year in which the dividends are paid, and in the following two years against the income tax and estimated tax payments. As of December 31, 2012, FEMSA's balances of CUFIN amounted to Ps. 69,890.

At the ordinary shareholders' meeting of FEMSA held on March 23, 2012, the shareholders approved a reserve for share repurchase of a maximum of Ps. 3,000. As of December 31, 2012, the Company has not repurchased shares. Treasury shares resulted from share-based payment bonus plan are disclosed in Note 17.

At an ordinary shareholders' meeting of Coca-Cola FEMSA held on March 20, 2012, the shareholders approved a dividend of Ps. 5,625 that was paid on May 30, 2012. The corresponding payment to the non-controlling interest was Ps. 2,877.

For the years ended December 31, 2012 and 2011 the dividends declared and paid by the Company and Coca-Cola FEMSA were as follows:

		2012		2011
FEMSA	**Ps.**	**6,200**	Ps.	4,600
Coca-Cola FEMSA (100% of dividend)		**5,625**		4,358

For the years ended December 31, 2012 and 2011 the dividends declared and paid per share by the Company are as follows:

Series of Shares	2012	2011
"B"	**Ps. 0.30919**	Ps. 0.22940
"D"	**0.38649**	0.28675

22.2 Capital management

The Company manages its capital to ensure that its subsidiaries will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of its debt and equity balances in order to obtain the lowest cost of capital available. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2012 and 2011.

The Company is not subject to any externally imposed capital requirements, other than the legal reserve (see Note 22.1).

The Company's finance committee reviews the capital structure of the Company on a quarterly basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. In conjunction with this objective, the Company seeks to maintain the highest credit rating both nationally and internationally and is currently rated AAA in Mexico and BBB in the United States, which requires it to have a debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio lower than 2. As a result, prior to entering into new business ventures, acquisitions or divestures, management evaluates the optimal ratio of debt to EBITDA in order to maintain its high credit rating.

23 Earnings per Share

Basic earnings per share amounts are calculated by dividing consolidated net income for the year attributable to controlling interest by the weighted average number of shares outstanding during the period adjusted for the weighted average of own shares purchased in the period.

Diluted earnings per share amounts are calculated by dividing consolidated net income for the year attributable to controlling interest by the weighted average number of shares outstanding during the period plus the weighted average number of shares for the effects of dilutive potential shares (originated by the Company's share based payment program).

	2012		2011	
	Per Series "B" Shares	Per Series "D" Shares	Per Series "B" Shares	Per Series "D" Shares
Net Controlling Interest Income	**9,548.21**	**11,158.58**	7,069.69	8,262.04
Shares expressed in millions:				
Weighted average number of shares for basic earnings per share	**9,237.49**	**8,609.00**	9,236.62	8,605.49
Effect of dilution associated with nonvested shares for share based payment plans	**8.93**	**35.71**	9.80	39.22
Weighted average number of shares adjusted for the effect of dilution	**9,246.42**	**8,644.71**	9,246.42	8,644.71

24 Income Taxes

24.1 Income Tax

The major components of income tax expense for the years ended December 31, 2012 and 2011 are:

	2012	2011
Current tax expense	**Ps. 7,412**	Ps. 7,519
Deferred tax expense	**537**	99
	Ps. 7,949	Ps. 7,618

Recognized in Consolidated Statement of Other Comprehensive Income (OCI)

Income tax related to items charged or recognized directly in OCI during the year		December 31, **2012**		December 31, 2011
Unrealized (gain) loss on cash flow hedges	**Ps.**	**(120)**	Ps.	43
Unrealized (gain) loss on available for sale securities		**(1)**		2
Exchange differences on translation of foreign operations		**(1,012)**		1,930
Remeasurements of the net defined benefit liability		**(113)**		(18)
Share of the other comprehensive income of associates companies and joint ventures		**(304)**		(542)
Total income tax (benefit) cost recognized in OCI	**Ps.**	**(1,550)**	Ps.	1,415

A reconciliation between tax expense and income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method multiplied by the Mexican domestic tax rate for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Mexican statutory income tax rate	**30.0%**	30.0%
Difference between book and tax inflationary effects	**(1.1%)**	(1.1%)
Difference between statutory income tax rates	**1.1%**	1.5%
Non-deductible expenses	**0.8%**	1.3%
Non-taxable income	**(1.3%)**	(0.2%)
Others	**(0.6%)**	0.8%
	28.9%	32.3%

Deferred Tax Related to:

	Consolidated Statement of Financial Position						Consolidated Statement of Income			
		December 31, **2012**		As of December 31, 2011		January 1, 2011		**2012**		2011
Allowance for doubtful accounts	**Ps.**	**(131)**	Ps.	(107)	Ps.	(71)	**Ps.**	**(33)**	Ps.	(28)
Inventories		**1**		(52)		37		**51**		(124)
Other current assets		**25**		141		60		**(104)**		93
Property, plant and equipment, net		**(405)**		(157)		(421)		**(101)**		(75)
Investments in associates and joint ventures		**938**		(161)		161		**1,589**		200
Other assets		**(187)**		(412)		(89)		**238**		(308)
Finite useful lived intangible assets		**221**		260		192		**(38)**		65
Indefinite useful lived intangible assets		**41**		17		(17)		**32**		24
Post-employment and other long-term employee benefits		**(847)**		(696)		(642)		**(40)**		(14)
Derivative financial instruments		**(87)**		46		16		**(14)**		(8)
Provisions		**(645)**		(721)		(703)		**(12)**		(1)
Temporary non-deductible provision		**(767)**		(785)		(860)		**51**		133
Employee profit sharing payable		**(221)**		(200)		(125)		**(13)**		(56)
Tax loss carryforwards		**(181)**		(631)		(989)		**434**		358
Exchange differences on translation of foreign operations		**853**		1,897		-		**-**		-
Other liabilities		**64**		(25)		(60)		**72**		40
Deferred tax expense (income)								**2,112**		299
Deferred tax expense (income) net recorded in share of the profit associates and joint ventures accounted for using the equity method								**(1,575)**		(200)
Deferred tax expense (income), net								**537**		99
Deferred income taxes, net		**(1,328)**		(1,586)		(3,511)				
Deferred tax asset		**(2,028)**		(2,000)		(3,734)				
Deferred tax liability	**Ps.**	**700**	Ps.	414	Ps.	223				

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

		2012		2011
Initial balance	Ps.	**(1,586)**	Ps.	(3,511)
Deferred tax provision for the year		**537**		99
Deferred tax expense (income) net recorded in share of the profit associates and joint ventures accounted for using the equity method		**1,575**		200
Acquisition of subsidiaries (see Note 4)		**(77)**		218
Disposal of subsidiaries		**16**		-
Effects in equity:				
Unrealized (gain) loss on cash flow hedges		**(76)**		80
Unrealized (gain) loss on available for sale securities		**(1)**		2
Exchange differences on translation of foreign operations		**(974)**		1,410
Remeasurements of the net defined benefit liability		**(532)**		(110)
Retained earnings of associates		**(189)**		23
Restatement effect of beginning balances associated with hyperinflationary economies		**(21)**		3
Ending balance	Ps.	**(1,328)**	Ps.	(1,586)

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same tax authority.

Tax Loss Carryforwards

The subsidiaries in Mexico and Brazil have tax loss carryforwards. The tax effect net of consolidation benefits and their years of expiration are as follows:

Year		Tax Loss Carryforwards
2014	Ps.	2
2015		3
2018		3
2019		8
2020		61
2021		68
2022 and thereafter		435
No expiration (Brazil)		46
		626
Tax losses used in consolidation		(535)
	Ps.	91

The changes in the balance of tax loss carryforwards are as follows:

		2012		2011
Initial balance	Ps.	**688**	Ps.	751
Additions		**903**		56
Usage of tax losses		**(1,449)**		(135)
Translation effect of beginning balances		**(51)**		16
Ending balance	Ps.	**91**	Ps.	688

There are no income tax consequences associated with the payment of dividends in either 2012 or 2011 by the Company to its shareholders.

The Company has determined that undistributed profits of its subsidiaries, joint venture or associate will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, associates and joint ventures, for which a deferred tax liability has not been recognised, aggregate to Ps. 17,600 (December 31, 2011: Ps. 16,256, January 1st 2011: Ps. 14,714).

24.2 Tax on assets

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

24.3 Flat-rate business tax ("IETU")

Effective in 2008, IETU came into effect in Mexico and replaced Asset Tax. IETU essentially works as a minimum corporate income tax, except that amounts paid cannot be creditable against future income tax payments. The payable tax for a taxpayer in a given year is the higher of IETU or income tax computed under the Mexican income tax law. The IETU rate is 17.5%. IETU is computed on a cash-flow basis, which means the tax base is equal to cash proceeds, less certain deductions and credits. In the case of export sales, where cash on a receivable has not been collected within 12 months, income is deemed received at the end of the 12-month period. In addition, unlike the Income Tax Law, which allows for tax consolidation, companies that incur IETU are required to file their returns on an individual basis.

25 Other Liabilities, Provisions, Contingencies and Commitments

25.1 Other current financial liabilities

	December 31, **2012**	December 31, 2011	January 1, 2011
Sundry creditors	**Ps. 3,054**	Ps. 2,116	Ps. 1,681
Derivative financial instruments	**279**	5	8
Others	**14**	14	37
Total	**Ps. 3,347**	Ps. 2,135	Ps. 1,726

25.2 Provisions and other long term liabilities

	December 31, **2012**	December 31, 2011	January 1, 2011
Provisions	**Ps. 2,476**	Ps. 2,764	Ps. 2,712
Others	**938**	792	949
Total	**Ps. 3,414**	Ps. 3,556	Ps. 3,661

25.3 Other financial liabilities

	December 31, **2012**	December 31, 2011	January 1, 2011
Derivative financial instruments	**Ps. 212**	Ps. 563	Ps. 651
Taxes payable	**356**	639	1,083
Security deposits	**268**	291	238
Total	**Ps. 836**	Ps. 1,493	Ps. 1,972

25.4 Provisions recorded in the consolidated statement of financial position

The Company has various loss contingencies, and has recorded reserves as other liabilities for those legal proceedings for which it believes an unfavorable resolution is probable. Most of these loss contingencies are the result of the Company's business acquisitions. The following table presents the nature and amount of the loss contingencies recorded as of December 31, 2012 and 2011 and as of January 1, 2011:

	December 31, **2012**	December 31, 2011	January 1, 2011
Indirect taxes	**Ps. 1,263**	Ps. 1,405	Ps. 1,358
Labor	**934**	1,128	1,134
Legal	**279**	231	220
	Ps. 2,476	Ps. 2,764	Ps. 2,712

25.5 Changes in the balance of provisions recorded

25.5.1 Indirect taxes

	December 31, **2012**	December 31, 2011
Initial balance	**Ps. 1,405**	Ps. 1,358
Penalties and other charges	**107**	16
New contingencies	**56**	43
Contingencies added in business combination	**117**	170
Cancellation and expiration	**(124)**	(47)
Payments	**(157)**	(102)
Current portion	**(52)**	(113)
Restatement of the beginning balance of subsidiaries in hyperinflationary economies	**(89)**	80
Ending balance	**Ps. 1,263**	Ps. 1,405

25.5.2 Labor

	December 31, **2012**	December 31, 2011
Initial balance	**Ps. 1,128**	Ps. 1,134
Penalties and other charges	**189**	105
New contingencies	**134**	122
Contingencies added in business combination	**15**	8
Cancellation and expiration	**(359)**	(261)
Payments	**(91)**	(71)
Restatement of the beginning balance of subsidiaries in hyperinflationary economies	**(82)**	91
Ending balance	**Ps. 934**	Ps. 1,128

A roll forward for legal contingencies is not disclosed because the amounts are not considered to be material.

While provision for all claims has already been made, the actual outcome of the disputes and the timing of the resolution cannot be estimated by the Company at this time.

25.6 Unsettled lawsuits

The Company has entered into legal proceedings with its labor unions, tax authorities and other parties. 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, 2012 is Ps. 12,231. Such contingencies were classified by legal counsel as less than probable but more than remote of being settled against the Company. However, the Company believes that the ultimate resolution of such legal proceedings will not have a material effect on its consolidated financial position or result of operations.

In recent years in its Mexican, Costa Rican and Brazilian territories, Coca-Cola FEMSA has been requested to present certain information regarding possible monopolistic practices. These requests are commonly generated in the ordinary course of business in the soft drink industry where this subsidiary operates. The Company does not expect any significant liability to arise from these contingencies.

25.7 Collateralized contingencies

As is customary in Brazil, the Company has been required by the tax authorities there to collateralize tax contingencies currently in litigation amounting to Ps. 2,164, Ps. 2,418 and Ps. 2,292 as of December 31, 2012 and 2011 and as of January 1, 2011, respectively, by pledging fixed assets and entering into available lines of credit covering the contingencies.

25.8 Commitments

As of December 31, 2012, the Company has contractual commitments for finance leases for machinery and transport equipment and operating leases for the rental of production machinery and equipment, distribution and computer equipment, and land for FEMSA Comercio's operations.

The contractual maturities of the operating lease commitments by currency, expressed in Mexican pesos as of December 31, 2012, are as follows:

		Mexican Pesos		U.S. Dollars		Others
Not later than 1 year	Ps.	2,966	Ps.	77	Ps.	97
Later than 1 year and not later than 5 years		10,498		335		86
Later than 5 years		13,516		544		-
Total	Ps.	26,980	Ps.	956	Ps.	183

Rental expense charged to consolidated net income was Ps. 4,032 and Ps. 3,248 for the years ended December 31, 2012 and 2011, respectively.

Future minimum lease payments under finance leases with the present value of the net minimum lease payments are as follows:

	2012 Minimum Payments	Present Value of Payments	2011 Minimum Payments	Present Value of Payments
Not later than 1 year	**236**	225	285	265
Later than 1 year and not later than 5 years	**134**	122	357	350
Later than 5 years	-	-	-	-
Total mínimum lease payments	**370**	347	642	615
Less amount representing finance charges	**23**		27	
Present value of minimum lease payments	**347**		615	

Coca-Cola FEMSA has firm commitments for the purchase of property, plan and equipment of Ps. 27 as December 31, 2012.

25.9 Restructuring provision

Coca-Cola FEMSA recorded a restructuring provision. This provision relates principally to reorganization in the structure of Coca-Cola FEMSA. The restructuring plan was drawn up and announced to the employees of Coca-Cola FEMSA in 2011 when the provision was recognized in its consolidated financial statements. The restructuring of Coca-Cola FEMSA is expected to be completed by 2013 and it is presented in current liabilities within accounts payable caption in the consolidated statement of financial position.

		December 31, **2012**		December 31, 2011
Initial balance	**Ps.**	**153**	Ps.	230
New		**195**		48
Payments		**(258)**		(76)
Cancellation		**-**		(49)
Ending balance	**Ps.**	**90**	Ps.	153

26 Information by Segment

The analytical information by segment is presented considering the Company's business units (Subholding Companies as defined in Note 1), which is consistent with the internal reporting presented to the Chief Operating Decision Maker. A segment is a component of the Company that engages in business activities from which it earns revenues, and incurs the related costs and expenses, including revenues, costs and expenses that relate to transactions with any of Company's other components. All segments' operating results are reviewed regularly by the Chief Operating Decision Maker, which makes decisions about the resources that would be allocated to the segment and to assess its performance, and for which financial information is available.

Inter-segment transfers or transactions are entered into and presented under accounting policies of each segment, which are the same to those applied by the Company. Intercompany operations are eliminated and presented within the consolidation adjustment column included in the tables below.

a) By Business Unit:

2012	Coca-Cola FEMSA	FEMSA Comercio	CB Equity	Other [1]	Consolidation Adjustments	Consolidated
Total revenues	Ps. 147,739	Ps. 86,433	Ps. -	Ps. 15,899	Ps. (11,762)	Ps. 238,309
Intercompany revenue	2,873	5	-	8,884	(11,762)	-
Gross profit	68,630	30,250	-	4,647	(2,227)	101,300
Administrative expenses	-	-	-			9,552
Selling expenses	-	-	-			62,086
Other income	-	-	-			1,745
Other expenses	-	-	-			(1,973)
Interest expense	(1,955)	(445)	-	(511)	405	(2,506)
Interest income	424	19	18	727	(405)	783
Other net finance expenses [3]	-	-	-			(181)
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method	19,992	6,146	10	1,620	(238)	27,530
Income taxes	6,274	729	-	946	-	7,949
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	180	(23)	8,311	2	-	8,470
Consolidated net income	-	-	-			28,051
Depreciation and amortization [2]	5,692	2,031	-	293	(126)	7,890
Non-cash items other than depreciation and amortization	580	200	-	237		1,017
Investments in associates and joint ventures	5,352	459	77,484	545		83,840
Total assets	166,103	31,092	79,268	31,078	(11,599)	295,942
Total liabilities	61,275	21,356	1,822	12,409	(11,081)	85,781
Investments in fixed assets [4]	10,259	4,707	-	959	(365)	15,560

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

[2] Includes bottle breakage.

[3] Includes foreign exchange loss, net; loss on monetary position for subsidiaries in hyperinflationary economies; and market value gain on financial instruments.

[4] Includes acquisitions and disposals of property, plant and equipment, intangible assets and other long-lived assets.

2011	Coca-Cola FEMSA	FEMSA Comercio	CB Equity	Other [1]	Consolidation Adjustments	Consolidated
Total revenues	Ps. 123,224	Ps. 74,112	Ps. -	Ps. 13,360	Ps. (9,156)	Ps. 201,540
Intercompany revenue	2,099	2	-	7,055	(9,156)	-
Gross profit	56,531	25,476	-	3,884	(1,595)	84,296
Administrative expenses	-	-	-	-	-	8,172
Selling expenses	-	-	-	-	-	50,685
Other income	-	-	-	-	-	381
Other expenses	-	-	-	-	-	(2,072)
Interest expense	(1,729)	(396)	-	(540)	363	(2,302)
Interest income	616	12	7	742	(363)	1,014
Other net finance income [3]	-	-	-	-	-	1,092
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method	16,794	4,993	-	1,827	(62)	23,552
Income taxes	5,667	578	67	1,306	-	7,618
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	86	-	4,880	1	-	4,967
Consolidated net income						20,901
Depreciation and amortization [2]	4,219	1,778	-	246	(80)	6,163
Non-cash items other than depreciation and amortization	638	170	-	31	-	839
Investments in associates and joint ventures	3,656	-	74,746	241	-	78,643
Total assets	141,738	26,535	76,463	28,853	(10,227)	263,362
Total liabilities	48,657	18,558	1,782	12,134	(9,940)	71,191
Investments in fixed assets [4]	7,866	4,186	-	731	(117)	12,666

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

[2] Includes bottle breakage.

[3] Includes foreign exchange gain, net; gain on monetary position for subsidiaries in hyperinflationary economies; and market value loss on financial instruments.

[4] Includes acquisitions and disposals of property, plant and equipment, intangible assets and other long-lived assets.

January 1, 2011	Coca-Cola FEMSA	FEMSA Comercio	CB Equity	Other [1]	Consolidation Adjustments	Consolidated
Investment in associates companies and joint ventures	Ps. 2,108	Ps. -	Ps. 66,478	Ps. 207	Ps. -	Ps. 68,793
Total assets	104,326	23,090	67,010	28,676	(8,407)	214,695
Total liabilities	38,890	16,394	217	13,978	(8,182)	61,297

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

b) Information by geographic area:
The Company aggregates geographic areas into the following for the purposes of its consolidated financial statements: (i) Mexico and Central America division (comprising the following countries: Mexico, Guatemala, Nicaragua, Costa Rica and Panama) and (ii) the South America division (comprising the following countries: Brazil, Argentina, Colombia and Venezuela). Venezuela operates in an economy with exchange controls and hyper-inflation; and as a result,it is not aggregated into the South America area.

Geographic disclosure for the Company is as follow:

2012		Total Revenues		Total Non Current Assets
Mexico and Central America [(1)]	**Ps.**	**155,576**	**Ps.**	**104,983**
South America [(2)]		**56,444**		**29,275**
Venezuela		**26,800**		**9,127**
Europe		**-**		**77,484**
Consolidation adjustments		**(511)**		**(382)**
Consolidated	**Ps.**	**238,309**	**Ps.**	**220,487**
2011				
Mexico and Central America [(1)]	Ps.	129,716	Ps.	91,428
South America [(2)]		52,149		29,252
Venezuela		20,173		7,952
Europe		-		74,747
Consolidation adjustments		(498)		-
Consolidated	Ps.	201,540	Ps.	203,379
January 1, 2011				
Mexico and Central America [(1)]			Ps.	64,267
South America [(2)]				26,082
Venezuela				5,545
Europe				66,478
Consolidation adjustments				-
Consolidated			Ps.	162,372

(1) Central America includes Guatemala, Nicaragua, Costa Rica and Panama. Domestic (Mexico only) revenues were Ps. 148,098 and Ps. 122,690 during the years ended December 31, 2012 and 2011, respectively. Domestic (Mexico only) non-current assets were Ps. 99,772, Ps. 85,087 and Ps. 58,863 as of December 31, 2012, December 31, 2011 and January 1, 2011, respectively.

(2) South America includes Brazil, Argentina, Colombia and Venezuela, although Venezuela is shown separately above. South America revenues include Brazilian revenues of Ps. 30,930 and Ps. 31,405 during the years ended December 31, 2012 and 2011, respectively. Brazilian non-current assets were Ps. 14,221, Ps. 15,732 and Ps. 14,373 as of December 31, 2012, December 31, 2011 and January 1, 2011, respectively.

27 First Time Adoption of IFRS

27.1 Basis for the Transition to IFRS

27.1.1 Application of IFRS 1, First-time adoption of international financial reporting standards
For preparing the consolidated financial statements under IFRS, the Company applied the mandatory exceptions and utilized certain optional exemptions set forth in IFRS 1, related to the complete retroactive application of IFRS.

27.1.2 Optional exemptions used by the Company
The Company applied the following optional exemptions:

a) Business Combinations and Acquisitions of Associates and Joint Ventures:

The Company elected not to apply IFRS 3 *Business Combinations*, to business combinations as well as to acquisitions of associates and joint ventures prior to its transition date.

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

The Company has presented its property, plant, and equipment and its intangible assets at IFRS historical cost in all countries.

In Mexico, the Company ceased to record inflationary adjustments to its property, plant and equipment on December 31, 2007, due to both changes to Mexican FRS in effect at that time, and the fact that the Mexican peso was not deemed to be a currency of an inflationary economy as of that date. According to IAS 29, *Financial Reporting in Hyperinflationary Economies* the last hyperinflationary period for the Mexican peso was in 1998. As a result, the Company eliminated the cumulative inflation recognized within long-lived assets for the Company´s Mexican operations, based on Mexican FRS during the years 1999 through 2007, which were not deemed hyperinflationary for IFRS purposes.

In Venezuela this IFRS historical cost represents actual historical cost in the year of acquisition, indexed for inflation in a hyper-inflationary economy based on the provisions of IAS 29.

c) Cumulative Translation Effects:
The Company applied the exemption to not recalculate retroactively the translation differences in the financial statements of foreign operations; accordingly, at the transition date, it reclassified the cumulative translation effect to retained earnings.

The application of this exemption is detailed in Note 27.3 (h).

d) Borrowing Costs:
The Company began capitalizing its borrowing costs at the transition date in accordance with IAS 23, *Borrowing Costs*. The borrowing costs included previously under Mexican FRS were subject to the deemed cost exemption mentioned in b) above.

27.1.3 Mandatory exceptions used by the Company
The company applied the following mandatory exceptions set forth in IFRS 1, which do not allow retroactive application to the requirements set forth in such standards:

a) Derecognition of Financial Assets and Liabilities:
The Company applied the derecognition rules of IAS 39, *Financial Instruments: Recognition and Measurement* prospectively for transactions occurring on or after the date of transition. As a result, there was no impact in the Company's consolidated financial statements due to the application of this exception.

b) Hedge Accounting:
The Company measured at fair value all derivative financial instruments and hedging relationships designated and documented effectively as accounting hedges as required by IAS 39 as of the transition date. As a result, there was no impact in the Company's consolidated financial statements due to the application of this exception.

c) Non-controlling Interest:
The Company applied the requirements in IAS 27, *Consolidated and Separate Financial Statements* related to non-controlling interests prospectively beginning on the transition date. As a result, there was no impact in the Company's consolidated financial statements due to the application of this exception.

d) Accounting Estimates:
Estimates prepared under IFRS as of January 1, 2011 are consistent with the estimates recognized under Mexican FRS as of the same date.

27.2 Reconciliations of Mexican FRS and IFRS
The following reconciliations quantify the effects of the transition to IFRS:

- Equity as of December 31, 2011 and as of January 1, 2011 (date of transition to IFRS).
- Comprehensive income for the year ended December 31, 2011.

27.2.1 Effects of IFRS adoption on equity – Consolidated statement of financial position

		As of December 31, 2011				As of January 1, 2011			
		Mexican FRS	Adjustments	Reclassifications	IFRS	Mexican FRS	Adjustments	Reclassifications	IFRS
Cash and cash equivalents	a	Ps. 26,329	Ps. -	Ps. (488)	Ps. 25,841	Ps. 27,097	Ps. -	Ps. (392)	Ps. 26,705
Investments		1,329	-	-	1,329	66	-	-	66
Accounts receivable, net		10,499	-	(1)	10,498	7,702	-	(1)	7,701
Inventories	d	14,385	(9)	(16)	14,360	11,314	-	-	11,314
Recoverable taxes	g	4,311	-	1,032	5,343	4,243	-	909	5,152
Other current financial assets	a,l	-	-	1,018	1,018	-	-	409	409
Other current assets	a,e	2,114	(23)	(497)	1,594	1,038	(52)	(10)	976
Total Current Assets		58,967	(32)	1,048	59,983	51,460	(52)	915	52,323
Investments in associates and joint ventures	k	78,972	(328)	(1)	78,643	68,793	-	-	68,793
Property, plant and equipment, net	b	53,402	(5,260)	6,421	54,563	41,910	(5,221)	5,493	42,182
Intangible assets, net	d	71,608	(8,580)	2	63,030	52,340	(8,087)	-	44,253
Deferred tax assets	g	461	2,139	(600)	2,000	346	2,318	1,070	3,734
Other financial assets	j	-	43	2,702	2,745	-	-	1,388	1,388
Other assets, net	b, l	11,294	-	(8,896)	2,398	8,729	(1)	(6,706)	2,022
Total Assets		274,704	(12,018)	676	263,362	223,578	(11,043)	2,160	214,695
Bank loans and notes payable		638	-	-	638	1,578	-	-	1,578
Current portion of long-term debt		4,935	-	-	4,935	1,725	-	-	1,725
Interest payable		216	-	-	216	165	-	-	165
Suppliers		21,475	-	-	21,475	17,458	-	-	17,458
Accounts payable		5,761	(273)	-	5,488	5,375	(224)	-	5,151
Taxes payable	g	3,208	-	1,033	4,241	2,180	-	909	3,089
Other current financial liabilities	l	-	-	2,135	2,135	-	-	1,726	1,726
Current portion of other long-term liabilities	e,l	2,397	(74)	(2,126)	197	2,035	(33)	(1,726)	276
Total Current Liabilities		38,630	(347)	1,042	39,325	30,516	(257)	909	31,168
Bank loans and notes payable	j	24,031	(156)	(56)	23,819	22,203	(211)	(57)	21,935
Post-employment and other long-term employee benefits	c	2,258	327	(1)	2,584	1,883	455	-	2,338
Deferred tax liabilities	g	13,911	(12,897)	(600)	414	10,567	(11,414)	1,070	223
Other financial liabilities	l	-	-	1,493	1,493	-	-	1,972	1,972
Provisions and other long-term liabilities	e,l	4,760	(2)	(1,202)	3,556	5,396	(1)	(1,734)	3,661
Total Long-Term Liabilities		44,960	(12,728)	(366)	31,866	40,049	(11,171)	1,251	30,129
Total Liabilities		83,590	(13,075)	676	71,191	70,565	(11,428)	2,160	61,297
Equity:									
Controlling interest:									
Capital stock	f,d	Ps. 5,348	Ps. (4)	Ps. (1,999)	Ps. 3,345	Ps. 5,348	Ps. (4)	Ps. (1,999)	Ps. 3,345
Additional paid-in capital	f,d	20,513	5,995	(5,852)	20,656	20,558	51	(5,852)	14,757
Retained earnings	i,d	101,889	4,747	7,851	114,487	91,296	4,548	7,851	103,695
Cumulative other comprehensive income	h	5,830	(96)	-	5,734	146	(66)	-	80
Total controlling interest		133,580	10,642	-	144,222	117,348	4,529	-	121,877
Non-controlling interest in consolidated subsidiaries	i	57,534	(9,585)	-	47,949	35,665	(4,144)	-	31,521
Total equity		191,114	1,057	-	192,171	153,013	385	-	153,398
Total Liabilities and Equity		274,704	(12,018)	676	263,362	223,578	(11,043)	2,160	214,695

27.2.2 Reconciliation of equity

	Note	As of December 31, 2011	As of January 1, 2011
Total equity under Mexican FRS		Ps. 191,114	Ps. 153,013
Property, plant and equipment, net	**b**	(5,260)	(5,221)
Intangible assets, net	**d**	(8,580)	(8,087)
Post-employment and other long-term employee benefits	**c**	(327)	(455)
Embedded derivatives instruments	**e**	76	24
Share-based payments	**f**	298	234
Effect on deferred income taxes	**g**	15,036	13,732
Effective interest method	**j**	195	211
Investments in associates and Joint Ventures	**k**	(328)	-
Others	**d**	(53)	(53)
Total adjustments to equity		1,057	385
Total equity under IFRS		192,171	153,398

27.2.3 Effects of IFRS adoption on consolidated net income – Consolidated income statement

			For the year ended December 31, 2011		
	Note	Mexican FRS	Adjustments	Reclassifications	IFRS
Net sales	**d**	Ps. 201,867	Ps. (1,441)	Ps. -	Ps. 200,426
Other operating revenues	**d**	1,177	(63)	-	1,114
Total revenues		203,044	(1,504)	-	201,540
Cost of goods sold	**b,c,d,l**	118,009	(1,079)	314	117,244
Gross profit		85,035	(425)	(314)	84,296
Administrative expenses	**b,c,d,l**	8,249	(172)	95	8,172
Selling expenses	**b,c,d,l**	49,882	(575)	1,378	50,685
Other income	**d,l**	-	21	360	381
Other expenses	**d,l**	(2,917)	60	785	(2,072)
Interest expense	**d,j**	(2,934)	6	626	(2,302)
Interest income	**d,j**	999	15	-	1,014
Foreign exchange gain, net	**d,l**	1,165	(33)	16	1,148
Gain on monetary position for subsidiaries in hyperinflationary economies	**d**	146	(93)	-	53
Market value loss on financial instruments	**e**	(159)	50	-	(109)
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method		23,204	348	-	23,552
Income taxes	**d,g**	7,687	131	(200)	7,618
Share of the profit or loss of associates and joint ventures accounted for using the equity method	**l**	5,167	-	(200)	4,967
Consolidated net income		Ps. 20,684	Ps. 217	Ps. -	Ps. 20,901
Attributable to:					
Controlling interest		15,133	199	-	15,332
Non-controlling interest	**d,i**	5,551	18	-	5,569
Consolidated net income		Ps. 20,684	Ps. 217	Ps. -	Ps. 20,901

27.2.4 Effects of IFRS adoption on consolidated comprehensive Income – Consolidated Statement of comprehensive income

		For the year ended December 31, 2011		
	Note	Mexican FRS	Adjustments	IFRS
Consolidated net income		Ps. 20,684	Ps. 217	Ps. 20,901
Other comprehensive income:				
Remeasurements of the net defined benefit liability, net of taxes	**c**	-	(59)	(59)
Unrealized gain on available for sale securities, net of taxes		4	-	4
Valuation of the effective portion of derivative financial instruments, net of taxes		118	-	118
Exchange differences on translating foreign operations	**h**	8,277	731	9,008
Share of other comprehensive income of associates and joint ventures, net of taxes	**k**	(1,147)	(248)	(1,395)
Total other comprehensive income, net of taxes		7,252	424	7,676
Consolidated comprehensive income, net of taxes		27,936	641	28,577
Attributable to:				
Controlling interest [(1)]		Ps. 20,817	Ps. 169	Ps. 20,986
Non-controlling interest [(1)]		7,119	472	7,591

[(1)] IFRS controlling interest and non-controlling interest, net of reatribution of other comprehensive income by aquisitions of Grupo Tampico and Grupo CIMSA amounted to Ps. 21,073 and Ps. 7,504, respectively. See Consolidated Statements of Comprehensive Income.

27.2.5 Reconciliation of consolidated net income

	Note		For the Year ended December 31, 2011
Consolidated net income under Mexican FRS		Ps.	20,684
Depreciation of Property, plant and equipment	**b**		458
Amortization of Intangible assets	**d**		12
Post-employment and other long-term employee benefits	**c**		92
Embedded derivatives	**e**		51
Share-based payments	**f**		27
Effective interest method	**j**		(16)
Effect on deferred income taxes	**g**		(131)
Inflation effects	**d**		(273)
Other inflation effects on assets	**d**		(3)
Total adjustments to consolidated net income			217
Total consolidated net income under IFRS		Ps.	20,901

27.3 Explanation of the effects of the adoption of IFRS

The following notes explain the significant adjustments and/or reclassifications for the adoption of IFRS:

a) Cash and Cash Equivalents:
For purposes of Mexican FRS, restricted cash is presented within cash and cash equivalents, whereas for purposes of IFRS it is presented in the statement of financial position depending on the term of the restriction.

The transition from Mexican FRS to IFRS did not have a material impact on the consolidated statement of cash flows for the year ended December 31, 2011.

b) Property, Plant and Equipment:
The adjustments to property, plant and equipment are explained as follows:

			December 31, 2011		
Cost	Mexican FRS	Reclassifications	Adjustment for the write-off of inflation recognized under Mexican FRS	Borrowing Cost	IFRS
Land	Ps. 6,444	Ps. -	Ps. (1,300)	Ps. -	Ps. 5,144
Buildings	15,404	-	(2,338)	-	13,066
Machinery and equipment	46,972	-	(6,348)	-	40,624
Refrigeration equipment	11,774	-	(1,138)	-	10,636
Returnable bottles	4,140	290	(315)	-	4,115
Leasehold improvements	-	8,808	(535)	-	8,273
Investments in fixed assets in progress	3,920	161	9	12	4,102
Non-strategic assets	101	(101)	-	-	-
Other	585	101	(91)	-	595
Subtotal	Ps. 89,340	Ps. 9,259	Ps. (12,056)	Ps. 12	Ps. 86,555
Accumulated Depreciation					
Buildings	Ps. (4,695)	Ps. -	Ps. 534	Ps. -	Ps. (4,161)
Machinery and equipment	(22,693)	-	4,844	-	(17,849)
Refrigeration equipment	(7,076)	-	1,032	-	(6,044)
Returnable bottles	(1,272)	-	241	-	(1,031)
Leasehold improvements	-	(2,838)	139	-	(2,699)
Other	(202)	-	(6)	-	(208)
Subtotal	(35,938)	(2,838)	6,784	-	(31,992)
Property, plant and equipment, net	Ps. 53,402	Ps. 6,421	Ps. (5,272)	Ps. 12	Ps. 54,563

Cost	Mexican FRS	Reclassifications	January 1, 2011 Adjustment for the write-off of inflation recognized under Mexican FRS	Borrowing Cost	Cost under IFRS
Land	Ps. 5,226	Ps. -	Ps. (1,220)	Ps. -	Ps. 4,006
Buildings	12,941	-	(2,668)	-	10,273
Machinery and equipment	38,218	-	(5,618)	-	32,600
Refrigeration equipment	9,540	-	(1,078)	-	8,462
Returnable bottles	2,854	238	(162)	-	2,930
Leasehold improvements	-	7,926	(656)	-	7,270
Investments in fixed assets in progress	3,016	59	7	-	3,082
Non-strategic assets	232	(232)	-	-	-
Other	460	232	(63)	-	629
Subtotal	Ps. 72,487	Ps. 8,223	Ps. (11,458)	Ps. -	Ps.69,252
Accumulated Depreciation					
Buildings	Ps. (3,993)	Ps. -	Ps. 646	Ps. -	Ps. (3,347)
Machinery and equipment	(20,031)	-	4,202	-	(15,829)
Refrigeration equipment	(5,777)	-	999	-	(4,778)
Returnable bottles	(601)	-	123	-	(478)
Leasehold improvements	-	(2,730)	266	-	(2,464)
Other	(175)	-	1	-	(174)
Subtotal	(30,577)	(2,730)	6,237	-	(27,070)
Property, plant and equipment, net	Ps. 41,910	Ps. 5,493	Ps. (5,221)	Ps. -	Ps.42,182

The Company ceased to record inflationary adjustments to its property, plant and equipment on December 31, 2007, due to both changes to Mexican FRS in effect at that time, and the fact that the Mexican peso was not deemed to be a currency of an inflationary economy as of that date. According to IAS 29, *Financial Reporting in Hyperinflationary Economies* the last hyperinflationary period for the Mexican peso was in 1998. As a result, the Company eliminated the cumulative inflation recognized within long-lived assets for the Company´s Mexican operations, based on Mexican FRS during the years 1999 through 2007, which were not deemed hyperinflationary for IFRS purposes.

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

2. For purposes of Mexican FRS, the Company presented leasehold improvements as part of "Other non-current assets." Such assets meet the definition of property, plant and equipment in accordance with IAS 16, *Property, Plant and Equipment*, and therefore have been reclassified in the consolidated statement of financial position.

c) Post-employment and Other Long-term Employee Benefits:

According to Mexican FRS D-3 *Employee Benefits*, a severance provision and the corresponding expense, must be recognized based on the experience of the entity in terminating the employment relationship before the retirement date, or if the entity deems to pay benefits as a result of an offer made to employees to encourage a voluntary termination. For IFRS purposes, this provision was eliminated as it does not meet the definition of a termination benefit pursuant to IAS 19 (2011) *Employee Benefits*. Accordingly, at the transition date, the Company derecognized its severance indemnity recorded under Mexican FRS against retained earnings given that no obligation exists. A formal plan was not required for recording a provision under Mexican FRS. As of December 31, 2011 and January 1, 2011 (transition date), the Company eliminated the severance provision for an amount of Ps. 640 and Ps. 452, respectively.

IAS 19 (2011), which was early adopted by the Company (mandatorily effective as of January 1, 2013), eliminates the use of the corridor method, which defers the remeasurements of the net defined benefit liability, and requires that such items be recorded directly within other comprehensive income in each reporting period. The standard also eliminates deferral of past service costs and requires entities to record them in earnings in each reporting period. These requirements increased the Company's liability for post-employment and other long-term employee benefits with a corresponding reduction in retained earnings at the transition date. Based on these requirements, the items pending to be amortized in accordance with Mexican FRS were reclassified as of December 31, 2011 and January 1, 2011 to retained earnings at the transition date for Ps. 840 and Ps. 708 respectively in the consolidated statement of financial position.

In Coca-Cola FEMSA Brazil where there is a defined benefit plan, the fair value of plan assets exceeds the amount of the defined benefit obligation of the plan. This surplus has been recorded in the Other Comprehensive Income account in accordance with the provisions of IAS 19 (2011). According to the special rules for that standard, the asset ceiling is the present value of any economic benefits available as reductions in future contributions to the plan. Under Mexican FRS, there is no restriction to limit the asset. At December 31, 2011 and January 1, 2011, Coca-Cola FEMSA Brazil reclassified from Post-employment and other non-current employee benefits to other comprehensive income Ps. 127 and Ps. 199, respectively.

d) Elimination of Inflation in Intangible Assets, Equity and Others:

As discussed above in b), for purposes of IFRS the Company eliminated the accumulated inflation recorded under Mexican FRS for such intangible assets and equity related to accounts that were not generated from operations in hyperinflationary economies.

e) Embedded Derivatives:

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

f) Share-based Payment Program:

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

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

g) Income Taxes:

The adjustments to IFRS recognized by the Company had an impact in the deferred income tax calculation, according to the requirements set forth by IAS 12. The impact in the Company's equity as of December 31, 2011 and January 1, 2011 was Ps. 4,936 and Ps. 3,633, respectively. The impact in net income for the year ended December 31, 2011 earnings was Ps. 131.

Furthermore, the Company derecognized a deferred liability recorded in the exchange of shares of FEMSA Cerveza with the Heineken Company which amounted to Ps. 10,099. IFRS has an exception for recognition of a deferred tax liability for an investment in a subsidiary if the parent is able to control the timing of the reversal and it is probable that it will not reverse in the foreseeable future.

Additionally, the Company reclassified the deferred income taxes and other taxes balances in order to comply with IFRS off-setting requirements. The Company reclassified from recoverable taxes to taxes payable balances an amount of Ps. 1,032 and Ps. 909, and from deferred tax assets to deferred tax liabilities balances an amount of Ps.600 and Ps. 1,070, as of December 31, 2011 and January 1, 2011, respectively.

h) Cumulative Translation Effects:

The Company decided to use the exemption provided by IFRS 1, which permits it to adjust at the transition date all the translation effects it had recognized under Mexican FRS to zero and begin to record them in accordance with IAS 21 on a prospective basis. The effect was Ps. 6 at the transition date, net of deferred income taxes of Ps. 1,112.

i) Retained Earnings and Non-controlling Interest:

All the adjustments arising from the Company's transition to IFRS at the transition date were adjusted against retained earnings and to the extent applicable also impacted the balance of the non-controlling interest.

j) Effective Interest Rate Method:

In accordance with IFRS, the financial assets and liabilities classified as held to maturity or accounts receivables are subsequently measured using the effective interest rate method as appropriate.

k) Investments in Associates and Joint Ventures:

On 1 January 2011, Heineken Company changed its accounting policy with respect to the recognition of actuarial gains and losses arising from defined benefit plans. After the policy change, Heineken Company recognizes all actuarial gains and losses immediately in other comprehensive income (OCI). In prior years, Heineken Company applied the corridor method. To the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion was recognized in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss was not recognized. As such, this change means that deferral of actuarial gains and losses within the corridor are no longer applied and had an impact in our investment in Heineken Company through equity method.

l) Presentation and Disclosure Items:

IFRS requires additional disclosures that are more extensive than those of Mexican FRS, which resulted in additional disclosures regarding accounting policies, significant judgments and estimates, financial instruments and capital management, among others. Additionally, the Company reclassified certain items within its consolidated income statement and consolidated statement of financial position to conform with the requirements of IAS 1, *Presentation of Financial Statements*.

28 Future Impact of Recently Issued Accounting Standards not yet in Effect:

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective as of December 31, 2012.

IFRS 9, *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

The standard requires all recognized financial assets that are within the scope of IAS 39 to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at FVTPL) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was recognized in profit or loss.

This standard has not been early adopted by the Company. The Company has yet to complete its evaluation, of whether this standard will have a material impact on its consolidated financial statements.

On May and June, 2011, the IASB issued new standards and amended some existing standards including requirements of accounting and presentation for particular topics that have not yet been applied in these consolidated financial statements. A summary of those changes and amendments includes the following:

- IAS 28, "*Investments in Associates and Joint Ventures*" (2011) (which the Company refers to as IAS 28) prescribes the accounting for investments in associates and establishes the requirements to apply the equity method for those investments in associates and in joint ventures. The standard is applicable to all entities with joint control of, or significant influence over, an investee. This standard supersedes the previous version of IAS 28, *Investments in Associates*. The effective date of IAS 28 (2011) is January 1, 2013, with early application permitted, but it must be applied in conjunction with IAS 27 (2011), IFRS 10, IFRS 11 and IFRS 12. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation, of whether this standard will have a material impact on its consolidated financial statements.

- IFRS 10, *Consolidated Financial Statements*, establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. The standard requires the controlling company to present its consolidated financial statements; modifies the definition about the principle of control and establishes such definition as the basis for consolidation; establishes how to apply the principle of control to identify if an investment is subject to be consolidated. The standard replaces IAS 27, *Consolidated and Separate Financial Statements* and SIC 12, *Consolidation – Special Purpose Entities*. The effective date of IFRS 10 is January 1, 2013, with early application permitted, but it must be applied in conjunction with IAS 27 (2011), IAS 28 (2011), IFRS 11 and IFRS 12. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation of whether this standard will have a material impact on its consolidated financial statements.

- IFRS 11, *Joint Arrangements*, classifies joint arrangements as either joint operations (combining the existing concepts of jointly controlled assets and jointly controlled operations) or joint ventures (equivalent to the existing concept of a jointly controlled entity). Joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 requires the use of the equity method of accounting for interests in joint ventures thereby eliminating the proportionate consolidation method. The determination of whether a joint arrangement is a joint operation or a joint venture is based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. The effective date of IFRS 11 is January 1, 2013, with early application permitted, but it must be applied in conjunction with IAS 27 (2011), IAS 28 (2011), IFRS 10 and IFRS 12. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation of whether this standard will have a material impact on its consolidated financial statements.

- IFRS 12, *Disclosure of Interests in Other Entities*, has the objective to require the disclosure of information to allow the users of financial information to evaluate the nature and risk associated with their interests in other entities, and the effects of such interests on their financial position, financial performance and cash flows. The effective date of IFRS 12 is January 1, 2013, with early application permitted in certain circumstances, but it must be applied in conjunction with IAS 27 (2011), IAS 28 (2011), IFRS 10 and IFRS 11. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation of whether this standard will have a material impact on its consolidated financial statements.

- IFRS 13, *Fair Value Measurement*, establishes a single framework for measuring fair value where that is required by other standards. The standard applies to both financial and non-financial items measured at fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, and applies prospectively from the beginning of the annual period in which the standard is adopted. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation of whether this standard will have a material impact on its consolidated financial statements.

- Amendments to IAS 32, *Financial Instruments: Presentation*, and IFRS 7, *Financial Instruments: Disclosures*, as it relates to offsetting financial assets and financial liabilities and the related disclosures. The amendments to IAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments to IFRS 7 are required for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation of whether this standard will have a material impact on its consolidated financial statements.

29 Subsequent Events

On February 27, 2013, the Company's Board of Directors agreed to propose an ordinary dividend of Ps. 6,684 million which represents an increase of 7.8% as compared to the dividend was paid in 2012. This dividend is scheduled to be approved at the Annual Shareholders meeting on March 15, 2013.

In February 2013, the Venezuelan government announced a devaluation of its official exchange rates from 4.30 to 6.30 bolivars per U.S. dollar. The exchange rate that will be used to translate the Companys's financial statements to its reporting currency beginning February 2013 pursuant to the applicable accounting rules will be 6.30 bolivars per U.S. dollar. As a result of this devaluation, the balance sheet of Coca-Cola FEMSA's Venezuelan subsidiary will reflect a reduction in equity of Ps. 3,456 which will be accounted for at the time of the devaluation in February 2013.

Effective January 25, 2013, Coca-Cola FEMSA finalized the acquisition of 51% of Coca-Cola Bottlers Phillipines, Inc. (CCBPI) for an amount of $688.5 in an all-cash transaction. As part of the agreement, Coca-Cola FEMSA has an option to acquire the remaining 49% of CCBPI at any time during the seven years following the closing and has a put option to sell its ownership to The Coca-Cola Company any time during year six. The results of CCBPI will be recognized by Coca-Cola FEMSA using the equity method, given certain substantive participating rights of The Coca-Cola Company in the operations of the bottler.

On January 17, 2013, Coca-Cola FEMSA and Grupo Yoli, S.A. de C.V. ("Grupo Yoli") agreed to merge their beverage divisions. Grupo Yoli beverage division operates mainly in the state of Guerrero, as well as in part of the state of Oaxaca, Mexico. The merger agreement was approved by both Coca-Cola FEMSA's and Grupo Yoli's Boards of Directors as well as by The Coca-Cola Company and is subject to the approval of the Comisión Federal de Competencia the Mexican antitrust authority. The transaction will involve the issuance of approximately 42.4 million of Coca-Cola FEMSA's newly issued series L shares, and in addition Coca-Cola FEMSA will assume Ps. 1,009 in net debt. This transaction is expected to be completed during the first semester of 2013.

On November 9, 2012, the Company announced that its retail subsidiary, FEMSA Comercio, agreed to acquire a 75% stake in Farmacias YZA, a leading drugstore operator in Southeast Mexico, with the current shareholders staying as partners with the remaining 25%. Headquartered in Merida, Yucatan, Farmacias YZA currently operates 333 stores. The transaction is pending customary regulatory approvals and is expected to close in the first quarter of 2013.